

NortonLifeLock / Avast - Response of 24 May 2022 to Issues Statement of 5 May 2022

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This Response to the CMA’s Issues Statement dated 5 May 2022 (“IS”) sets out the key reasons why the Proposed Transaction cannot be expected to result in a substantial lessening of competition (“SLC”) within any market or markets in the UK.

This Response addresses the issues raised in the IS and supplements the submissions made by the Parties in Phase 1 and Phase 2 thus far, as well as the presentations made during the site visits on 27 and 28 April 2022.¹

1 EXECUTIVE SUMMARY

1.1 This Response to the IS explains why the Proposed Transaction will not lead to any SLC in any market in the UK. Specifically, it explains why the Proposed Transaction will not lead to an SLC in consumer cyber safety as a whole (the “CCS” market); in any pillar of the CCS market (Security - protection of devices; Privacy - protection of users’ personal information; or Identity - protection against identity fraud); or in the supply of bundles of CCS products across those pillars.

(A) CCS MARKET DYNAMICS - SEE SECTION 2

1.2 CCS is an evolving and dynamic market as consumers move more of their lives online and cyber threats continue to evolve. The CCS market has developed from originally being focused on device protection (or “endpoint security”) into a broader landscape, with many CCS suppliers competing in each of the three CCS pillars (Security, Privacy and Identity) and expanding across these pillars. As a result, the industry now encompasses a broad range of products including standalone solutions as well as bundles, and many competitors offer these products in varying combinations.

1.3 There are three key features of the CCS market:

- (a) **OS providers impose significant (and always increasing) competitive constraints on the Parties.** This Response provides extensive evidence on the competitive strength of the OS operators overall, i.e. Microsoft, Apple and Google, (*see* RIS Annex 006) as well as on their competitive relevance in each pillar.
- (b) **The Parties also face strong competition from a broad array of competitors - the CCS providers traditionally active in each individual CCS pillar, but also entrants from: (i) adjacent pillars in CCS, (ii) other agencies outside CCS, as well as (iii) start-ups.** This process of entry and expansion is occurring now and the multitude of evidence shows it will continue to do so in the future irrespective of the Proposed Transaction.
- (c) **The Parties are not particularly close competitors.** Their offerings and routes to market are different and there is very little switching between them. [3<].

¹ For a digital copy of the slides presented at the NortonLifeLock Site Visit on 27 April 2022, including annexes handed out to the Panel, please refer to RIS Annex 002. For a digital copy of the slides presented at the Avast Site Visit on 27 April 2022, please refer to RIS Annex 003.

(B) SECURITY - SEE SECTION 3

1.4 No SLC arises in the Security pillar for the following reasons:

- (a) Security is increasingly commoditised (being offered for free and to a highly uniform standard with many providers offering Security products through white-labelling or licensing). [REDACTED], reflective of the maturity of the Security pillar.
- (b) Microsoft Defender poses a very significant constraint in the Security pillar. [REDACTED]² [REDACTED].
- (c) The Parties face strong competition from other third party CCS providers traditionally emanating from Security. This Response provides evidence that these are active, dynamic CCS competitors which both individually and collectively constrain the Parties.
- (d) The Parties also face competition from other market participants, particularly those that are expanding into Security from other CCS pillars, [REDACTED]. Barriers to entry and expansion are low as the technology underpinning Security is readily available through white-labelling or licensing. Routes to market are open to entrants since such entrants either come with strong brands from adjacencies,³ or a brand is not needed, since the channel partner provides it [REDACTED].
- (e) The Parties are not particularly close competitors which is hardly surprising given NortonLifeLock is a paid subscription model whereas Avast operates a freemium model. Consequently, the Parties operate very different business models; are substantially differentiated in their routes to market; and the most robust available quantitative evidence – the Compass Lexecon switching study - shows very little switching between them.
- (f) Finally, a key aspect of the Parties' forward-looking strategy, which they anticipate will be facilitated by the Proposed Transaction, is to retain and grow their customer base by expanding further from Security into the growth areas of CCS. The Parties' Security offerings have to remain attractive in order for this strategy to be successful. The Parties would therefore be deterred from any attempt to worsen their Security offering post-merger, as it would lead not only to a loss of volume and revenue in Security but would also harm their prospects to gain traction in Privacy, Identity and adjacencies, and thus undermine their growth prospects.

(C) PRIVACY– SEE SECTION 4

1.5 No SLC arises in the Privacy pillar for the following reasons:

- (a) NortonLifeLock [REDACTED].
- (b) The OS providers pose a strong competitive constraint in Privacy. Apple positions itself as a Privacy centric business and offers several privacy features.⁴ Google also has a

² There is also, naturally, strong Governmental pressure for OS providers to ensure system security.

³ [REDACTED].

⁴ Including an ad blocker on its iOS, anti-track built into its Safari browser; and its Private Relay which provides similar functionality to a VPN.

VPN,⁵ a built-in ad blocker on Chrome and third party browser extensions for additional privacy. Microsoft has an ad blocker and anti-track as features built into its Edge browser and recently announced the launch of a VPN.⁶

- (c) There are a several alternative CCS providers who originally focused their CCS offering in the Privacy pillar that have developed strong offerings and brand recognition, in some cases stronger than the Parties.⁷
- (d) The Parties are not particularly close competitors, with [§<]. Even though NortonLifeLock has recently launched an anti-track product (and Avast already has one), NortonLifeLock's is one of many on the market.
- (e) This Response provides evidence of the dynamism and strength of these various competitors and shows that [§<] and that [§<].
- (f) Further, the Proposed Transaction will not give rise to an SLC in relation to potential competition in Privacy. The strength and dynamism of the numerous market participants means there is a wealth of other suppliers who will continue to impose a strong competitive constraint on the combined entity in Privacy going forward.

(D) IDENTITY – SEE SECTION 5

1.6 No SLC arises in the Identity pillar for the following reasons:

- (a) Both Parties have very limited offerings in this nascent space in the UK and a small overlap in terms of the products they do offer. They both offer dark web monitoring, an offering that is widely available online including various free options, and some restoration services (*e.g.*, advice to restore digital identity after identity theft), [§<].
- (b) In the UK market, the Identity offering focuses on services such as dark web monitoring, social media monitoring, restoration and credit monitoring. Password management solutions⁸ are also emerging as an important part of Identity in the UK.
- (c) The OS providers are active in this pillar with dark web monitoring (available in Microsoft Edge and Google Chrome), as well as password management. Only in May 2022, Microsoft, Apple and Google announced they will team up to build a “passwordless future” through the FIDO Alliance.
- (d) Credit bureaus such as Experian and Equifax - [§<] - offer dark web monitoring as well as credit monitoring, whilst they and others emanating from the credit-checking space,

⁵ Google One VPN rolled out in the UK last year.

⁶ In April 2022, Microsoft announced the launch of Edge Secure Network (a VPN service built into Edge).

⁷ To name a few [§<], for VPN there is Nord (with its established VPN brand NordVPN) and Surfshark (now merging under the name Nord Security; hereinafter the combined Nord business is referred to by reference to “Nord”), ExpressVPN (now part of Kape), Hotspot Shield (now part of Aura); and for ad-blocking and anti-track: DuckDuckGo, Ghostery and Privacy Badger.

⁸ Note that the Parties have assigned password management to Security but it is also viewed as part of Identity - given it helps protect against identity theft.

such as Checkmyfile, Credit Karma and ClearScore offer credit monitoring.⁹ Experian and Checkmyfile also offer services relating to restoration.

- (e) CCS providers from other pillars, in particular Bitdefender, F-Secure and McAfee, are also expanding in this space. McAfee offers dark web monitoring; Bitdefender dark web and social media monitoring; and F-Secure dark web monitoring and password management.
- (f) Internal documents show that [REDACTED].¹⁰
- (g) Further, the Proposed Transaction will not give rise to an SLC in relation to potential competition in Identity. Within this pillar, [REDACTED] and [REDACTED]. And in any event, there are a multitude of other CCS providers active in and expected to expand, in this pillar.

(E) BUNDLES – SEE SECTION 6

1.7 No SLC arises in bundles across CCS pillars for the following reasons:

- (a) While there is consumer demand for bundles, the evidence shows that there is [REDACTED] demand for standalone products. This has led, for example, to [REDACTED].
- (b) In any case, multiple CCS providers offer bundles. As CCS competitors expand across pillars they will be able to offer bundles if they choose to. Having an origin (as the Parties do) in Security does not provide an advantage for offering bundles since (i) Security is substantially commoditised and easy to enter (through white-labelling or licensing); and (ii) many CCS suppliers from non-Security starting points have brands at least as strong as the CCS providers historically focused in Security.
- (c) NortonLifeLock and Avast are not particularly close competitors in the supply of bundled CCS solutions, even when considering only those that have Security at the core. Avast is one of the latest entrants with its Avast One bundle - [REDACTED]. As Avast's documents show, [REDACTED].

(F) DYNAMIC COMPETITION AND BENEFITS OF THE MERGER – SEE SECTION 7

1.8 Finally, the Proposed Transaction does not give rise to a dynamic SLC in any CCS pillar, or the wider CCS market as a whole. Innovation is driven by many competitors (cumulatively), including the OS providers, the wide range of CCS providers, and well-funded start-ups. These drivers of innovation will remain post-merger and will spur the Parties to realise the full potential innovation benefits of the Proposed Transaction, sparking further innovation and competition in the market.

1.9 The Proposed Transaction will benefit consumers. It will enable the Parties to further improve their offers due to the benefits of cross-selling areas of respective relative strength and will free

⁹ [REDACTED], and credit monitoring is now offered for free by some providers (e.g., Credit Karma and ClearScore).

¹⁰ [REDACTED].

up cash flows tied up in maintenance spend, which will instead be deployed in pursuing new product development.¹¹

(G) CONCLUSION

- 1.10 The market characteristics are far from those that would be conducive to an SLC whether in any CCS pillar, CCS bundles, or the CCS market as a whole. The CCS space is heavily contested by powerful OS providers, a range of established third party CCS providers, and new entrants, including by different providers across the CCS space irrespective of their different starting points. Any attempt by the merged entity to worsen price, quality, range or service levels, or reduce innovation, post-merger in the face of these aggregate constraints would be self-defeating and capitalised upon by its competitors.

¹¹ Both points are reflected in the contemporaneous [X] external documents discussing the rationale for the Proposed Transaction. This has been accepted by the CMA in the Phase 1 Decision having reviewed the Parties' documents (see paras 21-23 of the Phase 1 Decision).

2 INTRODUCTION TO THE CCS MARKET

(A) EVOLVING AND DYNAMIC NATURE OF THE CCS MARKET -

- 2.1 Historically, the Parties' operations were focused on device protection, with their core products often referred to as a form of "endpoint security". The market has since evolved into a broader CCS market, protecting users as well as their devices.¹² The pandemic in 2020 has accelerated the market evolution as people have moved even more of their lives online.¹³ Today, Security, Privacy and Identity are the three key pillars of CCS.¹⁴ These pillars are at different stages of maturity, with Security being substantially commoditised, Privacy continuing on a strong growth trajectory, and Identity being a nascent category outside of the US.¹⁵
- 2.2 Competition within each of the CCS pillars is strong. In addition, CCS suppliers with a historical focus in one pillar have expanded and are expanding across different pillars and there is on-going entry, including by companies coming from agencies outside CCS (as illustrated in **Figure 1** below) as well as start-ups.¹⁶ The operating system providers ("**OS providers**") are [§<] competitive constraints in each pillar [§<].

Figure 1 - The Dynamic Competitive Landscape in CCS

[§<]

- 2.3 The three pillars and the competitive dynamics within each of them can be characterised as follows:
- (a) **Security - Substantially commoditised, with endpoint protection now built in to all OSs.** CCS solutions offered in the Security pillar include core antimalware functionality (anti-virus, anti-ransomware, anti-spyware, anti-phishing - which are often collectively commonly referred to as "AV"), as well as firewall protection, parental controls, and webcam protection. The Parties have consistently faced [§<] constraint from CCS providers with their roots in this pillar [§<] and for a few years now have also faced [a] [§<] challenge from Microsoft with Microsoft Defender. In addition, a number of CCS providers originating in other pillars have moved into Security,¹⁷ including Kape and

¹² The CMA acknowledged this in the Phase 1 Decision ("**P1D**") at para. 49, noting that "[t]he 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."

¹³ As also noted by [§<].

¹⁴ Note that the boundaries can blur somewhat between these pillars; for example, password management might be described as within Security or Identity and additional features on browsers may also be differently designated as protecting Security or Privacy; security scanning is integrated into some VPN products.

¹⁵ [§<]. In this category (also known as "Device Care"), Avast supplies utility tools providing regular updating and clean up tasks to improve system performance. [§<]. The Parties estimate that, at a global level, NortonLifeLock's revenue share of supply in Device Care is only [§<]. Therefore, it is not plausible that the Proposed Transaction could raise any competition concerns in this category and it is not discussed further in this Response.

¹⁶ For a review of the growth journey of several start-ups who have recently entered the CCS market (in one or multiple pillars), please refer to RIS Annex 007.

¹⁷ For an overview of [§<].

NordVPN (now Nord) from Privacy and Aura and Carbonite from Identity.¹⁸ Indeed an internet service provider, J2Global (now ZiffDavis) has moved into Security from an adjacent space. The AV offering of the broad range of CCS suppliers active in the Security pillar today can barely be distinguished based on efficacy and performance.

- (b) **Privacy - Demand for protection of online privacy is growing.** CCS solutions offered in the Privacy pillar include VPN, anti-tracking, private browser, data removal, private email, private messaging, private calling among other services. The most established CCS providers in the Privacy pillar include Nord, ExpressVPN (now part of Kape), Surfshark (now merging with Nord), and Private Internet Access (PIA). Several CCS providers originating in other pillars have moved into the space,¹⁹ including most of those originating in Security, Experian (coming from Identity and an adjacent space) and ZiffDavis. The OS providers again are [§<] competitors in this space through Privacy features being built into the OS as well as through internet browsers and email services offered across OSs. (Apple is positioning itself as Privacy centric, with Apple Private Relay on Safari²⁰ amongst other products; Microsoft has introduced CloudFlare - a service enabling browsing with VPN-like encryption - on Microsoft Edge,²¹ and Google has recently launched a VPN²²).
- (c) **Identity - Nascent space with significant growth potential.** CCS solutions offered in the Identity pillar protect users' identity from fraud and other threats, including through credit scoring/ reporting/ monitoring and password management, dark web monitoring, social media monitoring, reimbursement and restoration. Identity is a nascent space in the UK, [§<].²³ The [§<] CCS suppliers in the UK today are credit score and consumer identity protection providers such as Checkmyfile, ClearScore, CreditKarma, Equifax, Experian, and TransUnion.²⁴ A number of CCS providers originating in other pillars have also moved into the space (including Bitdefender, F-Secure and McAfee).²⁵ The OS providers are also active here. For example, on 5 May 2022, Google, Apple, and Microsoft announced they are teaming up to build "a passwordless future" across their platforms through the "FIDO Alliance".²⁶

¹⁸ We also note that Keeper Security, a leading password manager, has recently raised significant capital to invest in its cybersecurity offering. See "Keeper Security Closes \$60 Million in Growth Funding - Investment supports global expansion and positions Keeper to address critical, growing need for essential cybersecurity solutions", PR Newswire, 17 August 2020, www.prnewswire.com/news-releases/keeper-security-closes-60-million-in-growth-funding-301112842.html, last consulted 17 May 2022.

¹⁹ [§<].

²⁰ [§<].

²¹ "Microsoft enters the VPN wars with new service built into Edge", TechRadar Pro, 3 May 2022, www.techradar.com/news/microsoft-enters-the-vpn-wars-with-new-service-built-into-edge, last consulted 10 May 2022.

²² [§<].

²³ As explained by [§<]. See also [§<].

²⁴ For more information on Transunion's growth plans in the UK (projecting \$300M+ revenue in the UK by 2025), see Transunion 2022 Investor Day Presentation, available at <https://investors.transunion.com/~media/Files/T/Transunion-IR/reports-and-presentations/2022-investor-day-presentations.pdf>, last consulted 23 May 2022.

²⁵ [§<].

²⁶ "Apple, Google and Microsoft Commit to Expanded Support for FIDO Standard to Accelerate Availability of Passwordless Sign-Ins", Fido Alliance, 5 May 2022, <https://fidoalliance.org/apple-google-and-microsoft->

- 2.4 The market is continuing to evolve, expected to result in a range of new offerings that are likely to be available both on a standalone basis and as parts of bundles of products (e.g., protection of the connected home, secure access services for life activities, insurtech, trusted personal finance, trusted community, and other protection services).²⁷
- 2.5 This presents significant opportunity. Players currently active in or adjacent to CCS are competing hard to develop and bring to market products that will enable them to gain traction in the future of CCS. Also the market continues to attract new entry and investment as a result of its promising growth prospects. Because of these dynamics, the longer established players - including the Parties - cannot rest on their laurels. They need to be competitive and innovative in order to make the most of the current and future market opportunities.

(B) THE INDUSTRY IS A GLOBAL BUSINESS

- 2.6 The Parties note the CMA's position²⁸ that the geographic frame of reference is unlikely to be determinative in this case. However, the Parties reiterate that there are several global dimensions to competition in this market. [REDACTED].
- 2.7 With respect to innovation specifically, new CCS products and features are developed and typically rolled out at a global level [REDACTED], with only minor local modification. [REDACTED]. The positive effects on innovation (described further below) resulting from the Proposed Transaction will therefore benefit consumers in the UK.

commit-to-expanded-support-for-fido-standard-to-accelerate-availability-of-passwordless-sign-ins/, last consulted 10 May 2022.

²⁷ See [REDACTED].

²⁸ IS, para. 33.

3 THE PROPOSED TRANSACTION DOES NOT GIVE RISE TO AN SLC IN SECURITY

3.1 This section will discuss the following key themes in order to demonstrate that the Proposed Transaction does not give rise to an SLC in Security:

- (a) The Merged Entity Will Continue to be Constrained by a Broad Range of Competitors in the Substantially Commoditised Security Pillar [REDACTED]
- (b) The Merged Entity Will Continue to be Constrained in Security by a Broad Range of Third Party CCS Vendors Originally Focused on Security
- (c) In Addition, the Merged Entity Will Continue to be Constrained in Security by a Broad Range of Third Party Competitors Originating in other CCS Pillars or Adjacencies
- (d) The Proposed Transaction Will Not Result in a Loss of Competition between Close Competitors in Security
- (e) The Proposed Transaction Will Not Give Rise to a Loss of Potential Competition in Security

(A) THE MERGED ENTITY WILL CONTINUE TO BE CONSTRAINED BY A BROAD RANGE OF COMPETITORS IN THE SUBSTANTIALLY COMMODITISED SECURITY PILLAR

3.2 Following the Proposed Transaction, the combined entity will continue to be constrained by: (A) Microsoft Defender (as well as Apple and Google); (B) CCS providers originating in the Security pillar; (C) CCS providers originating in other CCS pillars or adjacent segments; and (D) recent entrants (including through white-labelling or licensing). We address these in turn below and highlight, first of all, the impact the strong competition of recent years has had on the Parties. Technical terms used in this Response are explained in the Glossary at RIS Annex 001.

- (a) [REDACTED]

3.3 The competitive pressure exercised by this broad range of competitive constraints in the Security pillar (and beyond) is demonstrated by [REDACTED].²⁹

²⁹ [REDACTED].

[REDACTED]³⁰

[REDACTED]

[REDACTED]³¹

[REDACTED]

[REDACTED]³²

[REDACTED]

3.4 [REDACTED]³³ [REDACTED].³⁴

3.5 [REDACTED].³⁵ [REDACTED].³⁶

(b) **Microsoft Defender** [REDACTED]

3.6 [REDACTED]. OS providers play a [REDACTED] role in many of the developments within the Security pillar and the broader CCS market [REDACTED].³⁷

3.7 [REDACTED].

3.8 [REDACTED].

3.9 [REDACTED]. Microsoft has made [REDACTED] inroads into the Security pillar in recent years. Microsoft Defender in the Security pillar is now far from a ‘baseline’ offering as positioned in the PID, but instead exerts a significant constraint on third party CCS providers’ Security offering. From its strength in OS and Security, Microsoft is also exerting a [REDACTED], constraint across the wider CCS market.

3.10 [REDACTED].

3.11 The success of Microsoft Defender, and [REDACTED] recognition as a [REDACTED] competitor in the segment, has been confirmed by [REDACTED], and a wide range of third party experts that assess the CCS landscape, [REDACTED].³⁸ In light of such [REDACTED] evidence, ignoring the constraint that Defender imposes on the Parties would be a fundamental flaw in any assessment of the Transaction’s impact on competition.

3.12 Further, the suggestion in the PID that consumers may not be ‘actively’ choosing Defender, but could instead be only ‘passively’ relying on it given that it is pre-installed on the Windows OS, is incorrect.³⁹

³⁰ [REDACTED].

³¹ [REDACTED].

³² [REDACTED].

³³ See [REDACTED].

³⁴ For more detail, [REDACTED].

³⁵ See [REDACTED].

³⁶ See e.g., [REDACTED].

³⁷ See also [REDACTED].

³⁸ See [REDACTED].

³⁹ CMA PID, paragraph 133.

- 3.13 First, [REDACTED]. Indeed, deciding not to renew a third party subscription or install a third party product is a conscious choice.
- 3.14 Second, the Parties are constrained by Defender *irrespective* of whether consumers ‘actively’ choose Defender. [REDACTED],⁴⁰ [REDACTED], the Parties are constrained by Defender irrespective of whether consumers ‘actively’ choose Defender or not because all third party CCS providers that must offer a product that is at least as good as Defender [REDACTED].
- 3.15 **The rapid rise of Microsoft Defender (particularly since the launch of Windows 10 in 2015)**⁴¹ [REDACTED]. Having to compete with a free built-in solution that automatically reaches almost all PC users around the world, [REDACTED].⁴² [REDACTED].⁴³ [REDACTED], as Microsoft is already broadening its offer beyond Security to a complete CCS offering, and the two other major OS providers (Apple and Google) are focused in the adjacent pillars today. [REDACTED] the OS providers will continue to compete fiercely across the spectrum of CCS, [REDACTED].
- 3.16 **Indeed, Microsoft is undeniably focused on broadening and strengthening its already significant presence in Security and beyond.** The Parties believe that Microsoft’s incentive to hone in on CCS is in large part driven by the desire to ensure the Windows ecosystem is as secure as Apple’s and Google’s OSs with a view to increasing the attractiveness of its ecosystem as much as possible [REDACTED]. In addition, Microsoft’s significant investments in cyber safety for enterprise are paying dividends, further enabling the company to ramp up efforts in CCS.⁴⁴ For any provider, transferring enterprise functionality into consumer offering requires limited added investment, and with Microsoft already having demonstrated its enterprise-to-consumer development trajectory,⁴⁵ its commitment to quadruple investment in its cybersecurity business only means its CCS offering will continue to expand.⁴⁶
- 3.17 **Looking forward, the Parties** [REDACTED].⁴⁷ [REDACTED],⁴⁸ [REDACTED].⁴⁹ [REDACTED].
- 3.18 The success of Microsoft Defender, and clear place as a strong competitor in Security, has been confirmed by feedback from multiple third party experts, [REDACTED].⁵⁰

⁴⁰ [REDACTED].

⁴¹ [REDACTED].

⁴² [REDACTED].

⁴³ [REDACTED].

⁴⁴ [REDACTED] in March 2020 Microsoft launched Microsoft Defender on IOS and Android for Enterprise and then in February 2022 it released Microsoft Defender Preview for Windows IOS and Android.

⁴⁵ Microsoft announced in April 2022 that it had surpassed \$15 billion in enterprise security revenue, with more than 50% year-over-year growth, growing faster than any other significant product or service sold by Microsoft. In May 2022, Microsoft CEO Satya Nadella announced an increase in annual R&D spend on cybersecurity from \$1 billion to \$4 billion, with the VP for Security noting that “*We’re just expanding the scale because of the demands we are seeing.*”

⁴⁶ Microsoft announced in April 2022 that it had surpassed \$15 billion in enterprise security revenue, with more than 50% year-over-year growth, growing faster than any other significant product or service sold by Microsoft. In May 2022, Microsoft CEO Satya Nadella announced an increase in annual R&D spend on cybersecurity from \$1 billion to \$4 billion, with the VP for Security noting that “*We’re just expanding the scale because of the demands we are seeing.*”

⁴⁷ [REDACTED].

⁴⁸ [REDACTED].

⁴⁹ [REDACTED].

⁵⁰ [REDACTED].

[REDACTED]
[REDACTED].

[REDACTED]
[REDACTED].

[REDACTED].

[REDACTED].

(c) **Competitive Constraint by Apple and Google**

- 3.19 **Apple and Google both exert a [REDACTED] constraint on the Security pillar.** Both advertise the ease of their built-in security and invest heavily in its quality. As a result, quality, convenience and ease of use of in-built Security is an important element of competition between OS providers.
- 3.20 **This competition between OS providers in turn exerts a constraint on the Parties.** The efforts by Apple and Google to improve the security of their OSs has been a key driver in Microsoft's own investment in its Defender product: [REDACTED].
- 3.21 The closed design of the OSs of Apple (which does not allow third party antivirus software on the mobile iOS platform) and Google (with a comprehensive built-in Security feature) also directly affects the strategies of third party CCS providers, [REDACTED].⁵¹ They have had to invest in Security features and products that are compatible with Android and iOS/ MacOS, respectively, and offer additional functionality in addition to Apple and Google's in-built Security.⁵²
- 3.22 [REDACTED].⁵³ [REDACTED].⁵⁴

(B) THE MERGED ENTITY WILL CONTINUE TO BE CONSTRAINED IN SECURITY BY A BROAD RANGE OF THIRD-PARTY CCS PROVIDERS ORIGINALLY FOCUSED ON SECURITY

- 3.23 In addition to the strong competition posed by the OS providers, and Microsoft in particular the Merged Entity will continue to face strong competition in Security from a broad range of paid and freemium CCS providers.⁵⁵ Some of these providers have proprietary threat engines whilst others use licensed technology. This licensed technology is easily accessible and facilitates entry and expansion. [REDACTED], other licensors of technology include Avira, Bitdefender, Malwarebytes and Sophos. Given that everyone has access to threat data through open source databases (which track and share known vulnerabilities and malware files) and give industry participants the ability to continuously maintain and improve their Security solutions, there is no significant difference in competitive strength depending on whether competitors have a proprietary engine or licence.

⁵¹ See [REDACTED].

⁵² See [REDACTED].

⁵³ See [REDACTED].

⁵⁴ See [REDACTED].

⁵⁵ See [REDACTED].

3.24 An overview of some of the key CCS providers' offerings in the Security pillar, in addition to those offered by the OS providers is included in Table 1) below.⁵⁶

⁵⁶ See also [X].

Table 1 - Overview of Select CCS Providers Originating in Security⁵⁷

		Adaware	Avast	Bitdefender ⁵⁸	ESET	F-Secure	Kaspersky	Malwarebytes	McAfee	NortonLifeLock	Panda	Sophos	TotalAV	Trend Micro	Webroot (Opentext)
Security Features	Anti-malware/anti-virus	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Malicious URL Detection	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Firewall Protection	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓ ²	✓		✓
	Parental Controls	✓		✓	✓	✓	✓		✓	✓	✓	✓		✓	
	PC Optimisation	✓	✓	✓	✓		✓		✓	✓ ²	✓ ²		✓	✓	✓
	Webcam Protection		✓	✓	✓	✓	✓			✓		✓		Only on Mac	✓
Price Range – Annual³ (# of Security Plans)	£0 - £79.99	£63.99 - £109.99 (2 plans)	£29.99 - £54.99* (4 plans)	£9.95 - £69.90	£49.99 - £99.99 (3 plans)	£24.99 - £79.99 (3 plans)	£29.99 - £99.98 (2 plan)	£49.99 - £99.99 (4 plans)	£34.99 - £149.99 (4 plans)	£34.99 - £118.99 (4 plans)	£37.46 - £86.21	£39 - £179	£19.90 - £29.95	£29.99 - £64.99	
Devices Supported (varies based on plan)	1 - 5	1 - 10	1 - 10	1 - 5	1 - 7	1 - 10	1 - 5	1 - 10	1 - 10	1 - 10	1 - unlimited	1 - 10	1 - 6	1 - 5	1 - 10

⁵⁷ The Parties note that this table is based on the Windows offering of the selected CCS providers. For the avoidance of doubt, the selection presented in this Table is not intended to be exhaustive.

⁵⁸ Bitdefender’s password manager is offered separately and not as part of the Security bundle.

	Adaware	Avast	Bitdefender ⁵⁸	ESET	F-Secure	Kaspersky	Malwarebytes	McAfee	NortonLifeLock	Panda	Sophos	TotalAV	Trend Micro	Webroot (Opentext)
Supported Platforms	Windows	Windows, (Mac, Android, iOS)	Windows, (Mac, Android, iOS)	Windows (Mac, Android)	Windows (Mac, Android, iOS)	Windows, (Mac, Android, iOS) ⁴	Windows (Mac, Android, Chrome) ⁵⁹	Windows (Mac, Android, iOS)	Windows (Mac, Android, iOS)	Windows (Mac, Android, iOS)	Windows (Mac, Android, iOS)	Windows (Mac, Android, iOS)	Windows, (Mac, Android, iOS, Chrome)	Windows, (Mac, Android, iOS, Chrome)

Source: [X] and Desktop research

⁵⁹ Mac and mobile devices have different pricing vs. Windows plans.

3.25 [REDACTED].⁶⁰⁶¹

Bitdefender. Bitdefender has historically offered free editions of its antivirus software, browser protection and home Wi-Fi scanner and having withdrawn its prior free product, launched a new free antivirus product for Windows in March 2022.⁶²⁶³ Experts' review websites explicitly compare Bitdefender's free offering with Avast.⁶⁴ [REDACTED].⁶⁵⁶⁶ In addition, [REDACTED].⁶⁷[REDACTED].⁶⁸⁶⁹

ESET. Highly ranked by independent labs⁷⁰ as well as by experts⁷¹ and customer reviews,⁷² ESET, which primarily offers Security bundled products, steadily remains [REDACTED] competition [REDACTED].⁷³

F-Secure. F-Secure is highly ranked by independent labs.⁷⁴ [REDACTED],⁷⁵ F-Secure [REDACTED].is expected to further increase in the UK, in light of the provider's recent sales push including (i) to offer a 3-year

⁶⁰ See [REDACTED].

⁶¹ See [REDACTED].

⁶² The new product offers, malware protection, custom scanning scheduling options, email protection for Outlook and Thunderbird, providing an extra layer of protection against malware. There is also an exploit detection feature that informs users if they are vulnerable or at higher risk for compromise. (See Martin Brikmann, 'After retiring Bitdefender Free, Bitdefender launches Antivirus Free for Windows' (19 March 2022), available at: <https://www.ghacks.net/2022/03/19/after-retiring-bitdefender-free-bitdefender-launches-antivirus-free-for-windows/>.)

⁶³ As announced by Bitdefender's vice president for customer solutions, the provider "*redesigned Bitdefender Antivirus Free for Windows to provide a powerful first line of defense against modern threats that is also intuitive and easy to use. While our new free version doesn't include many important features for complete security protection, it helps stop attacks at the door while giving users a good way to test out Bitdefender technology finding out first hand why we continuously lead independent tests for threat detection.*" (See www.bitdefender.com/blog/hotforsecurity/bitdefender-unveils-newly-architected-antivirus-free-for-windows/).

⁶⁴ See, article dated 22 March 2002 <https://uk.pcmag.com/antivirus/4790/bitdefender-antivirus-free-edition-2017>. See also <https://cybernews.com/best-antivirus-software/bitdefender-vs-avast/>, according to which "*Bitdefender not only has a pristine reputation and offers excellent antivirus protection and is better than Avast in all areas.*"

⁶⁵ See, for example, [REDACTED].

⁶⁶ *Ibid.*

⁶⁷ See [REDACTED].

⁶⁸ See, for example, a [REDACTED].

⁶⁹ Bitdefender's new Identity Theft Protection product (please see section 5 below) was launched in the US and is not available in the UK yet. However, Bitdefender currently offers Bitdefender Digital Identity Protection in the UK. For further detail, please see section 5 below.

⁷⁰ Recognised as a "Top Product" by AV Test (<https://www.av-test.org/en/antivirus/home-windows/manufacture/ eset/>) and awarded by AV Comparatives (<https://www.eset.com/int/about/newsroom/press-releases/company/eset-awarded-for-its-advanced-threat-protection-solutions/>).

⁷¹ See, for example, <https://www.security.org/antivirus/eset/review/> (according to which "*ESET outshines the competition in almost every other aspect.*").

⁷² See, for example, <https://uk.trustpilot.com/review/eset.com%2Fuk>.

⁷³ [REDACTED].

⁷⁴ Consistently recognised as a "Top Product" by AV Test since 2018 (<https://www.av-test.org/en/antivirus/home-windows/manufacture/f-secure/>).

⁷⁵ [REDACTED].

free trial for UK consumers or; (ii) to pay up to 12 months of a competitor's subscription if the customer switches to F-Secure. ⁷⁶
Kaspersky. Kaspersky is highly ranked by independent labs ⁷⁷ as well as by experts. ⁷⁸ As shown in Table 1 above, Kaspersky's product offering is very similar to the Security offerings of the Parties [REDACTED]. ⁷⁹ [REDACTED]. ⁸⁰
Malwarebytes. [REDACTED]. ⁸¹ In addition, several experts' reviews explicitly compare [Malwarebytes and Avast]. ⁸²
McAfee. Focused on supplying paid products, McAfee offers [REDACTED]. ⁸³ McAfee is the top supplier in the OEM channel globally (including in the UK). McAfee [REDACTED]. ⁸⁴ ⁸⁵
Trend Micro. Although Trend Micro has a smaller presence in the UK relative to its presence in Asia, it is already established and is a [REDACTED]. competitor to the Parties that could decide to divert investment to the UK at any point. Trend Micro in fact issued a specific post regarding the Proposed Transaction, ⁸⁶ using the opportunity to advertise that: " <i>Trend Micro has a comprehensive range of industry leading cybersecurity tools designed to protect every aspect of consumers' digital lives</i> " and noting that " <i>consumers can be assured that Trend Micro will always look to offer competitive, feature-rich alternatives to the market.</i> " In fact, Trend Micro is well-placed to offer competitive alternatives, providing a comprehensive Security offering. ⁸⁷

⁷⁶ See, <https://www.mostiwant.com/f-secure-safe-free-subscription/>; <https://campaigns.f-secure.com/total/pm/gb-en/>.

⁷⁷ Recognised as a "Top Product" by AV Test (<https://www.av-test.org/en/antivirus/home-windows/manufacture/kaspersky-lab/>) and awarded by AV Comparatives as offering Advanced+ malware protection and Advanced performance (<https://www.av-comparatives.org/awards/kaspersky-lab/>).

⁷⁸ See, for example, <https://uk.pcmag.com/antivirus/34129/kaspersky-anti-virus> (according to which "*from the dozens of available antivirus products, we've picked these three, along with Kaspersky Anti-Virus, as Editors' Choice antivirus tools [referring to Bitdefender, Webroot and McAfee as the other three choices]*").

⁷⁹ See also a [REDACTED].

⁸⁰ See, for example [REDACTED]. Note that the UK National Cyber Security Centre Guidance has indicated there is no need for consumers to cease using Kaspersky. See Managing supply chain risk in cloud-enabled products - NCSC.GOV.UK and Kaspersky statement on the U.K. NCSC publication | Kaspersky.

⁸¹ [REDACTED].

⁸² See, for example, <https://cybernews.com/best-antivirus-software/malwarebytes-vs-avast/> (which ranks Malwarebytes as a better antivirus solution than Avast); <https://www.proficientblogging.com/malwarebytes-vs-avast/>; <https://www.forbes.com/advisor/business/software/malwarebytes-vs-avast/>; <https://www.comparitech.com/antivirus/malwarebytes-vs-avast/>.

⁸³ See, for example, [REDACTED].

⁸⁴ [REDACTED].

⁸⁵ See as a recent further development, <https://bangoinvestor.com/mcafee-partners-with-bango-to-reach-millions-more-users/>; https://www.sharesmagazine.co.uk/news/market/LSE20220504070005_4356916/bango-signs-agreement-with-mcafee.

⁸⁶ See, https://www.trendmicro.com/en_us/research/21/h/what-the-norton-avast-merger-means-for-cybersecurity.html.

⁸⁷ See, Table 1 above.

3.26 Given that the existing brand reputation and routes to market of CCS providers originating in Security facilitate customer growth in other pillars and adjacencies, these providers will continue to adapt and evolve their product roadmaps to maintain their attractive Security offerings and will therefore continue to impose a strong competitive constraint on the merged entity.

(C) IN ADDITION, THE MERGED ENTITY WILL CONTINUE TO BE CONSTRAINED IN SECURITY BY A BROAD RANGE OF THIRD PARTY COMPETITORS ORIGINATING IN OTHER CCS PILLARS OR ADJACENCIES

3.27 A number of other CCS providers that focused their offering in other CCS pillars or in adjacent markets represent the newest source of entry into Security. Benefitting from strong brands developed in other pillars or adjacent segments and established routes to market, and the ability to white-label a Security offering, those CCS players have added Security to their portfolios, which would enable them to show consumers a broader range of offerings. These CCS players include:

3.28 **Traditional Privacy/Identity players** including, among others, Aura, Kape (which has recently acquired ExpressVPN to add to its range of brands), and NordVPN - now Nord (and soon to include Surfshark).

<p><i>Expansion from Identity</i></p> <p>Aura</p> <p>Aura, initially originating in Identity, entered the CCS space through its brand, Identity Guard. Since then, it has added a number of wider endpoint security, family, device care and privacy features to product offering through several acquisitions (including Pango in Security and Hotspot Shield in Privacy in the second half of 2021).⁸⁸ In 2021, Aura launched a new 3-tier product, which is [X]. Aura has the potential to win customers by leveraging its reputation in Privacy and Identity, especially as it continues to improve its Security offering. [X].⁸⁹</p>
<p><i>Expansion from Privacy</i></p> <p>Kape</p> <p>Kape Technologies has successfully transitioned from being a pure Privacy (particularly VPN) service provider (via its brands Private Internet Access (PIA), CyberGhost VPN, ZenMate VPN and now also Express VPN⁹⁰) to offering a range of Security and Privacy solutions through strategic add-ons, like Intego, which offers an online Security tool. According to an expert review, Intego is “a really good antivirus solution. It has continuously proven to reliably detect</p>

⁸⁸ These include: Pango (the no. 5 largest player in VPN worldwide per IDC 2019), FigLeaf (a privacy solutions provider), Hotspot Shield (a VPN provider), Intrusta (an antivirus protection provider) and PrivacyMate (a privacy solutions provider).

⁸⁹ See, for example, [X].

⁹⁰ See, <https://www.expressvpn.com/blog/expressvpn-officially-joins-kape/>.

*online threats, offers a free version, and is quite easy to use.*⁹¹ Intego appeared in lab results from both AV-Test Institute and AV-Comparatives, where it scored 100% detection against Mac malware and did well when AV-Test challenged it to block less-risky potentially unwanted applications.⁹²

Expansion from Privacy

Nord

Nord which has its origins in Privacy (particularly VPN), launched Nord Threat Protection (after the Proposed Transaction was announced), which is a built-in feature added to the company's Privacy product that provides consumer antimalware (i.e. Security) and ad blocker/anti-tracker software (i.e. additional Privacy functionality). Nord Threat Protection is at an early stage but, as Nord's co-founder sees Nord's mission as threat protection, Nord's Security offering is expected to develop further in the future.⁹³ In fact, Nord's website advertises the product as taking "*cybersecurity to the next level*",⁹⁴ suggesting that "*there's no need to install another software*".⁹⁵ Nord has a [X] ⁹⁶ and is [X] bringing together NordVPN (as well as NordLocker, NordPass, Threat Protection and other stand-alone CCS products under the "Nord" brand, plus Atlas VPN) and Surfshark. Surfshark, which also has its origins in VPN, launched in 2021 the SurfShark One bundle that includes antivirus, antitrack, VPN, and identity protection features. As explained by its CEO, the "*Surfshark One bundle comes as an all-round package that includes all four of [Surfshark's] solutions into a single application*", enabling it to "*offer more than just a VPN*".⁹⁷ Despite its recent entry into the Security pillar, the SurfShark One bundle has received positive reviews from technology experts, particularly attractive to tech savvy users relying on its Privacy offering,⁹⁸ meaning [X]. Nord's co-

⁹¹ <https://cybernews.com/best-antivirus-software/intego-review/>.

⁹² AV-Test has cut back the number of products in its latest tests and does not currently include Intego. *See* for a full review, <https://uk.pcmag.com/antivirus/35594/intego-mac-internet-security-x9>.

⁹³ *See*, <https://www.technologyforyou.org/meet-nord-security-the-company-behind-nordvpn-wants-to-be-your-one-stop-privacy-suite/>; *See* <https://www.zdnet.com/article/meet-nordsec-the-company-behind-nordvpn-wants-to-be-your-one-stop-privacy-suite/>, "*According to co-founder Okman, NordSec grew its R&D team substantially in 2019, tasking developers with focusing on the research and implementation of new technologies that could benefit online security and privacy. Okman tells us that one key area of work is anti-malware. The Nord Security team is reportedly close to completing a proof-of-concept for an approach Okaman says "might render antivirus systems useless." Nord Security is exploring technology that may be able to detect malware before it lands on devices, block third-party trackers or cookies, cut the communication between devices and botnet command and control servers, and more. [...] His goal is to offer a single application that covers all of the important areas of consumer security. He wants to include a firewall, a VPN service, and "a different kind of antivirus system, which does not misuse your data and barely operates on the device level."*

⁹⁴ *See*, <https://nordvpn.com/features/threat-protection/>.

⁹⁵ *See*, <https://nordvpn.com/blog/threat-protection/>.

⁹⁶ *See e.g.*, [X].

⁹⁷ *See*, <https://www.techradar.com/vpn/surfshark-one>.

⁹⁸ *See*, <https://www.tomsguide.com/features/what-is-surfshark-one-and-is-it-worth-getting>, <https://techninjapro.com/surfshark-one-bundle-the-ultimate-suite-of-essential-cybersecurity-tools/> (according to which "*Undoubtedly, combining a VPN product with the feature set of Antivirus is a bold move, but Surfshark has done it, and not only has it made it happen, but the results are also impressive. Surfshark is ready to unleash all of its power in the digital cybersecurity industry and is not coming slow.*")

founder has outlined strong ambitions for the merged company, to grow to be the “*largest internet security powerhouse in the market*”.⁹⁹ The company has recently raised \$100 million in a round of funding led by Novator with Burda Principal Investments and General Catalyst leading to an overall valuation of \$1.6 billion.¹⁰⁰ [REDACTED].¹⁰¹

3.29 **OEMs.** Similar to the OS providers, OEMs benefit from large budgets, established brand names, and limited go-to-market costs for software built-in to their devices, and are therefore well-placed to expand in the Security pillar. Last year, HP launched Wolf Security for business¹⁰² and Wolf Security for Home targeted at consumers. HP Wolf Security for Home, supplied through HP’s own engine, includes a set of built-in Security features.¹⁰³ By uniting the company’s Security offerings into a single platform for customers, HP will create an endpoint infrastructure and cyber defence [REDACTED].

3.30 **Internet service providers** are also active in Security. Whilst [REDACTED] a number of these operate in partnership with CCS providers, distributing under the CCS provider’s brand, others are going down the white-label route and supplying Security as an integral part of their branded suite of products. For example, Virgin Media provides an antivirus software ‘Virgin Media Internet Security’ in partnership with F-Secure on unlimited devices, with antimalware, antiphishing, parental controls and safe Banking features.¹⁰⁴ Similarly, TalkTalk provides TalkTalk SuperSafe, an endpoint protection solution (including antivirus and malware protection, parental controls, password manager and mobile anti-theft protection) provided by F-Secure for PC, Mac, Android and iOS devices.¹⁰⁵

(D) THE PROPOSED TRANSACTION WILL NOT RESULT IN A LOSS OF COMPETITION BETWEEN CLOSE COMPETITORS IN SECURITY

3.31 This Section explains that the Parties are not particularly close competitors within the Security pillar because:

- (a) Many players offer the same or a very similar set of Security products with very similar features and levels of performance;
- (b) The parties have fundamentally different business models; and therefore have different sales channels; and

⁹⁹ See, <https://cybernews.com/news/nord-security-and-surfshark-merge-to-create-the-largest-security-powerhouse/>.

¹⁰⁰ See, <https://www.reuters.com/business/lithuanias-nord-security-raises-100-mln-16-bln-valuation-2022-04-06/>. See also [REDACTED].

¹⁰¹ See, [REDACTED].

¹⁰² <https://mystartupworld.com/hp-introduces-hp-wolf-security/>.

¹⁰³ Currently, HP Wolf Security for PCs is only available for enterprises, and the Home version only provides security for printers. However, HP Wolf Security for PCs for Home is scheduled to launch with its own suite of built-in hardware security features in 2022. (<https://www.hp.com/us-en/shop/tech-takes/all-about-hp-wolf-security-for-pc-and-printer-protection>).

¹⁰⁴ <https://www.virginmedia.com/help/security/virgin-media-internet-security>.

¹⁰⁵ <https://kenstechtips.com/index.php/talktalk-security-features>.

(c) The primary evidence – internal documents and switching data – demonstrates that the Parties are not particularly close competitors.

(A) Similar Set of Products Offered by Broad Range of Security Suppliers Offering Comparable Performance

3.32 **The Parties' products closely compete with a broad range of alternative Security offerings.** Many CCS providers (including the OS providers) offer the same or a very similar set of Security products and features. Therefore, while NortonLifeLock and Avast's Security offerings are similar in a number of respects, they are not more similar to one another than to the Security offerings supplied by the multitude of other CCS providers offering Security in the UK. In fact, NortonLifeLock's Security offering is equally or more similar to a number of other traditional paid Security vendors' offerings in the UK than to Avast's, as shown in Table 2 below which sets out a comparison of the NortonLifeLock and Avast Security portfolios next to those of an illustrative selection of CCS providers whose origins are in the Security pillar.

3.33 **Equally, Table 2** below also shows that Microsoft - and Google and Apple - are offering a very comprehensive feature set, when compared to the Parties' offerings.

Table 2 - Big Tech Security Portfolios

		Norton	Avast	Google	Apple	Microsoft
Security Features	Anti-malware/anti-virus	✓	✓	✓	✓	✓
	Malicious URL Detection	✓	✓	✓	✓	✓
	Firewall Protection	✓	✓		✓	✓
	Parental Controls	✓		✓	✓	✓
	PC Optimisation	✓	✓			✓
	Webcam Protection	✓	✓	✓	Regulate by requiring permission for apps to access to consumers' cameras on first request + functionality to show when camera is used.	Regulate by requiring permission for apps to access to consumers' cameras on first request + functionality to show when camera is used.
Additional Highlighted Features	Cloud Storage, Social Media Monitoring, Identity Restoration Gamer Edition, Premium Support		App & driver updater, file shredder	Cloud Storage	Cloud Storage	Premium Support Cloud Storage Additional portfolio
Supported Platforms	Windows (Mac, Android, iOS)		Windows (Mac, Android, iOS)	Chrome Browser ¹⁰⁶ (Windows, Mac, Android, iOS)	iOS, Mac, Safari Browser ¹⁰⁷	Windows, Edge Browser ¹⁰⁷

¹⁰⁶ Chrome, Safari and Edge browsers are available across platforms.

	Norton	Avast	Google	Apple	Microsoft
Offering Model	Standalone and cyber safety bundled premium offerings	Freemium standalone and bundle, as well as paid products	AV, malware & ransomware, ad blocker & passwords in Chrome Anti-phishing in Gmail Family Link: free parental controls (mobile only) Google One includes VPN & storage in highest tier (£7.99/mo)	xProtect for Mac OS includes AV, anti-malware & ransomware Firewall protection & parental controls built-in to MacOS Password manager in Safari iCloud+ includes Private Relay (Beta) & storage (£0.79-6.99/mo)	Windows Defender in OS Password Manager in Edge Family Safety: free parental controls

Source [3] and desktop research

3.34 **The broad range of CCS suppliers active in the Security pillar today can barely be distinguished based on efficacy and performance.** On Windows OS, all tested CCS suppliers’ antivirus software uniformly achieve very high efficacy scores from independent testing labs.¹⁰⁷ For example, AV-Test.org runs tests on 18 security vendors’ software, 14 of which achieved ‘full marks’ in the latest test from February 2022 (including Microsoft Defender). Even the “lowest” scoring providers attained a 97.85% protection rating (compared to the 99.5% industry average). Please refer to Figures 8 and 9 for independent testing lab results.

Figure 8 - AV-Test.org February 2022 Testing Scores



Source: <https://www.av-test.org/en/antivirus/home-windows/>

¹⁰⁷ The Parties note that in the P1D at paragraph 99 the CMA acknowledges the importance of expert testing and but then does not consider the similarity in test when assessing closeness of competition.

Figure 9 - SE Labs Jan - Mar 2022 Endpoint Security Testing Results

Executive Summary			
Products Tested	Protection Accuracy Rating (%)	Legitimate Accuracy Rating (%)	Total Accuracy Rating (%)
Avast Free Antivirus	100%	100%	100%
Kaspersky Internet Security	100%	100%	100%
Microsoft Defender Antivirus (consumer)	100%	100%	100%
Sophos Home Premium	100%	100%	100%
AVG Antivirus Free Edition	100%	99%	100%
Avira Free Security Suite	99%	100%	99%
NortonLifeLock Norton360	98%	100%	99%
McAfee Internet Security	96%	100%	99%
Webroot Antivirus	88%	100%	96%

Products highlighted in green were the most accurate, scoring 85 per cent or more for Total Accuracy. Those in yellow scored less than 85 but 75 or more. Products shown in red scored less than 75 per cent.

Source: <https://selabs.uk/reports/home-endpoint-protection-2022-q1/>

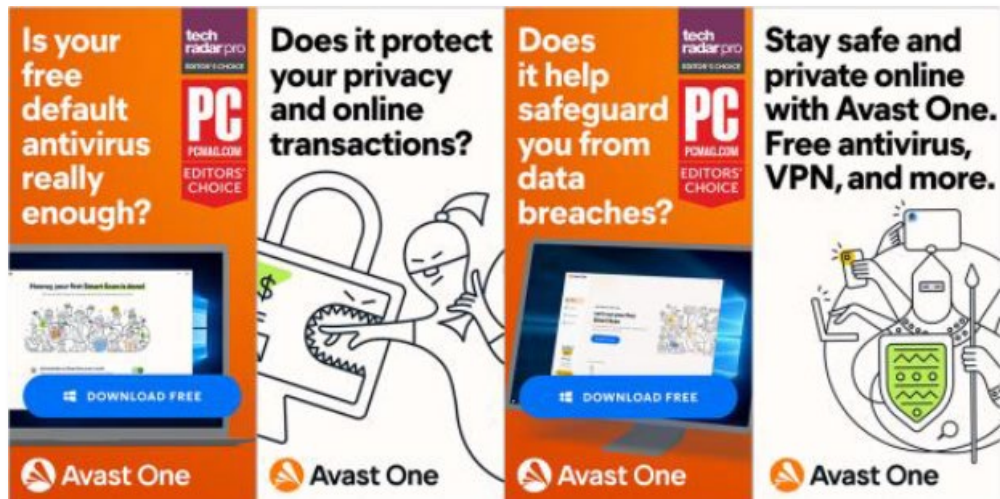
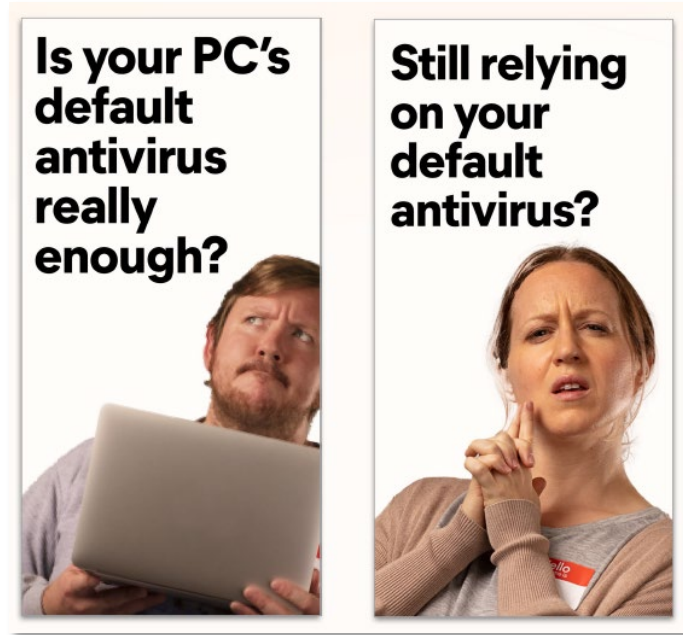
(B) The Parties Have Fundamentally Different Business Models

- 3.35 **Avast operates a freemium business model, while NortonLifeLock, by contrast, is a premium/ paid-for provider.** NortonLifeLock has recently gained a small freemium offering through its acquisition of Avira, however [REDACTED]. These differences in business models translate into very different customer acquisition channels and [REDACTED].
- 3.36 **Avast’s freemium business model has implications for the way in which Avast targets and acquires customers.** The [REDACTED] Avast’s users download free desktop products directly from the Avast website. Approximately [REDACTED]% of Avast’s total consumer sales are made through cross-selling and up-selling paid products to its free user base, and [REDACTED] of Avast’s users take up a paid offer. [REDACTED].
- 3.37 **Freemium [REDACTED].**¹⁰⁸ Given that Microsoft Defender (and other Big Tech companies) offer Security at no extra cost [REDACTED].¹⁰⁹ [REDACTED]:
- (a) [REDACTED]
 - (b) [REDACTED]. An example of the since-launched marketing campaign is set out below at **Figure 10**.

¹⁰⁸ See, [REDACTED].

¹⁰⁹ [REDACTED].

Figure 10 - Avast [X] Campaign #2





Source: Avast's [REDACTED] Campaign Q[1] 2022

- (c) Avast also published articles for consumers on why Apple's Private Relay¹¹⁰ feature and Microsoft's Defender¹¹¹ were insufficient, [REDACTED].

3.38 **Beyond OS providers, there are many providers offering premium products similar to Avast.** There are a number of CCS suppliers originating in Security that primarily go to market with a freemium Security offering and therefore have a business model more closely resembling Avast's (when compared to NortonLifeLock) including [REDACTED]. Furthermore, several traditionally paid CCS competitors simultaneously supply or have historically supplied a significant selection of free Security products, including [REDACTED]. As evidenced by [REDACTED]. By contrast, **NortonLifeLock operates a paid subscription-based model** and focuses on [REDACTED].

(C) The Parties Are Active in Different Sales Channels

3.39 **NortonLifeLock and Avast go to market in different sales channels.** The Parties hardly encounter each other when competing for Security customers and only do so in the online acquisition channel (where a multitude of other Security competitors are present and Avast's presence in particular is very limited).¹¹² Set out below is a chart of the key sales channels¹¹³ in the UK, showing the Parties' extremely limited overlap:

Table 3 - Parties' Sales Channels in the UK

<u>Sales Channel (UK)</u>	<u>NortonLifeLock</u>	<u>Avast</u>
<u>Indirect Sales Channels</u>		

¹¹⁰ <https://blog.avast.com/are-apples-privacy-features-enough-avast>.

¹¹¹ <https://www.avast.com/c-is-windows-defender-enough>.

¹¹² Paragraph 37 of the PID recognises the various routes to market for CCS suppliers but then does not take this into account at all in its assessment of closeness of competition.

¹¹³ [REDACTED]. Other sales channels exist globally across the Security, Privacy and Identity pillars including: marketing partnerships; employee benefits; breach response; and financial institutions. Given that [REDACTED], these channels are not further addressed in this Response.

Device/OEM	✓	
Retail	✓	
eTail¹¹⁴	✓	✓
ISP	✓	
Third-party downloads		✓
<u>Direct Sales Channels</u>		
App Stores	✓	✓
Online	✓	✓

3.40 **The relative importance of the sales channels to each Party’s acquisition sales billings differs.**¹¹⁵ In particular: [X].

[X]

(D) Internal Documents [X]

NortonLifeLock

3.41 **While the P1D states that the internal documents submitted during Phase 1 suggest that the Parties focus on each other, internal documents show that [X].**¹¹⁶

[X]
[X]

3.42 Furthermore, when assessing the success of its advertising and its brand awareness and penetration, NortonLifeLock [X].¹¹⁷

3.43 Any references to Avast in NortonLifeLock’s internal documents [X]. By way of further example, the NortonLifeLock internal documents show that there was [X].

3.44 A detailed analysis of the internal documents and the way in which NortonLifeLock [X].

Avast

¹¹⁴ The Parties use “eTail” to refer to sales via third party online retail platforms such as Amazon.

¹¹⁵ [X].

¹¹⁶ See also [X].

¹¹⁷ See, [X].

3.45 Avast internal documents mention [REDACTED].¹¹⁸

3.46 Most notably, [REDACTED].

[REDACTED]

[REDACTED]

3.47 Moreover, even when considering solely CCS providers originating in the Security pillar, Avast mentions [REDACTED] in its internal documents, which include [REDACTED]. In its survey, which provided Avast with [REDACTED].¹¹⁹

3.48 When [REDACTED] the many rivals active in the Security pillar, Avast [REDACTED].¹²⁰¹²¹

(E) Quantitative Evidence Supports That The Parties Are Not Close Competitors

3.49 **The quantitative evidence reveals limited switching from NortonLifeLock to Avast and vice versa.** A switching analysis was prepared by Compass Lexecon¹²² [REDACTED]. This switching analysis shows a switching ratio from NortonLifeLock to Avast of only [REDACTED] % in the baseline. The CL switching study shows a switching ratio from Avast to NortonLifeLock of only [REDACTED] % in the baseline.¹²³

3.50 Compared to the CL switching study, other quantitative evidence such as surveys are less reliable sources of evidence on switching between the Parties and should accordingly be given a lower weight.¹²⁴

(E) THE PROPOSED TRANSACTION WILL NOT GIVE RISE TO A LOSS OF POTENTIAL COMPETITION IN SECURITY

3.51 NortonLifeLock and Avast are not expected to become closer competitors in Security in the future.¹²⁵

3.52 The [REDACTED] Avast [REDACTED] shows [REDACTED].¹²⁶

3.53 NortonLifeLock's [REDACTED].

3.54 In summary, the Parties' product roadmaps show that [REDACTED]. In reality, as explained above, the Security pillar is substantially commoditised and therefore scope for real innovation is very

¹¹⁸ The PID noted that the Parties' internal documents referenced [REDACTED].

¹¹⁹ See [REDACTED].

¹²⁰ [REDACTED].

¹²¹ See, [REDACTED].

¹²² See, FMN Annex 015-1.

¹²³ Compass Lexecon has provided further information with regard to the switching study in its response to the CMA's request for information on 6 May 2022, submitted on 13 May 2022. For ease of reference this response is replicated at RIS Annex 004.

¹²⁴ In particular, we refer to the [REDACTED].

¹²⁵ The Parties' [REDACTED].

¹²⁶ [REDACTED].

limited. The broad range of CCS suppliers can all be expected to remain very similar in their product offering and in their quality levels, given the established nature of this pillar.

3.55 **The Parties' Security business models are [REDACTED].**

3.56 **The Parties' routes to market in Security are [REDACTED].**

3.57 In conclusion, it can be seen that there is [REDACTED].

(F) CONCLUSION: THE PROPOSED TRANSACTION WILL NOT GIVE RISE TO AN SLC IN SECURITY

3.58 For the reasons set out above, it would not be feasible or financially rational for the combined entity to worsen its Security offer either by raising prices or degrading non-price aspects of their competitive offerings in the UK (or elsewhere). The merged entity will face strong and diverse competition. The Parties do not in fact compete more closely against each other than they do against many other competitors. Seeking to raise price, degrade non-price aspects or reduce the rate of product innovation would be a self-harming move in this highly competitive pillar. Any degradation of their Security offering would be particularly risky where customers have the option of a free, pre-installed product in the form of Defender. Furthermore, any such actions would not be rational because [REDACTED].

4 THE PROPOSED TRANSACTION DOES NOT GIVE RISE TO AN SLC IN PRIVACY

- 4.1 There is no SLC in Privacy. The Privacy pillar is a highly dynamic and competitive segment, where the Parties are just two of many players in an expanding area offering significant growth potential.
- 4.2 All OSs exert a [REDACTED] constraint on the Parties' privacy offerings. Apple has played a key role in developing the privacy landscape [REDACTED]. The Parties also face [REDACTED] competition from Google and Microsoft.
- 4.3 There are a large number of pure play VPN providers with [REDACTED] and a wide range of players offering ad-blocking and anti-tracking services (e.g., search engines like DuckDuckGo). Providers in adjacent segments are also moving into privacy [REDACTED], to gain a foothold in [REDACTED].
- 4.4 The Parties are not particularly unique competitors as they have limited overlap in product features and [REDACTED]. In addition, as with Security, the Parties are distinguished by the differences in their business models and sales channels. They are also not becoming closer competitors, [REDACTED].

(A) THE MERGED ENTITY WILL HAVE A MODEST POSITION IN PRIVACY

- 4.5 Beyond OS providers, Nord is the [REDACTED] leader in VPN (including in the UK), with many other providers having a well-established market presence. The wide range of suppliers in the Privacy space is demonstrated below:

[REDACTED]

- 4.6 NortonLifeLock only has a small market position in the UK in Privacy, which is limited to VPN, ad-blocker and anti-tracking.¹²⁷
- 4.7 Avast's product offering in the UK is broader and includes, in addition to VPN, anti-tracking, ad-blocker and private browser, a Privacy-oriented bundle (in addition to the available standalone solutions).
- 4.8 Therefore, the Parties' overlap in Privacy is limited to VPN, ad-blocker and anti-track. Within this segment, the combined entity will have a modest position in Privacy in the UK post-Merger and will continue to face competition from the many other providers in the UK.
- 4.9 Although both NortonLifeLock and Avast have a VPN product available in the UK, [REDACTED].¹²⁸ There are many [other] [REDACTED] Privacy providers than the Parties in the VPN space in the UK.
- 4.10 Ad-blocker is a common feature in the UK market with nearly all CCS suppliers originating in Security offering this feature as part of their bundles and many Privacy suppliers having offered ad-blocker for years. Therefore, while the Parties both offer ad-blocker features, there are many alternatives available in the UK.

¹²⁷ In the US, NortonLifeLock also offers data removal.

¹²⁸ [REDACTED].

4.11 Although both NortonLifeLock and Avast have an anti-tracking product, NortonLifeLock only very recently launched its anti-track product in the UK. [REDACTED], and the combined entity will be only one out of many anti-tracking suppliers available to consumers in the UK.¹²⁹

(B) THE MERGED ENTITY WILL CONTINUE TO BE CONSTRAINED BY A BROAD RANGE OF COMPETITORS IN PRIVACY

4.12 The Privacy pillar is highly fragmented. As consumers are increasingly exchanging more sensitive information through digital channels, demand for Privacy services continues to grow, and [REDACTED].¹³⁰

4.13 The Privacy pillar is characterised by the presence of a diverse range of CCS providers with a broad mix of product offerings, namely (A) the OS providers; (B) CCS providers originating in the Privacy pillar; and (C) CCS providers originating in other CCS pillars or adjacent segments that have moved into the Privacy pillar.

(I) OS Providers Will Continue to Exercise a Strong Constraint in Privacy Post-Merger

(i) Competitive constraint by Microsoft

4.14 Microsoft's offering in the Privacy space includes built-in anti-track protection, a password manager and dark web monitoring (*i.e.*, users are informed when passwords are compromised). In April 2022,¹³¹ Microsoft announced the launch of a VPN service built into Microsoft Edge, called Edge Secure Network. This service will compete [REDACTED] with third party solutions [REDACTED].

(ii) Competitive constraint by Apple and Google

4.15 Both Apple and Google offer a broad range of Privacy solutions. Figure 13¹³² below provides a detailed overview of the Privacy products and features¹³³ offered by Apple and Google today.

¹²⁹ The Parties note that anti-track and ad-blockers are distinct functionalities, but there is some overlap between the two as anti-track products also block ads (but ad-blockers only stop consumers seeing ads and targeted ads rather than stopping tracking altogether). The Parties consider that the two products ultimately serve the same consumer desire: to stop consumers seeing ads. Therefore, consumers may consider these products to be substitutable; *See* [REDACTED].

¹³⁰ *See also* [REDACTED].

¹³¹ *See*, <https://www.theverge.com/2022/4/29/23049015/microsoft-free-built-in-vpn-edge-browser-edge-secure-network>.

¹³² [REDACTED].

¹³³ Please note that password manager and dark web monitoring are features covered under the Identity pillar.

Figure 13 - Overview of Apple’s and Google’s offerings in Privacy

	Google	Apple
In-built privacy	Private browsing	<p style="text-align: center;">✓</p> <p>Privacy report</p> <p>Social widget tracking prevention</p> <p>Private browsing¹³⁴</p>
VPN	<p style="text-align: center;">✓</p> <p>Google One VPN¹³⁵ (currently, available on Android and iOS, offering device wide protection for mobile only)</p>	<p style="text-align: center;">✓</p> <p>Private Relay (free add-on for iCloud+ subscribers that works in a similar way to a VPN)</p>
Ad/Tracker Blocking	<p style="text-align: center;">✓</p> <p>Ad blocker built into the Chrome web browser (originally rolled out in Europe in February 2018¹³⁶)</p> <p>Various third-party “extensions” are available for Chrome to add additional ad-blocking and anti-track functionality, including both paid and free options</p>	<p style="text-align: center;">✓</p> <p>Anti-track built into the Safari web browser (via Intelligent Tracking Prevention, or “ITP”¹³⁷)</p> <p>Various third-party “extensions” are available for Safari to add additional ad-blocking and anti-track functionality, including both paid and free options</p>
Other features	<p>“Sign in with Google” (allows users to sign into third party apps and services with their Google credentials and subsequently</p>	<p>“Hide my Email” (feature that protects the privacy of the user’s email address¹³⁹)</p> <p>“Mail Privacy Protection” (feature that blocks the email sender from gathering</p>

¹³⁴ For the full set of privacy in-built features, see <https://www.apple.com/privacy/features/#icloud-plus>.

¹³⁵ Google One VPN, which was launched in October 2020 in the US and in August 2021 in the UK, is offered to subscribers of larger cloud storage service. Google plans to release Google One VPN also for Windows and Mac.

¹³⁶ For details, see The Guardian’s coverage here: <https://www.theguardian.com/technology/2018/feb/15/google-adblocker-chrome-browser>.

¹³⁷ For details of how ITP has evolved over recent years, see for example The Verge’s coverage of the updates to ITP in March 2020: <https://www.theverge.com/2020/3/24/21192830/apple-safari-intelligent-tracking-privacy-full-third-party-cookie-blocking> and Apple’s press release from June 2021 on additional features built into iOS, iPadOS, macOS and watchOS: <https://www.apple.com/uk/newsroom/2021/06/apple-advances-its-privacy-leadership-with-ios-15-ipados-15-macos-monterey-and-watchos-8/>.

¹³⁹ Only the standard version is free. The version with the full set of features and capabilities is a free only for iCloud+ subscribers. Details are available on Apple’s website here: <https://support.apple.com/en-us/HT210425>

Google	Apple
withdraw Google account access from those apps or services ¹³⁸)	data when the recipient interacts with the email ¹⁴⁰)

- 4.16 Apple’s and Google’s offerings in Privacy exert a [§<] competitive constraint on the Parties.¹⁴¹
- 4.17 Apple [§<] has played a key role in developing the Privacy landscape. Promoting a “*unique security and privacy architecture*” that provides Privacy “*built in from the beginning.*”¹⁴² For instance, Apple launched its anti-tracking feature (via its Intelligent Tracking Prevention platform) in June 2017, ahead of Avast’s launch of anti-track features. Similarly, Apple was the first company to introduce private browsing in 2005,¹⁴³ with other companies following years later (e.g., Google launched private browsing in 2008 and Avast in 2016).¹⁴⁴ [§<] Apple uses its strong position in Privacy as a marketing tool and as a business advantage,¹⁴⁵ [§<]. See for example a new TV advertisement by Apple showing in the UK for its Privacy offering, with Apple stating that “*iPhone has privacy features like App Tracking Transparency and Mail Privacy Protection that help you control who sees your data and who doesn’t.*”¹⁴⁶ [§<].¹⁴⁷¹⁴⁸
- 4.18 Apple imposes both a direct and indirect constraint on the Parties. It places a direct constraint on those Apple users who might otherwise have taken a Privacy solution with an independent CCS provider.¹⁴⁹ Apple’s Privacy offering thereby incentivizes other OS providers to invest in Privacy offerings of their own, thereby also offering an indirect constraint. For example, both Google and Microsoft include Privacy functions in their web browsers. [§<].
- 4.19 Moreover, Apple and Google are well-placed to easily and rapidly grow further in the Privacy pillar, thereby further increasing competitive pressure on the Parties and other market participants. As explained by Google, “*because a VPN sits at the interface between the device and the network, there are many interesting opportunities for it to provide additional security to*

¹³⁸ For further details, see Google’s support webpage on this feature:

<https://support.google.com/accounts/answer/112802?hl=en&co=GENIE.Platform%3DDesktop>

¹⁴⁰ See <https://support.apple.com/en-gb/guide/mail/mlhl03be2866/mac#:~:text=In%20the%20Mail%20app%20on,of%20when%20you%20view%20it>).

¹⁴¹ See, for example, [§<].

<https://www.apple.com/privacy/features/>.

¹⁴³ See, <https://www.aclu.org/blog/national-security/how-private-private-browsing>.

¹⁴⁴ <https://windowspixel.com/avast-secure-browser-review/>.

¹⁴⁵ See, for example, <https://www.cnbc.com/2021/06/07/apple-is-turning-privacy-into-a-business-advantage.html>.

¹⁴⁶ See, <https://www.youtube.com/watch?v=3UyBGbf2s54>

¹⁴⁷ See, for example, [§<].

¹⁴⁸ See [§<].

¹⁴⁹ For example, [§<] Private Relay ensures that, when browsing with Safari, no one between the user and the website the user is visiting can access the web traffic information leaving their device and a large number of Apple users use Safari as a web browser, [§<]. Another example [§<] is Apple’s increased attention on adding anti-tracking and Privacy reporting functionality to its Safari browser. The browser offers anti-fingerprinting tracking functionality to reduce the uniqueness of a user’s browser fingerprint, and also provides detection statistics via its “Privacy Report” feature. These features are similar to the anti-fingerprinting and reporting functionality offered by Avast’s AntiTrack product.

*users by blocking threats before they get to their devices”.*¹⁵⁰ As such, Google “*continue[s] to explore these for future additions”.*¹⁵¹ For example, although Google One VPN was initially offered only for Android, Google rolled out the VPN to iOS devices in 2022¹⁵² and is planning to also launch this for Windows and Mac.

(II) CCS Providers Originating in Privacy Will Continue to Constrain the Combined Entity

4.20 In the UK as well as globally, there is a wide range of Privacy providers. The Parties face significant competition from multiple providers active in VPN and ad blocking and anti-tracking solutions.

VPN

4.21 Select VPN service providers include:

- Atlas VPN, NordVPN and Surfshark VPN, which are all owned by Nord;
- CyberGhost, ExpressVPN and Private Internet Access (PIA), which are all owned by Kape;
- Hotspot Shield and UltraVPN, which are owned by Aura;
- IPVanish, which is owned by Ziff Davis;
- ProtonMail, and;
- PureVPN, which is owned by Gaditek.

4.22 In addition, VPN products are offered by browser providers, like Opera (which offers a free VPN)¹⁵³ and Mozilla (which has a paid VPN service).¹⁵⁴

4.23 [REDACTED].¹⁵⁵¹⁵⁶

[REDACTED]

[REDACTED]

4.24 [REDACTED].

¹⁵⁰ *Ibid.* This statement from Google also reflects the fact that VPN and other privacy software features offer both privacy and security benefits for consumers and the distinction between the two pillars is not clear-cut.

¹⁵¹ See, for example, how Google prioritises investments in Privacy at: <https://www.adweek.com/partner-articles/why-google-is-prioritizing-investments-in-privacy-measurement-and-automation/>.

¹⁵² See, for example, <https://blog.google/products/google-one/vpn-by-google-one-ios/>.

¹⁵³ <https://www.theverge.com/2016/4/21/11477036/free-vpn-opera-web-browser>.

¹⁵⁴ <https://www.theverge.com/2020/7/15/21325316/mozilla-vpn-android-windows-launch-firefox-private-network-price>.

¹⁵⁵ See, [REDACTED].

¹⁵⁶ See, for example, [REDACTED].

[REDACTED]

[REDACTED]

4.25 A summary of the competitive constraint exerted by some of the Parties' main competitors in Privacy is set out below.

<p>ExpressVPN: ExpressVPN, which offers a strong set of VPN features, is highly regarded among technology experts.¹⁵⁷ [REDACTED]. Technology analysts have described ExpressVPN as “<i>the most well-regarded and best-in-class solution, justifying its higher price over other solutions.</i>”¹⁵⁸ Furthermore, [REDACTED]¹⁵⁹ [REDACTED].¹⁶⁰</p>
<p>Hotspot Shield (owned by Aura): Hotspot Shield has a strong position in Privacy in the UK (and elsewhere) and has since been acquired by Aura. Hotspot Shield is a significant competitive VPN provider, as recognised by the technology expert community,¹⁶¹ and [REDACTED].¹⁶² For instance, [REDACTED].¹⁶³¹⁶⁴</p>
<p>IP Vanish: Receiving positive reviews among the experts' community,¹⁶⁵ IP Vanish provides a strong VPN offering to consumers. [REDACTED].¹⁶⁶ IP Vanish also advertises its product stating that “<i>Norton doesn't measure up to the only Top Tier VPN service on the planet.</i>”¹⁶⁷</p>
<p>NordVPN and Surfshark (both now owned by Nord): Nord is the market leader for VPN on a worldwide basis and in the UK. Nord consistently receives excellent reviews from leading experts. Both PCMag.com and Techradar.com have named NordVPN the best VPN provider in the market for its strong pro-privacy stance and feature variety.¹⁶⁸ Multiple reviews assess NordVPN as superior to the Parties' VPNs, with experts stating that “<i>NordVPN easily beats out Norton Secure VPN in almost every comparison variable, from servers to countries to devices.</i>”</p>

¹⁵⁷ <https://www.techradar.com/reviews/expressvpn>; <https://www.independent.co.uk/extras/indybest/gadgets-tech/expressvpn-review-b1883932.html>; <https://www.techradar.com/news/expressvpns-new-security-feature-signals-where-vpns-are-heading-in-2022>

¹⁵⁸ [REDACTED]. For example, see <https://pixelprivacy.com/vpn/avast-vs-expressvpn/> (according to which “*it really wasn't much of a contest*” to find the “*winner*” between Avast and ExpressVPN, “*with ExpressVPN pulling away early on and never giving up the lead.*”); <https://www.comparitech.com/blog/vpn-privacy/expressvpn-vs-norton-secure-vpn/>; <https://www.reviews.org/vpn/expressvpn-vs-norton-secure-vpn-review/>; See, also <https://www.av-comparatives.org/tests/vpn-report-2020-35-services/>.

¹⁵⁹ See, [REDACTED].

¹⁶⁰ [REDACTED].

¹⁶¹ <https://www.tomsguide.com/reviews/hotspot-shield-review>; <https://www.techradar.com/reviews/hotspot-shield-vpn>. To50vpn.com also ranks Hotspot Shield ahead of Avast.

¹⁶² See, [REDACTED].

¹⁶³ See [REDACTED].

¹⁶⁴ See [REDACTED].

¹⁶⁵ See, for example, <https://www.tomsguide.com/reviews/ipvanish-review>; <https://www.zdnet.com/article/ipvanish-review/>; <https://www.techradar.com/reviews/ipvanish-vpn>.

¹⁶⁶ See, for example, <https://vpnpro.com/vpn-comparison/ipvanish-vs-avast-secureline-vpn/>; <https://www.nstec.com/is-avast-vpn-as-good-as-ipvanish/>; <https://www.cnet.com/google-amp/news/norton-vpn-vs-ipvanish-which-vpn-is-faster-more-secure/>.

¹⁶⁷ <https://www.ipvanish.com/nortonvpn-vs-ipvanish/>.

¹⁶⁸ See, <https://www.tomsguide.com/best-picks/best-vpn>; <https://www.techradar.com/vpn/best-vpn>. See, also <https://www.tomsguide.com/reviews/nordvpn-review>.

It's not even a close call"¹⁶⁹ and that in the "Avast VPN vs. NordVPN fight, the latter wins without breaking a sweat".¹⁷⁰The [REDACTED]¹⁷¹ For example, [REDACTED].¹⁷²[REDACTED]¹⁷³ In others words, since its foundation in 2012, Nord has become a company valued at \$1.6 billion and [REDACTED].¹⁷⁴

ProtonMail: Although ProtonMail began in 2014 as a private and secure email provider, it quickly gained a strong reputation for its data protection and user privacy focus and launched in 2017 its VPN product, receiving positive reviews by experts¹⁷⁵ and acquiring a large customer base.¹⁷⁶

Anti-tracking

4.26 As noted above, a wide range of suppliers also offer anti-tracking. For example, these include Abine, Brave, Disconnect, DuckDuckGo, Ghostery, IDX Privacy, Nord and Privacy Badger.

4.27 [REDACTED].¹⁷⁷ [REDACTED]¹⁷⁸ An overview of key anti-tracking providers is set out below.

[REDACTED]

[REDACTED]

Abine: Abine offers a private search anti-tracking tool, Abine Blur, which has received positive reviews.¹⁷⁹

¹⁶⁹ <https://www.reviews.org/vpn/nordvpn-vs-norton-secure-vpn-review/>. See, for a comparison with NortonLifeLock <https://www.security.org/vpn/nordvpn-vs-norton-vpn/>; <https://cybernews.com/best-vpn/nordvpn-vs-norton-vpn/>; <https://www.comparitech.com/blog/vpn-privacy/nordvpn-vs-norton-secure-vpn/>; <https://www.safehome.org/compare/nordvpn-vs-norton-vpn/>. For a comparison with Avast, see <https://cybernews.com/best-vpn/avast-vpn-vs-nordvpn/>; <https://www.comparitech.com/blog/vpn-privacy/nordvpn-vs-avast-secureline/>.

¹⁷⁰ See, <https://cybernews.com/best-vpn/avast-vpn-vs-nordvpn/>.

¹⁷¹ See, for example, FMN Annex 010-48; Annex NLL-00001759_001, slide 26.

¹⁷² See Avast Annex 057, Slide 54.

¹⁷³ See Avast Annex 234, Slide 40-41.

¹⁷⁴ See [https://www.cnbc.com/2022/04/06/nordvpn-nord-security-just-became-lithuanias-second-tech-unicorn.html#:~:text=The%20investment%20in%20Nord%20Security,valued%20at%20over%20%241%20billi on](https://www.cnbc.com/2022/04/06/nordvpn-nord-security-just-became-lithuanias-second-tech-unicorn.html#:~:text=The%20investment%20in%20Nord%20Security,valued%20at%20over%20%241%20billi on.).

¹⁷⁵ See, for example, <https://uk.pcmag.com/vpn/116478/protonvpn> (according to which ProtonVPN "has shown that it can scale up its product without sacrificing its integrity") and <https://www.security.org/vpn/protonvpn/review/>; <https://www.techradar.com/reviews/protonvpn>; <https://www.technadu.com/protonvpn-features/311303/> (according to which ProtonVPN is "one of the best VPNs in the market for both security and privacy".)

¹⁷⁶ See, for example, <https://www.security.org/vpn/protonvpn/review/> (according to which ProtonVPN serves over 8 million people).

¹⁷⁷ See *indicatively*, [REDACTED].

¹⁷⁸ See [REDACTED].

¹⁷⁹ See, <https://uk.pcmag.com/password-managers/38259/abine-blur-premium>.

<p>Brave: Brave offers a privacy-focused browser that blocks all third-party ads and trackers by default.¹⁸⁰ [§<] ¹⁸¹ Brave is an important player in anti-tracking, especially as indicated by the release of its privacy-focused search engine and its continuous enhancement,¹⁸² which adds [§<] competition in the private browsing and anti-tracking sub-segments (including for Google). Brave’s offerings are [§<].¹⁸³</p>
<p>Disconnect: Disconnect provides an anti-tracking software product that can be used across browsers. Defending Digital has consistently ranked Disconnect amongst the best anti-tracking software (including for 2022).¹⁸⁴</p>
<p>DuckDuckGo: DuckDuckGo offers an all-in-one privacy app that provides private search¹⁸⁵ and anti-tracking tools. This was further expanded in 2021, when DuckDuckGo launched the App Tracking Protection for Android, which is free and blocks trackers it identifies in other apps from third-party companies (those different from the company that owns each app).¹⁸⁶ Given that DuckDuckGo is ranked amongst the best anti-tracking software (including for 2022),¹⁸⁷ [§<].¹⁸⁸</p>
<p>Firefox: Firefox has in recent years introduced significant enhancements in its anti-track offering, with the introduction of total cookie protection in 2021, after the earlier release of enhanced tracking protection ‘by default’ in 2019.¹⁸⁹</p>
<p>Ghostery: Ghostery is a free anti-tracking and ad blocking browser extension and mobile browser application. Ghostery continues to innovate and expand, as indicated by the launch of its Ghostery Dawn private browser, provided by a paid subscription with its Privacy bundle.¹⁹⁰ Ghostery is also ranked amongst the best anti-tracking software (including for 2022).¹⁹¹</p>
<p>Nord: As noted above, Nord launched in 2022 Nord Threat Protection, which is a built-in Security product that also provides ad blocker/ anti-tracking software (amongst other features). [§<].¹⁹²</p>
<p>Privacy Badger: Privacy Badger is a free browser extension, which provides anti-tracking capabilities. [§<] ¹⁹³ which is ranked amongst the best anti-tracking software (including for 2022).¹⁹⁴</p>

¹⁸⁰ See, <https://kinsta.com/blog/brave-browser-review/#how-brave-compares-to-5-other-browsers>.

¹⁸¹ [§<].

¹⁸² See, for example, <https://www.androidcentral.com/apps-software/braves-new-browser-feature-keeps-you-out-of-googles-amp-pages>.

¹⁸³ See, for example, [§<].

¹⁸⁴ See, <https://defendingdigital.com/best-anti-tracking-software/>.

¹⁸⁵ DuckDuckGo currently offers private browser for Mac and mobile and will soon make this available also for Windows (see, <https://uk.pcmag.com/browsers/139761/duckduckgo-launches-a-privacy-focused-desktop-web-browser-for-mac>).

¹⁸⁶ <https://spreadprivacy.com/introducing-app-tracking-protection/>; <https://newsupdate.uk/duckduckgos-new-tool-brings-anti-tracking-features-to-android/>.

¹⁸⁷ See, <https://defendingdigital.com/best-anti-tracking-software/>.

¹⁸⁸ See, [§<].

¹⁸⁹ For further details, see <https://blog.mozilla.org/security/2021/02/23/total-cookie-protection/>.

¹⁹⁰ See, <https://www.ghostery.com/blog/ghostery-dawn-our-new-browser-is-lightning-fast>.

¹⁹¹ See, <https://defendingdigital.com/best-anti-tracking-software/>.

¹⁹² See e.g., [§<].

¹⁹³ See, Slides 49-53 of Annex FMN 010-38.

¹⁹⁴ See, <https://defendingdigital.com/best-anti-tracking-software/>.

(III) CCS Providers Originating in Other Pillars/Adjacent Segments Will Continue to Constrain the Combined Entity

4.28 Further to the suppliers originating in Privacy, suppliers originating in other pillars, especially Security, have entered the Privacy pillar (similarly to the Parties). Examples of these providers (among others) include Malwarebytes, McAfee, and Panda.

<p>Malwarebytes: Whilst originating in Security, in 2020 Malwarebytes launched a standalone premium privacy VPN bundle, available for Windows, Mac, iOS, Android and Chromebook. This provides a VPN, a browser ad-blocking extension, as well as an antivirus and anti-malware, somewhat shifting the focus from Security to Privacy features. Malwarebytes' VPN offering is a [REDACTED] competitive force in light of its high speed and high quality security. [REDACTED].</p>
<p>McAfee: McAfee expanded its VPN offering through the acquisition in 2018 of VPN provider TunnelBear. McAfee expansion into Privacy [REDACTED].¹⁹⁵</p>
<p>Panda: Panda, traditionally a supplier in the Security pillar, moved in 2019 into the VPN market, by offering its own Panda VPN within the Panda Dome suite (white-labelled from Hotspot Shield), as well as a limited free VPN version. Receiving positive reviews,¹⁹⁶ Panda has emerged as a [REDACTED] competitor in VPN [REDACTED].</p>

(IV) New Entrants Will Keep Intensifying Competition in the Privacy Pillar

4.29 Privacy is a dynamic space that is continuously growing in light of the high consumer demand for new features and the concomitant incentive for further entry and innovation. [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4.30 [REDACTED].¹⁹⁷

4.31 The widespread availability of VPN white-labelling, licensing and partnership solutions facilitates entry and expansion in the Privacy pillar. For example, there are a number of white-label/licensing providers including Aura (in particular, through HotSpot Shield), Kape (in particular, through ExpressVPN), Nord, Ziff Davis and many others.¹⁹⁸

¹⁹⁵ See, [REDACTED].

¹⁹⁶ <https://softwarelab.org/panda-vpn-review/>; <https://techjury.net/reviews/pandavpn-review/#gref>.

¹⁹⁷ [REDACTED].

¹⁹⁸ Other providers include Actmobile, ForestVPN, Gaditek, Innovative Technologies, Mullvad, Tunnelbear (owned by McAfee) and WLVPN (a white-label VPN solution).

4.32 These providers' white-label products are used by standalone VPN providers, such as StrongVPN, VPNhub, and others, and in the VPN offerings of well-known companies, including Bitdefender, Malwarebytes, Mozilla, and Verizon, which are examples of companies with established brands in one CCS pillar, or a market adjacent market to CCS, moving into CCS and demonstrating the low barriers to entry/expansion.

(C) NO LOSS OF CURRENT OR FUTURE COMPETITION BETWEEN CLOSE COMPETITORS IN PRIVACY

4.33 Within the range of competitors in the Privacy pillar, the Parties are not particularly close competitors [X].

4.34 Please refer to **Figures 19 and 20** below for a comparison chart:

Figure 19 - Overview of Select CCS Providers' Privacy Offerings

		Norton	Avast	Bitdefender	Kaspersky	F-Secure	Malwarebytes	McAfee	Panda	TotalAV
Privacy Features	VPN	✓	✓	✓	✓	✓	✓ ¹⁹⁹	✓	✓	✓ (only offered as part of the security bundle) ²⁰⁰
	Anti-Tracking	✓ ²⁰¹	✓	✓	✓	✓	✓ ²⁰²	✓		✓ ²⁰³
	Ad-Blocking	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Price Range - Annually	£19.99 - £69.99	£44.99	£16 - £27.99	Free plan/ £34.12	£24.99- £69.99	£49.99 - £79.99	£34.99- £49.99	£23.99 - £53.99)	£49 - £179
	No. of devices	1-10	1-10	1-10	1-5	1-7	1 - 5	1-5	1 - unlimited	1 - 6

¹⁹⁹ Offered separately - not part of a security bundle.
²⁰⁰ Price range based on security bundles.
²⁰¹ Offered separately - not part of a security bundle.
²⁰² Offered separately - not part of a security bundle.
²⁰³ Price range based on security bundles.

Figure 20 - Offerings of Select Privacy Competitors

	Norton	Avast	Nord	DuckDuckGo	Brave	Abine	ProtonMail	TunnelBear
VPN	✓	✓	✓				✓	✓
Anti-Tracking	✓	✓		✓	✓	✓		
Ad-Blocking	✓	✓	✓	✓	✓	✓	✓	✓
Private Browser		✓		✓	✓			
Private Search				✓	✓			
Data Removal	US only	US only				US only		
Private Email							✓	
Private Messaging								
Private Calling								
Masked Identity (phone/email)						✓		
Masked Wallet / Credit Cards						US only		
File Storage			✓				✓	
Offering Model	<i>No current privacy-oriented bundle. Offers data removal in US only</i>	<i>Offers privacy bundle to existing customers. Solutions also available standalone</i>	<i>No Current bundle but offers Password Manager and File Storage as add ons to VPN</i>	<i>Free standalone offerings, ad-supported model</i>	<i>Free browser, ad supported model</i>	<i>Offers Blur privacy bundle. Offers data removal and masked cards in US only</i>	<i>Free & paid tiers distinguished by features (e.g., VPN) and caps (e.g., MB storage)</i>	<i>Messaging around Privacy – no clear offer beyond VPN</i>

4.35 In addition to the competition noted above the Parties also compete with OS providers' embedded VPN solutions,²⁰⁴ [REDACTED].²⁰⁵²⁰⁶

(A) Business Model and Sales Channel

4.36 The differentiation between the Parties' business models²⁰⁷ and correspondingly different routes to market described in relation to Security above [REDACTED] remain the same for the Privacy pillar. The dynamics within the sales channels are also broadly the same for Privacy [REDACTED].

4.37 The Parties note that Kape Technologies (through the ExpressVPN brand) has partnered with a number of OEM manufacturers (including HP and Acer, as well as HMD Global (home of Nokia phones), Dynabook (formerly Toshiba), and Philips) to deliver VPN and Privacy services to their users. In this way, Kape Technologies has entered a new sales channel the OEM manufacturer route, expanding its access to VPN customers farther [REDACTED].

4.38 There is also no evidence that in the Privacy pillar the Parties will become particularly close competitors in the near future. [REDACTED].

4.39 [REDACTED].

(B) Internal Documents

4.40 For a more detailed exposition of the internal documents [REDACTED].

4.41 **Business Models.** Please see paragraph 3.55 for the applicable description of the competitive landscape with regards to business models.

4.42 **Sales Channels.** Please see paragraphs 3.56 for the applicable description of the competitive landscape with regards to sales channels.

4.43 In conclusion, it can be seen that there is no overlap in the Parties' future plans [REDACTED].

(D) CONCLUSION: THE PROPOSED TRANSACTION WILL NOT RESULT IN AN SLC IN PRIVACY

4.44 For the reasons set out above, it would not be feasible or financially rational for the combined entity to worsen its Privacy offer (either by raising prices or degrading non-price aspects of their competitive offerings) post-merger. Doing so would be a self-harming move in this highly competitive and dynamic pillar, where the Parties hold a modest position relative to the many other players active in CCS who would be well-placed to move in on any opportunity such a move would create: and would be incentivised to do so, given the future growth prospects for the pillar. Therefore, the Proposed Transaction will not give rise to an SLC in Privacy.

²⁰⁴ *E.g.*, the Google One VPN launched in October 2020 with device-wide privacy protections and iCloud Private Relay launched in August 2021 with VPN-like Privacy protections.

²⁰⁵ See, [REDACTED].

²⁰⁶ See [REDACTED].

²⁰⁷ Avast offers a number of free privacy products as standalone products or as part of a bundle, including VPN, adblocker, breach alerts and secure browser.

5 THE PROPOSED TRANSACTION DOES NOT GIVE RISE TO AN SLC IN IDENTITY

5.1 There Proposed Transaction will not give rise to an SLC in Identity for the following reasons:

- (a) the Parties have a limited presence in the nascent Identity space with minimal product overlap in the UK;
- (b) where the Parties do overlap within Identity in the UK, the Parties are not particularly close competitors and face competition from a number of CCS providers already active in the space;
- (c) as consumer demand within Identity increases in the UK, it is expected that [X] key Identity competitors in the US will expand into this geography; and
- (d) the Parties' respective forward-looking focuses in Identity are [X].

(A) THE MERGED ENTITY WILL HAVE A VERY MODEST POSITION IN THE NASCENT IDENTITY SPACE

5.2 Identity is at the early stages of growth in the UK and Identity offerings are only just emerging.²⁰⁸ [X].

- (a) NortonLifeLock's current UK Identity offering is limited to dark web monitoring, identity restoration services and social media monitoring only. These features are available in different combinations across the Norton360 Deluxe and Advanced bundles. [X].
- (b) In the UK, Avast's Identity offering is also limited and includes only dark web monitoring and certain restoration and identity protection services (including credit freezes,²⁰⁹ lost wallet assistance²¹⁰ and ScamAssist)²¹¹ through its BreachGuard product. Avast notes that BreachGuard generated sales of less than [X].^{212 213} Avast's presence in the Identity pillar globally and in the UK is therefore minimal.

²⁰⁸ See, [X].

²⁰⁹ Avast [X] helps its users to place a freeze on their credit records with the major credit bureaus, should there be a need to block all new credit activity due to fraud.

²¹⁰ Avast [X] provides specialist assistance for the notification of banks or authorities to cancel and replace stolen or missing debit/credit cards or identification (including driver's license, social security card and passport).

²¹¹ Avast [X] offers specialist assistance to help its users identify fraudulent solicitations. Within 24 hours of sharing the relevant solicitation, specialists provide the user with a written assessment of legitimacy level. The quick turnaround takes the burden off the customer to figure out if a message is a scam and reduces the risk of them being victimized.

²¹² Avast also offers dark web monitoring as part of the Avast One premium bundle.

²¹³ [X].

[REDACTED]

[REDACTED]

- 5.3 According to [REDACTED] Global News Wire,²¹⁴ the UK Identity pillar is expected to continue growing on account of the rising incidences of cyber-related crimes (which was also more felt more extremely during the COVID-19 pandemic due to the increase in online activities and corresponding spike in cyber-attacks).²¹⁵ Further, internal [REDACTED] documents [REDACTED].²¹⁶
- 5.4 As consumer demand for Identity solutions in the UK takes off, it can reasonably be expected that the many CCS providers in the Identity Pillar in the US (e.g., Experian, Equifax, Credit Karma, TransUnion, ClearScore, Checkmyfile) likewise will further expand their UK offerings.
- 5.5 Within this nascent space, the overlap between the Parties is minimal. The Identity products currently offered by NortonLifeLock and Avast in the UK only share two common features - dark web monitoring and identity theft restoration services. As evidenced below there are a broad range of competitors currently active in the Identity space and well-positioned in expand.
- (B) THE MERGED ENTITY WILL BE CONSTRAINED BY A BROAD RANGE OF COMPETITORS IN IDENTITY**
- (a) **The Merged Entity Will Continue to be Constrained by CCS Providers Originating in Identity**
- 5.6 The Parties currently face competition in the UK from CCS providers originating in Identity, including [REDACTED] (some of which operate a freemium model).
- 5.7 Figure 22 below details select competitors in the Identity pillar's in the UK. As seen below, dark web monitoring is more widely available in the UK; although there are clear market openings for firms to expand within Identity²¹⁷.

²¹⁴ <https://www.globenewswire.com/news-release/2021/12/13/2350494/0/en/United-States-United-Kingdom-Identity-Theft-Protection-Services-Market-to-Grow-on-Account-of-Growing-Incidences-of-Cyber-Related-Crimes-Market-in-the-U-S-And-the-U-K-to-Grow-with-a.html>.

²¹⁵ [REDACTED].

²¹⁶ See, [REDACTED].

Table 5 - Identity Select Competitor Comparison in the UK

		Norton	Avast	Bitdefender	Checkmyfile	ClearScore	Credit Karma	Equifax	Experian	F-Secure	McAfee	Transunion
Features	Dark Web Monitoring	✓	✓	✓		✓		✓	✓	✓	✓	
	Social Media Monitoring	Account takeover, risk activity, inappropriate content ²¹⁸		Impersonations				PII scan & fraud risk analysis		✓	✓	
	Reimbursement											
	Restoration	Services provided on member's behalf	Services provided on member's behalf		Expert Guidance				Services provided on member's behalf			
	Credit (Scores, Reports, Monitoring)				Credit Scores & Reports	Credit Scores & Reports	Credit Scores & Reports	✓	Credit Scores ²¹⁹ and Monitoring			On-off statutory credit report

²¹⁸ Account takeover protection, monitoring links using cybersecurity techniques for scams or fraud, monitoring for inappropriate content.

²¹⁹ Credit Scores offered as part of free account; must have free account to upgrade to Experian identity Plus.

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		Norton	Avast	Bitdefender	Checkmyfile	ClearScore	Credit Karma	Equifax	Experians	F-Secure	McAfee	Transunion
	Other		Security analysis of suspicious emails, websites, texts									
Offerings	Model	Add on and standalone Bundled with N360	Offering bundled with personal data removal	Standalone	Standalone	Standalone, affiliate business model	Standalone, affiliate business model	Standalone	Upgrade from Free Account	Add on to password manager	3 tiers, distinguished by device count	Partnership with select 3rd party consumer credit services
	Price (MSRP)	IDA+:£79.99/yr N360: £149.99/yr (10D)	£38.99/yr	£79.99/yr	£179.88/yr	Free	Free	£95.40/yr	£83.88/yr	£14.99/yr add on (£39.98 combined price)	£59.99 (1D), £79.99 (5D), £89.99 (10D)	Free

5.8 Given that the competitors included in **Table 5** above (i) already have a presence in the Identity pillar in the UK, (ii) supply complete and best-in-breed Identity offerings in the US and (iii) have global brand trust and recognition, it is likely that they will respond to the expected increase in demand from UK consumers for Identity solutions by expanding their existing offerings in the UK. [REDACTED]:

[REDACTED]

[REDACTED]

5.9 An overview of the competitive threat posed by key Identity competitors is set out below:

<p>Checkmyfile. Checkmyfile offers credit scoring and reporting to UK consumers, as well as free fraud checks, fraud assistance and protective registrations in relation to a consumer’s credit report. [REDACTED].²²⁰</p>
<p>ClearScore. ClearScore is a financial wellbeing business principally operating in the UK that offers consumers free credit scoring and reporting services. ClearScore now offers a dark-web monitoring service to identify and alert a user if its personal information has been compromised. ClearScore also offers ProtectPlus, a premium version of its free identity product.²²¹ [REDACTED].²²²</p>
<p>Credit Karma. Credit Karma, which was acquired by Intuit in 2020, offers credit scores and reports, as well as credit and identity monitoring.²²³ Despite its US focus, Credit Karma expanded its offering to the UK, after acquiring Noddle, a UK-based free credit scoring and monitoring service. Credit Karma’s credit and identity protection product is currently provided as a free add-on service. The fact that credit protection solutions are increasingly being offered for “free” (Credit Karma has been the pioneer in this and is increasingly followed by other providers like ClearScore (as set out below), credit bureaus and banks)²²⁴ [REDACTED].²²⁵ US reviews rank Credit Karma as very close to NortonLifeLock, with some ranking Credit Karma ahead of NortonLifeLock (especially for the credit monitoring features of Identity).²²⁶ [REDACTED]²²⁷</p>
<p>Equifax. Equifax credit report products include Equifax WebDetect which uses dark-web monitoring to identify compromised personal information and alert end-users. [REDACTED].²²⁸</p>

²²⁰ [REDACTED].

²²¹ The premium offering includes 24/7 dark-web and deep-web scanning to identify data breaches, daily credit report updates, credit report protection, identity restoration services through a dedicated fraud case manager helpline and a limited insurance package and associated services in case of identity loss. See, <https://www.clearscore.com/learn/protect/what-is-clearscore-protect-plus>.

²²² [REDACTED].

²²³ See, <https://www.creditkarma.com/id-monitoring>. [last accessed 10.05.2022].

²²⁴ See, [REDACTED].

²²⁵ See [REDACTED].

²²⁶ See, for example, <https://www.topconsumerreviews.com/best-credit-monitoring-companies/compare/credit-karma-vs-lifelock.php>. See also users’ reviews comparing the two products (“*Lifelock a scam? basically credit karma for a fee.*”).

²²⁷ See, for example, [REDACTED].

²²⁸ See, [REDACTED].

Experian. Experian offers its Identity Plus product in the UK, which includes a daily fraud report, dark-web monitoring, credit scoring and monitoring, alerts, data breach support and identity restoration services. This is a paid product, although it comes free with an Experian account, which assists with credit scores and mortgage assistance.²²⁹ [X].

Expert reviewers in the US present Experian as a similar alternative to NortonLifeLock's offering, ranking them next to each other among the top identity theft protection offerings.²³⁰ [X].²³¹ [X]²³² Finally, Experian is also publicly comparing its products with NortonLifeLock (advertising, for example, its products with a slogan "*Protect your identity in ways LifeLock® can't.*")²³³

(a) The Merged Entity Will Continue to be Constrained in Identity by CCS Providers Originating in Other Pillars/Adjacent Segments and New Entrants

- 5.10 As noted above, Identity in the UK is at the early stages of growth. As consumer demand for Identity solutions increases, competitors in other pillars and adjacencies are expected to enter the Identity pillar given that (i) many CCS suppliers already offer these services in other geographies, and (ii) those that do not benefit from low barriers to entry/expansion due to the availability of third-party licensing and white-labelling solutions.
- 5.11 With respect to (i), the Parties' current UK dark web monitoring offerings are also constrained by equivalent offerings of multiple CCS providers originating in Security, including [X]. These CCS providers either already offer or have the capability to provide restoration services in the UK.
- 5.12 In particular, Bitdefender is a key example of a CCS provider originating in Security that has expanded into Identity to capitalise on growing consumer demand in recent years. Bitdefender offers 'Bitdefender Digital Identity Protection', which is a standalone Privacy-focused product²³⁴ that also includes Identity features like dark web and social media monitoring. Its offering has received positive reviews, given that it augments traditional antivirus apps by alerting customers about potential identity theft and online impersonators.²³⁵ In April 2022, Bitdefender also

²²⁹ <https://www.experian.co.uk/consumer/which-product-is-right-for-me.html> [last accessed 10.05.2022]

²³⁰ See, for example, <https://www.consumeraffairs.com/finance/lifelock-vs-experian-vs-identity-guard.html>; <https://www.techradar.com/best/best-identity-theft-protection>; See also <https://www.techradar.com/reviews/experian-identityworks> (according to which "*Similar to how Norton LifeLock presents everything in a clear and understandable interface, IdentityWorks also uses a dashboard with tabs up top and a wizard that shows how many steps you have completed or accounts you have configured.*")

²³¹ See, for example, [X].

²³² See, [X].

²³³ See, <https://www.experian.com/consumer-products/compare-to-lifelock.html>.

²³⁴ Bitdefender Digital Identity Protection's focus is on Privacy, as it scans the web for unauthorized leaks of the user's personal data and protects against personal data breaches.

²³⁵ <https://www.tomsguide.com/reviews/bitdefender-digital-identity-protection>.

launched its Identity Theft Protection product, which was characterised as a “*game changer*”.²³⁶ This product is pursuant to a partnership with Identity Force (a TransUnion brand). [REDACTED].

5.13 With respect to (ii), there are many examples of B2B2C companies providing partnership, licensing and white-labelling solutions for dark web monitoring and identity theft protection services more generally. Aura, Enforta, Equifax, Experian, Generali, Monitum, and Wontok are just a few of the large number of providers offering white-labelling and licensing solutions for dark web monitoring and identity theft protection services. Therefore, companies without the technology or specialist support capabilities, if incentivised to do so by the growing consumer demand in the UK, are able to enter the Identity pillar in the UK with ease.

(C) NO LOSS OF CURRENT OR FUTURE COMPETITION BETWEEN CLOSE COMPETITORS IN IDENTITY

5.14 The Identity products currently offered by NortonLifeLock and Avast in the UK *only* share two common features - dark web monitoring and identity theft restoration services. As seen above, there are various other providers of such services in the UK and any competition between the Parties in Identity is therefore limited [REDACTED].

5.15 Dark web monitoring is the anchor around which the traditional identity theft protection services (“ITPS”) offering is built. It is already offered in the UK by many CCS competitors originating in both Identity and Security (together with 24/7 customer support), namely: Bitdefender, ClearScore, Experian, Equifax, F-Secure, Google (through the Chrome browser), Keeper, McAfee, Panda and Webroot.

5.16 Further reducing the closeness of competition between the Parties, [REDACTED].²³⁷ [REDACTED].^{238,239}

5.17 [REDACTED].

[REDACTED]

[REDACTED]

5.18 In contrast, Avast [REDACTED].

5.19 For completeness, Avast has recently acquired Evernym²⁴⁰ and SecureKey,²⁴¹ both of which provide decentralised identity platform solutions. Avast refers to these solutions as Digital Trust

²³⁶ <https://community.bitdefender.com/en/discussion/91496/bitdefender-launches-identity-theft-protection-a-game-changer>; <https://www.bitdefender.com/media/html/consumer/renew/identity-theft-opt/?cid=ipl%7Cc%7Ccommunity%7Cidtheft>.

²³⁷ See, [REDACTED].

²³⁸ See, [REDACTED]

²³⁹ See, [REDACTED].

²⁴⁰ Evernym builds and deploys self-sovereign identity solutions, with the technology and go-to-market resources powering the largest implementations of digital credentials in production. See, <https://www.evernym.com/>.

²⁴¹ SecureKey is a leading identity and authentication provider that simplifies consumer access to online services and applications. Through products Verified.Me and Government Sign-In by Verified.Me allow consumers to privately verify their identities with trusted entities – think governments, banks, or telecoms companies, for example – and then use that digital credential to access other services online. See, <https://securekey.com/about-securekey/>.

Services (“DTS”),²⁴² which are unrelated to the CCS segment of Identity discussed in this section. The statements²⁴³²⁴⁴ Avast has made publicly about these acquisitions, [REDACTED]²⁴⁵ demonstrate that [REDACTED].²⁴⁶

5.20 Avast’s internal documents show how [REDACTED]:

[REDACTED]

[REDACTED]

5.21 Avast’s internal documents further note that [REDACTED].²⁴⁷

5.22 The Parties’ respective forward-looking focuses in Identity are [REDACTED].

(a) **Business Model and Sales Channels**

5.23 The differentiation between the Parties’ business models²⁴⁸ and correspondingly different routes to market described in relation to Security above [REDACTED] remain the same for the Identity pillar. The dynamics within the sales channels are also broadly the same for Identity [REDACTED].

(a) **Internal Documents**

5.24 For an exposition of the internal documents [REDACTED] please refer to [REDACTED].

(D) CONCLUSION: THE PROPOSED TRANSACTION WILL NOT GIVE RISE TO AN SLC IN IDENTITY

5.25 For the reasons set out above, it would not be rational for the combined entity to worsen products in its very limited Identity offer (either by raising prices or degrading non-price aspects of their competitive offerings) post-merger. Doing so would be a self-harming move in a highly competitive and dynamic market offering significant growth potential, in which the Parties are incentivised to develop and grow share in the face of strong competition from a large number of providers. Therefore, the Proposed Transaction will not give rise to an SLC in Identity.

²⁴² Avast notes that it refers to DTS as “Identity” in its Annual Reports. While DTS falls within the broader identity space, it is unrelated to the Identity segment discussed in this section, which comprises ITPS, dark-web monitoring and credit monitoring.

²⁴³ See, <https://blog.avast.com/evernym-joins-avast-avast>.

²⁴⁴ See, https://blog.avast.com/avast_acquires_securekey.

²⁴⁵ See *indicatively*, [REDACTED].

²⁴⁶ See [REDACTED].

²⁴⁷ See *also*, [REDACTED].

²⁴⁸ Avast notes that its Identity products are all paid products but it still goes to market as a freemium provider, [REDACTED].

6 THE PROPOSED TRANSACTION DOES NOT GIVE RISE TO AN SLC IN THE SUPPLY OF BUNDLES OF CCS SOLUTIONS

6.1 NortonLifeLock²⁴⁹ and Avast²⁵⁰ both offer standalone CCS products as well as bundled offerings²⁵¹ that include CCS functionalities across multiple CCS pillars, as do many other CCS suppliers. While NortonLifeLock has [REDACTED].²⁵² By contrast, Avast [REDACTED].

6.2 This Section explains that CCS bundles do not constitute a separate product market as they are substitutable for standalone CCS products both from a demand- and supply-side perspective. In any event, this Section also explains that even when considering the Proposed Transaction by reference to this very narrow hypothetical product frame of reference, no SLC arises.

(A) CCS BUNDLES DO NOT CONSTITUTE A SEPARATE PRODUCT MARKET

6.3 Bundled CCS offerings and standalone CCS products are substitutable both from a demand- and supply-side perspective.

6.4 **Standalone solutions and bundles are substitutable from a demand-side perspective.** Consumers can and do switch between CCS bundles and standalone solutions, without a pronounced preference for one or the other. While some consumers may value the convenience of a packaged offer, others prefer a standalone CCS solution or are happy to mix-and-match between standalone solutions and bundles across the Security, Identity and Privacy pillars. [REDACTED]. In this regard, the PID cited selected comments from competitors (not consumers), disregarding the evidence on mixed demand submitted by the Parties in Phase 1, further supplemented with additional evidence below:²⁵³

(a) **Third-party research shows consumers** [REDACTED].²⁵⁴

[REDACTED]

[REDACTED]

²⁴⁹ NortonLifeLock’s standalone CCS products in the UK include Norton Antivirus Plus, Mobile Security for both iOS and Android, Norton Secure VPN, and Norton and Identity Advisor Plus. These are so-called “top-of-funnel” products. NortonLifeLock also offers a range of standalone offers in the UK, which can be purchased on a standalone basis or in combination with the company’s standalone CCS products or bundled offerings. These standalone offers include AntiTrack, Utilities Ultimate, Ultimate Help Desk, Norton Family, Computer Tune Up and NortonCrypto.

²⁵⁰ Avast’s standalone CCS products in the UK include Free Antivirus, Premium Security and VPN. Antitrack, BreachGuard (which is Avast’s identity protection and privacy point product), a secure browser, a browser extension and performance products like driver updater and pc clean-up.

²⁵¹ NortonLifeLock offers five bundles in the UK: Norton360 Standard; Norton360 Deluxe; Norton 360 Premium; Norton 360 Advanced; and Norton360 for Gamers. Avast offers two bundles in the UK: Avast One Essential and Avast One. For more information about the content of these bundles, please refer to the Parties’ UK websites: <http://uk.norton.com> and <https://www.avast.com/en-gb/index#pc>.

²⁵² For a description of the evolution of the NortonLifeLock product offering pre-2019 (including the conception of its bundling platform Norton 360), please refer to the following blog post: <https://us.norton.com/internetsecurity-how-to-the-evolution-of-norton-360-a-brief-timeline-of-digital-safety.html>.

²⁵³ PID, para. 50.

²⁵⁴ [REDACTED].

(b) [REDACTED].²⁵⁵

(c) [REDACTED]²⁵⁶ [REDACTED]²⁵⁷

[REDACTED]

[REDACTED]

(d) **The Parties' internal documents** [REDACTED].

6.5 [REDACTED].²⁵⁸ [REDACTED].²⁵⁹

[REDACTED]

[REDACTED]

6.6 [REDACTED].

[REDACTED]

[REDACTED]

6.7 **Standalone solutions and bundles are substitutable from a supply-side perspective.** Suppliers of bundled CCS solutions have access to the required assets to offer standalone CCS solutions and vice versa. Offering bundles and standalone solutions involves the same technology (per feature) and can be marketed using the same channels using the same brands. [REDACTED]. The Parties submit that switching between bundled and standalone solutions and vice versa is [REDACTED] for CCS suppliers (or consumers). For example, NortonLifeLock notes that new bundle variations based on existing products but with different feature sets or levels of protection requires [REDACTED] to launch. Offering a new product based on an existing product but with the addition of a new feature innovation not previously available takes around [REDACTED] to launch [REDACTED].

6.8 Accordingly, both from a demand- and supply-side perspective there is no clear delineation between bundled CCS solutions and standalone solutions. Nonetheless, even when considering the effects of the Proposed Transaction in a frame of reference limited to CCS bundles only, the Proposed Transaction does not give rise to an SLC, as explained below.

²⁵⁵ [REDACTED].

²⁵⁶ [REDACTED].

²⁵⁷ [REDACTED].

²⁵⁸ See [REDACTED].

²⁵⁹ See [REDACTED].

- (B) THE PROPOSED TRANSACTION WILL NOT GIVE RISE TO AN SLC IN CCS BUNDLES IN ANY EVENT**
- 6.9 **The combined entity will continue be constrained by multiple competitors for CCS bundles.** This will be the case regardless of whether these competitors have Security, Privacy, or Identity at the core of their offering or whether they are leveraging an established position in adjacent segments. Indeed, most CCS suppliers today offer bundles as well as standalone solutions, as shown in Figure 32 below.
- 6.10 CCS providers that do not currently offer bundles would have a strong incentive to develop bundles if demand intensified, consistent with multiple movements across the CCS pillars and from adjacent segments. As described above at paragraphs 3.6-3.22, the OSs are also increasingly focused on providing complete CSS across all three pillars.
- 6.11 In addition, NortonLifeLock and Avast are not particularly close competitors in the supply of bundled CCS solutions, including when considering only those that have Security at the core.
- (a) NortonLifeLock has [REDACTED].²⁶⁰
- (b) As shown in **Figure 32** below, there are at least 13 different CCS suppliers that offer a similar feature set as part of their most extensive CCS bundles (including when only considering those CCS suppliers having “Security at their core”).

²⁶⁰ See [REDACTED].

Figure 33 - Bundled products

		N360 Advanced	Bitdefender Premium Security	Kaspersky Total Security	F-Secure Total	Avast One	McAfee Total Protection	Panda Dome Premium	Malwarebytes Premium	Trend Micro Premium Security Suite Maximum Security	Aura Individual	ESET Smart Security Premium	SurfShark One	Total AV Total Security
	Origin Pillar	Security	Security	Security	Security	Security	Security	Security	Security	Security	Identity	Security	Privacy	Security
Features	Anti-malware / Anti-virus	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Firewall Protection	✓	✓	✓	✓	✓	✓	✓				✓		
	Parental Controls	✓	✓	✓	✓		✓	✓		✓		✓		
	PC Optimisation		✓	✓		✓	✓	✓		✓				✓
	Webcam Protection	✓	✓	✓	✓	✓						✓		
	VPN	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓
	Anti-tracking		✓	✓	✓	✓		✓					✓	
	Restoration	✓												
	Social Media Monitoring	✓	✓		✓					✓				

	N360 Advanced	Bitdefender Premium Security	Kaspersky Total Security	F-Secure Total	Avast One	McAfee Total Protection	Panda Dome Premium	Malwarebytes Premium	Trend Micro Premium Security Suite Maximum Security	Aura Individual	ESET Smart Security Premium	SurfShark One	Total AV Total Security
Dark Web Monitoring	✓	✓	✓	✓	✓		Partial		✓	✓		✓	✓
Password Manager	✓	✓	✓	✓		✓	✓		✓	✓	✓		✓
Devices Supported (varies based on plan)	1-10	1-10	1-10	1-25	1-30	1-10	1-unlimited	1-5	1-10	1-5	1-10	1-unlimited	1-6

All support Windows, Mac, Android and iOS.

6.12 Also, as can be seen from Avast's internal documents, [REDACTED]:

[REDACTED]

7 DYNAMIC COMPETITION AND PRO-COMPETITIVE EFFECTS

7.1 For the reasons set out above, the Proposed Transaction will not result in an SLC in relation to existing or potential competition. This section explains that the Proposed Transaction also will not give rise to a dynamic SLC (i.e., in relation to the process of innovation), and that on the contrary the Proposed Transaction will have pro-competitive effects, including increased innovation (although it is not necessary to rely on these to conclude there are no concerns).

(A) NO DYNAMIC SLC

7.2 The Proposed Transaction will not lead to a loss of dynamic competition in the CCS market (or in any of its pillars).

7.3 First, the technology behind the Security Pillar (where the Parties' originated) is highly commoditised, such that success in this pillar is not defined by new innovations, but rather by quality ongoing maintenance and incremental changes to user experience. The bulk of the innovation in CCS currently is in Privacy and Identity Pillars, [REDACTED].

7.4 Second, analysis of each of the Parties' ongoing R&D and pipeline products shows that [REDACTED].

7.5 Third, as discussed above, the CCS market overall is at a phase of rapid evolution, characterised by cross-pillar movements but also by continuous innovation and new product releases by a broad range of CCS competitors. The Parties will continue to face competition from CCS providers with their roots in Security, and will also face increasing competition from a wide range of additional competitors originating in other pillars and in adjacencies. This is evident from the fact that vast amounts of capital are being raised by newer CCS providers [REDACTED], in recognition from the market that the scope to innovate and differentiate in the evolving CCS market is significant. By the same token, Microsoft continues to pour resources into improving its CCS suite, [REDACTED]. Substantial constraints would therefore remain in relation to dynamic competition post-Merger.

(B) CROSS-SELLING OPPORTUNITY ARISING FROM COMPLEMENTARY OFFERINGS AND BUSINESS MODELS

7.6 Before turning to the dynamic benefits of the Proposed Transaction, it will also give rise to important static efficiencies. As noted in the FMN, "*the increased scale of the merged entity will give it more opportunity to up-sell and cross-sell to the enlarged consumer base*" and "*an important rationale of the Proposed Transaction is the potential for the combined company to offer additional (paid) products to Avast's considerable free user base. The combined company will be incentivised to keep its freemium model in order to retain this high user base to have the opportunity to cross sell related products to these customers as their needs develop.*"²⁶¹ More specifically, as indicated in the Parties' internal documents considering the benefits of the Proposed Transaction,²⁶² the Parties plan to:

- (a) [REDACTED]; and
- (b) [REDACTED].

²⁶¹ See, [REDACTED].

²⁶² See, for example, [REDACTED].

(C) INNOVATION UNLOCKED BY THE MERGER, ACCELERATING THE SHIFT TO DIGITAL LIFE PROTECTION²⁶³

- 7.7 One of the key rationales for the Proposed Transaction is to re-invest synergies into innovation, including in Privacy and Identity as well as in adjacent spaces. This re-investment will not lead to the combined entity degrading its Security offering. With widespread continuous scrutiny of Security product performance by third party reviewers, the combined entity will not have an incentive to deprioritise efforts to maintain and improve its Security technology, particularly as it will want to leverage that technology to further grow the business in other pillars and in adjacent segments.
- 7.8 Standalone, [REDACTED].²⁶⁴
- 7.9 The Proposed Transaction is driven by the Parties' goal to expand beyond the complementary CCS offerings they have today and further into trust-based adjacent solutions including connected home, access services, insurtech, personal finance, trusted community, and beyond.²⁶⁵ Avast has very recently diversified into DTS with its acquisitions of Everynm and SecureKey and the merger will, inter alia, help accelerate its ability to develop and roll out those products in the UK as well as allow further R&D into DTS.
- 7.10 In this regard, the Rule 2.7 announcement²⁶⁶ states that “*our highly complementary product portfolios will have far-reaching benefits, significantly enhancing our ability to drive innovation through R&D, and accelerating the transformation of our Cyber Safety platform for our more than half a billion combined users*”. In addition to the increased revenue enabled by increased cross-selling and up-selling of the Parties' complementary offerings, the Proposed Transaction's anticipated gross cost savings will enable the combined entity's ability to drive innovation in the industry.
- 7.11 More specifically, the Proposed Transaction is expected to yield the cost savings summarised in **Figure 34** below.

Figure 34 - Overview of Anticipated Cost Synergies

[REDACTED]

- 7.12 In particular, as stated in the Rule 2.7 Announcement (included at FMN Annex 008-2), the Proposed Transaction will unlock significant value creation through approximately USD 280 million of annual gross cost synergies, with additional upside potential from new reinvestment capacity for innovation, partnerships and marketing initiatives to support and accelerate long-term sustainable growth.²⁶⁷
- 7.13 As also set out in the Rule 2.7 Announcement, empowered by these synergies, the merged entity will be in a position to “*lead digital disruption in the Cyber Safety segment*” providing stronger

²⁶³ Please see RIS Annex 001 Glossary of Terms.

²⁶⁴ See, [REDACTED].

²⁶⁵ See, [REDACTED].

²⁶⁶ Rule 2.7 (Firm Offer) Announcement dated 10 August 2021 ([REDACTED]).

²⁶⁷ <https://investor.nortonlifelock.com/news/news-details/2021/NortonLifeLock-and-Avast-to-Merge-to-Lead-the-Transformation-of-Consumer-Cyber-Safety/default.aspx>.

competition than they would otherwise to the in-built offerings of Microsoft and other CCS suppliers and providing more choice for consumers.

(D) EFFICIENCIES WILL BENEFIT CONSUMERS IN THE UK

7.14 The Parties develop and roll out products globally,²⁶⁸ with only minor local (if any) modification. [§<]. As a result, any positive effects on product innovation enabled by the synergies resulting from the merger will occur and will be rolled out to the UK, and will benefit consumers in the UK regardless of how the Proposed Transaction might otherwise affect competition in the UK.

(E) CONCLUSION: THE PROPOSED TRANSACTION DOES NOT GIVE RISE TO HORIZONTAL UNILATERAL EFFECTS

7.15 As set out above, whether considering individual CCS pillars, bundled CCS products, or the CCS market in general, there are many CCS providers who are closer competitors to the Parties than they are to each other. The Parties face strong and growing competition from well-resourced, established competitors, from competitors in adjacent industries as well as from well-capitalised new entrants – and, most fundamentally, from Microsoft and other Big Tech companies.

7.16 The Parties have to continuously work hard to maintain quality, add features and bring new products into their portfolio to compete with the multitude of competitive forces present in each and across all of the existing CCS pillars and beyond. This will continue post-merger. The competitive constraints they face today will be unaffected by the Proposed Transaction and will force them to continue to compete fiercely, strengthened by the synergies unlocked by this complementary merger.

7.17 Therefore, the Proposed Transaction does not give rise to any realistic prospect of an SLC within any market or markets in the UK. Rather, as demonstrated in this Response and underlined in the Rule 2.7 Announcement, the merger will give the Parties greater capacity to invest in innovation and thereby accelerate their ability to broaden their offering, sparking further innovation competition and ultimately benefiting consumers.

²⁶⁸ See, [§<].
See indicatively, for [§<].