



DETERMINATION OF MERGER NOTIFICATION M/07/024 -

Verizon Business/Cybertrust

Section 21 of the Competition Act 2002

Proposed acquisition by Verizon Business Global, LLC of Cybertrust Holdings, Inc.

Dated 29/05/2007

Introduction

1. On 15 May 2007 the Competition Authority (the "Authority"), in accordance with Section 18(1)(a) of the Competition Act, 2002 ("the Act") was notified, on a mandatory basis, of a proposed acquisition by Verizon Business Global, LLC ("Verizon Business") of Cybertrust Holdings, Inc. ("Cybertrust").

The Proposed Transaction

2. Verizon Business proposes to acquire sole control of Cybertrust through the merger of a wholly-owned subsidiary of Verizon Business (the "Merger Sub") into Cybertrust. As a result of the proposed transaction, the outstanding shares of capital stock of the Merger Sub and Cybertrust will be converted or cancelled, such that Merger Sub will be survived by Cybertrust, as a wholly-owned subsidiary of Verizon Business.

The Undertakings Involved

The Acquirer

3. Verizon Business is a wholly-owned subsidiary of Verizon Communications Inc. ("Verizon"). Verizon is a global provider of broadband and other wireline and wireless communications services.
4. Verizon Business provides a broad range of local, long-distance and international voice and data communications services, Internet access and connectivity services, private IP services, web and application hosting services and managed communications security services in a number of countries.
5. Verizon Business offers a limited range of managed security services ("MSS")¹ including a number of managed firewall services, denial of service mitigation services, managed e-mail scanning services and managed web scanning services. The firewall services provided by Verizon Business are provided using equipment installed on customers' premises, while the denial of service mitigation services and managed

¹ Managed security services provide real-time monitoring and management of complex security environments, using a central 'dashboard' to provide integrated visibility and control of security products supplied both by Cybertrust and third parties.

e-mail and web scanning services are provided as hosted MSS (i.e., using equipment located in Verizon Business facilities).

6. All of these services are available to Verizon Business' Irish customers.

The Target

7. Cybertrust offers a range of MSS, including those providing security/compliance programs (including security management programs,² partner security programs,³ payment card industry ("PCI") compliance programs⁴ and vulnerability management services⁵), identity management services⁶ such as UniCERT, PKI Factory and OmniRoot, and professional security services. As such, Cybertrust provides customer-premises based security services and security professional services, but not hosted security services.
8. Cybertrust provides all of the above services to customers in Ireland.
9. JP Morgan Chase & Co. ("JPMC") indirectly holds approximately [...] % of the issued and outstanding capital stock of Cybertrust. Except for JPMC, no single entity or individual owns or controls 5% or more of the issued and outstanding capital stock of Cybertrust. Accordingly, JPMC currently has sole control of Cybertrust.

Analysis

10. There is a horizontal overlap between the activities of the undertakings in MSS, albeit not in the State.⁷ In 2006, Verizon generated no revenues from customers based in the State.
11. While both supply MSS, Cybertrust supplies the full range of MSS to customers globally in contrast to Verizon which has limited capabilities to supply MSS. In particular, Verizon supplies services similar to Cybertrust's professional security services only in the US and the UK (to a limited extent).
12. There are a number of types of MSS, and customers often acquire multiple different services to meet their communications security

² A security management program is an 'out-of-the-box' security management system that continually assesses security risks, analysing physical and environmental controls, external perimeter and e-mail getaways, internal network infrastructure and wireless infrastructure. The program offers five different security certifications, namely: enterprise certification, perimeter certification, service provider certification, application certification and sitesecure certification.

³ A partner security program allows customers to assess the security risk of working with third party entities, and provides a system to document the steps taken to protect security and meet regulated standards.

⁴ Cybertrust's PCI compliance program provides the capability to perform PCI audits for all merchants, allows monitoring of compliance and report production, provides reports in the event of a breach (of compliance standards) and training and response assistance in relation to compliance incidents.

⁵ Vulnerability management services allow customers to understand and measure their security risk, and to prioritise actions necessary to reduce risks. They can be provided as a software solution deployed in the customer's premises (so that the customer manages the ongoing operation of the software), through a web portal (so that the customer accesses the software on-demand), or can be remotely managed by Cybertrust so that Cybertrust provides the software and remote and managed support.

⁶ Identity management services can either be deployed at the customer's premises or can be remotely managed from Cybertrust's facilities. They provide the root for digital certificates that authenticate identity for all operating systems, including e-mail systems, browsers and mobile devices.

⁷ There is no vertical overlap in the activities of Verizon and those of Cybertrust in the State.

needs. For example, customers can choose whether to acquire particular services such as firewalls by having equipment and software installed at their own premises or by remotely accessing the equipment and software hosted by the security service provider. In other words, many MSS can be installed on or using customer premises equipment ("CPE") or can be remotely hosted by the service provider. While the undertakings take the view that the relevant product market is the market for MSS, the Authority has not deemed it necessary to come to a definitive conclusion on the product market for this determination.

13. MSS suppliers supply the same products to their customers, irrespective of geographic location. Similarly, all major suppliers of MSS offer their products and services to customers all over the world. 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 MSS would tend to support such a conclusion.
14. The parties submit that it is difficult to calculate market shares for MSS and outline two caveats⁸ to the estimates presented by Frost and Sullivan⁹ in Table 1.

Table 1: Global Market Shares in MSS, 2006

Market participant	2006 Market share (by revenue)
IBM	10.8%
Cybertrust	8.5%
AT&T	5.1%
Verisign	4.5%
Getronics	4.0%
Verizon	4.0%
Sprint	3.9%
Symantec	3.8%
EDS	3.4%
Other	52%

15. In light of the very limited market accretion (approximately 4 percent) which will result from the proposed transaction on the global market for MMS, the fact that the combined entity will continue to face significant competition from a large number of well-established competitors and the fact that in 2006 Verizon generated no revenue from the supply of MMS to customers in Ireland, the Authority

⁸ *First*, third party analysts are unable to obtain data regarding the supply of such services within broader IT outsourcing and system integration contracts. As such, a large piece of the market is ordinarily excluded from estimates of total market size, leading to the overstatement of market shares of other MSS providers. *Second*, a number of large corporations have chosen to effectively self-supply MSS. While they may acquire the necessary hardware and software from third parties, they design, manage and monitor their security systems using their own resources

⁹ Frost & Sullivan is a worldwide provider of *inter alia* market analysis services specialising in innovative and high-tech markets. For further information see www.frost.com.

considers that the proposed transaction does not raise 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 by Verizon Business Global, LLC of Cybertrust Holdings, Inc. 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 Gorecki

Member of the Competition Authority