



DETERMINATION OF MERGER NOTIFICATION M/08/027 – SYMANTEC/PC TOOLS

Section 21 of the Competition Act 2002

Proposed acquisition by Symantec Corporation of PC Tools Holdings Pty Limited

Dated 25/09/08

Introduction

1. On 1 September 2008, the Competition Authority (“the Authority”), in accordance with section 18(1)(a) of the Competition Act 2002 was notified on a mandatory basis of the proposed acquisition by Symantec Software Australia Holdings Pty Limited (“Symantec Australia”) of the entire issued share capital of PC Tools Holdings Pty Limited (“PC Tools”).

The Undertakings Involved

The Acquirer

2. Symantec Australia, which was incorporated for the purposes of this transaction, is owned by an Irish company Symantec Limited, which is a subsidiary of Symantec Corporation (“Symantec”). Symantec is a Delaware company incorporated in the USA and is listed on the Nasdaq.
3. Symantec’s core business is primarily concerned with the design, development and distribution of software products (principally through the Norton brand) for:
 - security solutions – including products that protect consumers and enterprise from threats to personal computers, computer networks and electronic information; and,
 - storage solutions – including products that manage, archive, protect and recover business-critical data.
4. Symantec has operations in 40 countries and for the financial year ended 28 March 2008 Symantec’s worldwide turnover was €4.03 billion. Its turnover in the State over the same period was €[...] million.

The Target

5. PC Tools is a company incorporated in Australia and is the ultimate holding company for a global network of subsidiaries. 100% of the issued share capital of PC Tools is owned by [...].

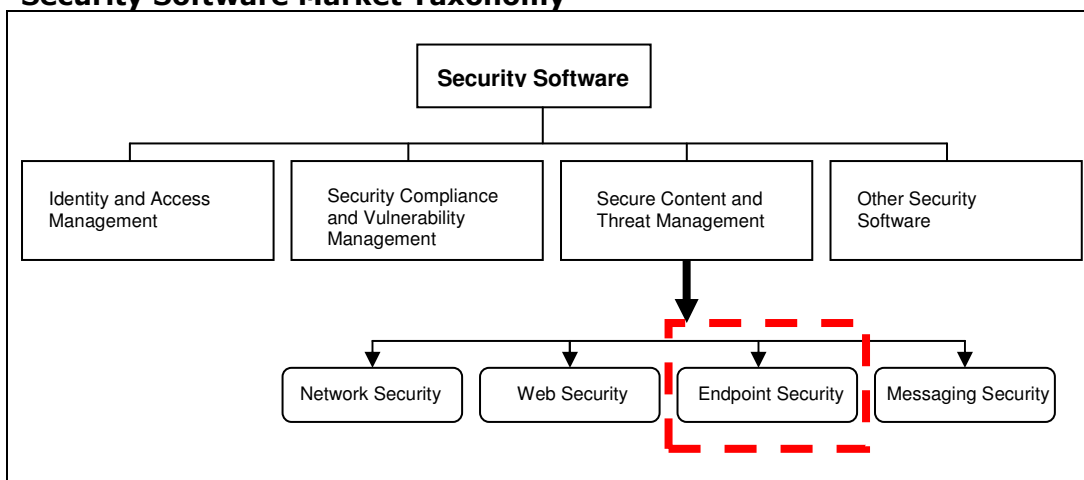
6. PC Tools is involved in the publication of software and the provision of technical resources aimed at securing, protecting and maintaining the Microsoft Windows operating system¹.
7. PC Tools' worldwide turnover for the year ended 30 June 2008 was €[...] and its turnover in the State over the same period was €[...].

Analysis

Overlap

8. Symantec and PC Tools overlap in the design and distribution of products in the area of consumer endpoint security software ("CESS") as depicted in Figure 1 below.²

Figure 1
Security Software Market Taxonomy



Source: IDC³, Western European Security Software 2006 Competitive Vendor Shares

9. The parties submit that the relevant product market is the market for CESS. The parties note that CESS products, of which there are many, are usually sold as 'suites' (i.e. software bundles which addressing multiple functionalities through a single software package) and include a number of functionalities such as antivirus, anti spyware, personal firewalls, host intrusion, file/disk encryption and endpoint information. Further, IDC the leading analyst in this area, tracks endpoint security software as a market segment:

The purchasing of multiple security tools (antivirus, antispymware, firewall, intrusion detection) as a single solution continues to gain in popularity, for both corporate users and

¹ PC Tools also produce a similar product of Apple Macs called iAntivirus.

² There is some minimal overlap in the provision of: (a) software to the enterprise security software market which is not considered further since PC Tools sales in this market for the year ending 30 June 2008 amounted to €[...]; and, (b) utility software products that is not considered further since these are sold as standalone products by PC Tools in contrast to Symantec which sells them as part of the range of CESS suites it supplies.

³ IDC is a global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets and is a subsidiary of IDG, the world's leading technology media, research, and events company. See www.idc.com for more details.

consumers. This trend will only continue as people search for more complete security that its also manageable.⁴

10. While, the Authority has not deemed it necessary to come to a definitive conclusion on the product market for this Determination, the analysis presented below makes use of the broad CESS market segment.
11. CESS products are primarily supplied online and the same products are supplied to customers all over the world. Where they are supplied on disk or as part of a hardware sale they are shipped at low cost with limited language related modifications to the software. Further, there are no technical or delivery-related elements that would require the identification of a narrower geographic scope. Consequently, the parties' view is that the relevant geographic market is global in scope. The Authority does not regard it as necessary to come to a definitive conclusion on the relevant geographic market but would note that the product characteristics of CESS would tend to support such a conclusion.
12. Table 1 below sets out the market shares of the parties and their competitors for global the supply of CESS products. There are no data available separately for Ireland. However, each of at least the top five competitors can and do sell into the State primarily via internet sales while the other competitors referred to in Table 1 have the capability to sell into the State via the internet.

**Table 1
CESS Products, Global Market Shares, 2006**

Company	Market Share (%)
Symantec	[45-50]
McAfee	[15-20]
Trend Micro	[5-10]
Webroot	[0-5]
F-Secure Corporation	[0-5]
Check Point	[0-5]
Panda Software	[0-5]
PC Tools	[0-5]
Grisoft	[0-5]
CA	[0-5]
Kaspersky Lab	[0-5]
Microsoft	[0-5]
eSet	[0-5]
Norman	[0-5]
Antitum	[0-5]
Ahnlab Inc.	[0-5]
Others*	[10-15]

* None of the firms in this category have a market share above 0.1%
Source: IDC⁵

13. In addition to the presence of large global players this sector also exhibits a number of characteristics of a competitive market:

⁴ IDC, "Worldwide Endpoint Security Software 2007-2011 Forecast "and "2006 Vendor Shares: How Suite It Is."

⁵ Ibid, p. 9.

- The sector is highly innovative in terms of both the increasing sophistication of the products supplied and the different route to market strategies pursued by existing suppliers and new entrants. For example, using the online direct to consumer sales model new entrants increasingly offering free security solutions (e.g., companies such as the German based Avira and the Czech based AVG are providing customers with free security software solutions initially and subsequently converting customers to paid-for premium versions at a later date);
 - There are no direct switching costs to consumers. However the relevant suites of products and services are usually sold on an annual subscription basis and therefore it is likely that consumers would wait until the end of the subscription period before changing suppliers. Contracts with distributors (including online transaction aggregators) are short term (one year or less) and terminable by either party at short notice and without cost; and,
 - Consumers can and frequently do have suites of products from more than one supplier at the same time.
14. In light of the limited market accretion which will result from the proposed transaction on the global market for CESS, the fact that the combined entity will continue to face significant competition from a large number of well-established global competitors, the dynamic and innovative nature of the sector generally, the potential competition arising from the increasing availability of free security solutions and the lack of switching costs to consumers and distributors, the Authority considers that the proposed transaction does not raise competition concerns in the State.

Determination

15. 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 by Symantec Software Australia Holdings Pty Limited of the entire issued share capital of PC Tools Holdings Pty Limited will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Dr. Paul K. Gorecki
Member of the Competition Authority