



DETERMINATION OF MERGER NOTIFICATION M/11/029 - HP/AUTONOMY

Section 21 of the Competition Act 2002

Proposed acquisition by Hewlett Packard Company of sole control of Autonomy Corporation plc

Dated 21 September 2011

Introduction

1. On 26 August 2011, in accordance with section 18 of the Competition Act 2002 ("the Act"), the Competition Authority ("the Authority") received a notification of a proposed transaction whereby Hewlett Packard Company ("HP") would acquire sole control of Autonomy Corporation plc ("Autonomy").

The Undertakings Involved

HP

2. HP is a global provider of products, technologies, software, and services to individual customers, small and medium businesses, and large enterprises. HP's major business lines include: computer systems, information technology services, imaging and printing systems, and information technology software.
3. HP provides a small amount of software storage and infrastructure software technology. This technology is of three kinds, which the parties refer to in the notification as follows:
 - Enterprise Information Archiving ("EIA") which includes the following HP solutions: Integrated Archive Platform; Medical Archive Solution; and Database Archiving;
 - Enterprise Content Management ("ECM") which includes HP's TRIM software;
 - Backup and Recovery, which includes HP's Data Protector software.¹
4. Between them, these various types of technology enable users to do the following:
 - store and maintain various types of data (both structured and unstructured data);
 - assist in the retention and management of data;

¹ For the purpose of the notification and for ease of reference, the parties have allocated each individual technology into specific categories (e.g., EIA) using recognised categorisations by industry analysts such as Gartner and IDC.

- manage and analyse stored information; and,
 - protect against the loss of data by way of backup and recovery solutions.
5. For the financial year ending 31 October 2010, HP's worldwide turnover was US\$126 billion (€93 billion²). HP's turnover in the State for the same period was US\$[...] (€[...]³).

Autonomy

6. Autonomy is a global provider of infrastructure software, specialising in pattern recognition technologies. Autonomy has particular expertise in the search, retrieval, management and processing of unstructured data. Autonomy's business model is based on the utilisation of a single type of technology in a set of standard products to address unique problems associated with unstructured data. This technology is known as the group's unique Intelligent Data Operating Layer ("IDOL"). Autonomy's IDOL technology enables computers to "understand" the meaning of unstructured information and to then locate and process this information without relying on a human being.
7. Autonomy has a number of "virtual" brands, each of which is founded on the IDOL technology. Autonomy's products include sophisticated search technology which enables individuals within organisations to search for unstructured data in their internal systems; storage and archiving solutions⁴; information and content management⁵; and various backup and recovery solutions⁶.
8. For the financial year ending 31 December 2010, Autonomy's worldwide turnover was US\$1062 million (€801 million⁷). Autonomy's turnover in the State for the same period was US\$[...] (€[...]⁸).

Rationale for the Proposed Acquisition

9. The parties submit that the proposed transaction brings together complementary data search technologies in order to meet next-generation information management challenges (particularly with respect to the parties' capabilities for searching both structured and unstructured data).
10. HP submits that the proposed transaction will enable it to expand its presence in the business systems and enterprise information software sector. This will be achieved by providing new enterprise-wide solutions for both structured and unstructured information search, access and advanced real-time and predictive analysis to customers.

Third Party Submissions

11. No submissions were received.

² Based on an average annual exchange rate of €1 = US\$1.3489 for 2010.

³ Based on an average annual exchange rate of €1 = US\$1.3489 for 2010.

⁴ As noted above, the parties refer to this technology as EIA.

⁵ As noted above, the parties refer to this technology as ECM.

⁶ As noted above, the parties refer to this technology as Backup and Recovery.

⁷ Based on an average annual exchange rate of €1 = US\$1.3489 for 2010.

⁸ Based on an average annual exchange rate of €1 = US\$1.3489 for 2010.

Analysis

12. There is both horizontal and vertical overlap between the parties.

Horizontal Overlap

13. There is a horizontal overlap between the parties in relation to the provision of enterprise information management technology, in particular EIA, ECM, and Backup and Recovery.

Relevant Product and Geographic Market

Views of the Undertakings Involved

14. The parties submit that the relevant product market is the provision of enterprise information management technology. The parties submit, however, that they have considered the possibility that this product market could be divided into a number of separate sub-markets such as EIA, ECM, and Backup and Recovery.⁹
15. The parties submit that if the Authority considers that there are relevant sub-markets for EIA, ECM and Backup and Recovery, the relevant geographic market in each case is global. In the case of EIA, the parties note that the European Commission ("the Commission") appears to have accepted that the geographic scope of this product market is likely to be worldwide.¹⁰ In the case of ECM, the parties note that the Authority's determination in M/06/065 – IBM/FileNet concluded that the relevant geographic market is global. Similarly, in the case of Backup and Recovery, the parties note that the Authority's determination in M/06/029 – Quantum/ADIC concluded that the relevant geographic market is global.

Views of the Competition Authority

16. Following the approach of the Commission, the Authority will examine the impact of the proposed transaction in the market for the supply of EIA.¹¹ Following its own approach in M/06/065 – IBM/FileNet and in M/06/029 – Quantum/ADIC, the Authority will examine the impact of the proposed transaction in the markets for the supply of ECM, and electronic data storage solutions, including tape-based and disk-based data storage equipment designed for computer back-up, recovery and archive solutions ("BURA systems").¹²
17. The Commission and the Authority have previously concluded that the geographic scope of each of these three product markets is likely to be worldwide.¹³ For the purpose of assessing the proposed transaction, the Authority does not consider it necessary to reach a definitive conclusion on the relevant geographic market. For each of the three product markets defined above, the Authority's analysis will examine the competitive effects of the proposed transaction in the State. This

⁹ The parties also list enterprise search technology as a possible separate sub-market. However, since the parties do not overlap in this sub-market because HP does not provide enterprise search technology, this sub-market will not be considered any further.

¹⁰ M.3697 – Symantec/Veritas, 15 March 2005 (paragraphs 17-21).

¹¹ M.3697 – Symantec/Veritas, 15 March 2005.

¹² This product, BURA systems, is the exact same as the Backup and Recovery solutions technology described by the parties in the notification and referred to in paragraph 3 above.

¹³ M.3697 – Symantec/Veritas, 15 March 2005 (paragraphs 17-21); M/06/065 – IBM/FileNet; and, M/06/029 – Quantum/ADIC.

is the narrowest geographic market in which the proposed transaction is likely to raise a competition concern.

18. In conclusion, the Authority will examine the impact of the proposed transaction in the following markets in the State:

- The supply of enterprise information archiving;
- The supply of enterprise content management; and,
- The supply of BURA systems.

Competitive Assessment

The Supply of Enterprise Information Archiving in the State

Views of the Undertakings Involved

19. In the context of the global market, the parties provided Table 1 below which shows the market shares of EIA suppliers. Post-transaction, the merged entity will account for [10-20]% of the global EIA market.

Table 1: Worldwide Market Shares (by revenue) in the Supply of EIA, 2010

Name	Market Share (%)
Symantec	17
Autonomy	[10-20]
IBM	13
EMC	7
CommVault	4
HP	[0-10]
Other	43
	100

Source: The parties' internal estimates and Gartner, Market Share Analysis: HSM and Archive Software (Distributed) Market, Worldwide, 2010.

20. The parties state that the proposed transaction will only lead to a small increase in HP's market share in the State. The parties estimate that the approximate value of the EIA market in the State in 2010 was €4.4 million.¹⁴ Based on the parties' respective turnover figures for sales of EIA to customers in the island of Ireland in 2010, the parties estimate that HP's market share was approximately [10-20]% while Autonomy's market share was approximately [0-10]%.¹⁵

Views of the Competition Authority

¹⁴ Source: Gartner All Enterprise Software Market Share, Worldwide, 2008-2010.

¹⁵ Autonomy has only two EIA customers in the State.

21. Autonomy's share of the EIA market in the State is negligible ([0-10]%). The change in market share following the proposed transaction will therefore be small. There are many other competing EIA suppliers in the State including Symantec, IBM, EMC, and CommVault. This suggests that HP will have neither the ability nor the incentive to permanently raise its EIA prices post-transaction.

The Supply of Enterprise Content Management in the State

Views of the Undertakings Involved

22. In the context of the global market, the parties provided Table 2 below which shows the market shares of ECM suppliers. Post-transaction, the merged entity will account for [0-10]% of the global ECM market.

Table 2: Worldwide Market Shares (by revenue) in the Supply of ECM, 2010

Name	Market Share (%)
IBM	18
Open Text	18
EMC	12
Microsoft	6
Oracle	5
Autonomy	[0-10]
HP	[0-10]
Other	36
	100

Source: The parties' internal estimates and Gartner, Market Share Analysis: ECM, Worldwide, 2010.

23. The parties estimate that the approximate value of the ECM market in the State in 2010 was €8.9 million.¹⁶ HP generated no turnover in respect of sales of ECM to customers in the island of Ireland in 2010. Based on Autonomy's turnover figures for sales of ECM to customers in the island of Ireland in 2010, Autonomy's market share was approximately [0-10]%.

Views of the Competition Authority

24. Due to Autonomy's minimal market share in the supply of ECM, the fact that HP did not make any sales in the State in 2010, and the existence of credible alternative suppliers such as IBM and Open Text, the proposed transaction raises no competition concerns in this market.

¹⁶ Source: Gartner All Enterprise Software Market Share, Worldwide, 2008-2010.

The Supply of BURA Systems in the State

Views of the Undertakings Involved

25. In the context of the global market, the parties provided Table 3 below which shows the market shares of BURA systems suppliers. Post-transaction, the merged entity will account for [0-10]% of the global BURA systems market.

Table 3: Worldwide Market Shares (by revenue) in the Supply of BURA Systems, 2010

Name	Market Share (%)
Symantec	35
IBM	17
EMC	15
CommVault	6
HP	[0-10]
Autonomy	[0-10]
Other	19
	100

Source: The parties' internal estimates and Gartner, Market Share Analysis: Backup and Recovery (Distributed) Market, Worldwide, 2010.

26. The parties estimate that the approximate value of the Backup and Recovery market in the State in 2010 was €11.1 million.¹⁷ Based on the parties' respective turnover figures for sales of backup and recovery solutions to customers in the island of Ireland in 2010, the parties estimate that HP's market share was approximately [10-20]% while Autonomy's market share was approximately [0-10].¹⁸

Views of the Competition Authority

27. Autonomy's share of the BURA systems market in the State is negligible ([0-10]%). The change in market share following the proposed transaction will therefore be small. There are many other competing BURA systems suppliers in the State including Symantec, IBM, EMC, and CommVault. This suggests that HP will have neither the ability nor the incentive to permanently raise its BURA systems prices post-transaction.

Vertical Overlap

The Supply of Enterprise Search Technology in the State

¹⁷ Source: Gartner All Enterprise Software Market Share, Worldwide, 2008-2010.

¹⁸ Autonomy has only [...] customers in the State.

28. There is a vertical overlap between the parties since HP currently licenses Autonomy's IDOL enterprise search technology. Enterprise search technology allows individuals within organisations to search for unstructured data in their internal computer system (e.g. intranet or internal database). HP does not provide its own enterprise Search technology.
29. The Authority examined whether the proposed transaction might lead to input foreclosure and/or customer foreclosure. The Authority considers that the proposed transaction does not raise any vertical competitive concerns in the supply of enterprise search technology in the State since:
- the total sales generated by Autonomy from the provision of enterprise search technology to customers in the island of Ireland for 2010 was minimal. Autonomy's sales amounted to €[...] which represents approximately [0-10]% of total enterprise search technology sales in the State in 2010; and,
 - there are a large number of competitors active in the provision of enterprise search technology in the State including Microsoft, Google, Endeca, Open Text, IBM, and Adobe. Customers can easily switch to any of these alternative providers without any timing or cost implications.
30. The proposed transaction will therefore not result in HP having the ability, post-acquisition, to foreclose its competitors by, for example, restricting access to or raising the cost of Autonomy's enterprise search technology. Furthermore, there is no risk of supplier or customer foreclosure since the proposed acquisition will not affect the ability of enterprise search technology providers to sell their products to other customers in the State.

Conclusion

31. In light of the above, the Authority considers that the proposed transaction will not raise any competition concerns in the State.

DETERMINATION

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition whereby Hewlett Packard Company would acquire sole control of Autonomy Corporation plc will not be to substantially lessen competition in markets for goods or services in the State, and accordingly, that the acquisition may be put into effect.

For the Competition Authority

Noreen Mackey

Member of the Competition Authority

Director, Mergers Division