

Public sector cuts hinder network security market growth, says Canalys

- Canalys reports worldwide enterprise network security market results for Q1 2011

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For immediate release

Canalys today announced mixed first quarter results for the enterprise network security market, with a year-on-year increase of 10.8%, but a 5.0% decrease from Q4 2010.¹ Hit by seasonal trends, as well as constrained public sector and education vertical investment, the market finished the first quarter of 2011 at \$1.8 billion worldwide.

On a regional basis, North America grew at 10.0% year-on-year, as the retail industry set higher security budgets to align with the Payment Card Industry Data Security Standard, while healthcare institutions were required to comply with the Health Insurance Portability and Accountability Act.

The Europe, Middle East and Africa increased 7.2% year-on-year. While public sector budget cuts and national debt issues continued to curb investment in high-end appliances in Western Europe, the financial services industry increased its spending in an effort to reduce latency and minimize highly-publicized security breaches. The Arab Spring delayed security projects in parts of the Middle East and North Africa, with postponements likely to persist for some time.

Asia Pacific grew 13.0% annually; however, the full market impact of the Japanese earthquake is not expected to be felt until Q2. Latin America advanced the most, with a 47.7% year-on-year increase and a highly favorable outlook for the remainder of the year.

‘Though public budget cuts hampered overall growth, the enterprise network security market remained fairly healthy last quarter,’ said Canalys Research Analyst Nushin Hernandez. ‘Increasing local and international regulatory requirements across different industries provided a critical counterbalance to weak government spending.’

In terms of vendor performance, market leader Cisco experienced a slight dip in share from 27.9% to 25.8%. Check Point gained market share from 12.3% to 13.0%, with Juniper Networks right behind at 12.0%. Fortinet jumped up to 6.1% from 5.0%, thanks to the launch of new enterprise products. Aggressive pricing tactics hindered the performance of some vendors, with Palo Alto Networks, SonicWALL and WatchGuard all attempting to gain share.

¹ Canalys enterprise network security market results include the total end-user value for firewall, NAC, SSL VPN, IPS and Integrated Threat Management (ITM) products.

‘The numerous mergers and acquisitions we’ve seen recently are likely to continue throughout the year,’ said Canalys Analyst Alex Smith. ‘Consolidation will be fuelled by both incumbent vendors trying to become one-stop shops for all enterprise security requirements and hardware vendors attempting to add security to their portfolios.’

Canalys also expects the service provider sector to boost global investment over the coming quarters, as operators orient their security requirements to handle Distributed Denial of Service attacks and mobile backhaul issues. Meanwhile, ever-increasing enterprise network exposure to smart phones will keep Network Access Control (NAC) adoption healthy, maintaining last year’s dramatic increase.

| Worldwide enterprise network security market | | | | | |
|---|-------------------------|---------------|-------------------------|---------------|-----------------------|
| Market shares Q1 2011, Q1 2010 | | | | | |
| Vendor | Q1 2011 | | Q1 2010 | | Growth Q1'11/Q1'10 |
| | shipment value (\$m) | % share | shipment value (\$m) | % share | |
| Total | 1,781.6 | 100.0% | 1,607.4 | 100.0% | 10.8% |
| Cisco | 460.2 | 25.8% | 447.7 | 27.9% | 2.8% |
| Check Point | 231.4 | 13.0% | 197.0 | 12.3% | 17.5% |
| Juniper Networks | 214.4 | 12.0% | 211.0 | 13.1% | 1.6% |
| Fortinet | 108.9 | 6.1% | 80.6 | 5.0% | 35.1% |
| McAfee | 89.8 | 5.0% | 68.4 | 4.3% | 31.3% |
| Others | 676.9 | 38.1% | 602.7 | 37.4% | 12.3% |

Source: Canalys estimates, © Canalys 2011

About Canalys Enterprise Security Analysis

Drawing on our cross-discipline expertise in enterprise infrastructure markets, Canalys advises hardware and software companies, and service providers operating in the security space, by delivering critical market intelligence across all vendors, technologies and geographic regions. We incorporate our deep channel and mobility expertise into our analysis, to give our customers the most complete overview of the market. The service also provides detailed networking and security management information - by channel - all in one database. This holistic view enables vendors to take the most cost-effective, integrated approach to security management, while

preparing themselves for the increasing challenges associated with risk management, legislative changes, and privacy issues.

About Canalys

Canalys serves the technology industry with high-quality analysis, produced via a rigorously consistent methodology that is complemented by attentive customer service. Members of its talented, ambitious and globally integrated team are leading-edge users of technology. Canalys deploys innovative, web-based solutions to gather research, connect communities and provide customer-friendly deliverables. These investments underpin the company's long-term approach to consistent, profitable global growth.

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