

# Anticipated acquisition by Adobe Inc. of Figma, Inc.

## Decision on relevant merger situation and substantial lessening of competition

**ME/7021/22**

The CMA's decision on reference under section 33(1) of the Enterprise Act 2002 given on 30 June 2023. Full text of the decision published on 7 August 2023.

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

### SUMMARY

#### Overview of the decision

1. The Competition and Markets Authority (**CMA**) conducted a phase 1 investigation into the anticipated acquisition of Figma, Inc. (**Figma**) by Adobe Inc. (**Adobe**) (the **Merger**). Adobe and Figma are together referred to as the **Parties**.
2. After examining a range of evidence, the CMA believes that the Merger meets the threshold for reference to an in-depth phase 2 investigation, giving rise to a realistic prospect of a substantial lessening of competition (**SLC**) in the supply of: (1) screen design software, and (2) several types of creative design software, namely vector editing, raster editing, video editing, and motion design.

#### The CMA's assessment

3. Adobe is a significant supplier of creative design software. Creative design software is used to create media assets such as photos, illustrations, videos, and animations. There are different types of creative design software, including vector editing for logos, icons, etc; raster editing for photos and other point-based image editing; video editing involving video asset assembly; and motion design for animations such as motion graphics and visual effects. Adobe is the industry standard in most of its creative design tools including Photoshop, Illustrator, Premiere Pro, and After

Effects. Figma offers some basic creative design functionality as part of its screen design software but does not currently offer advanced or standalone creative design tools.

4. Figma is the largest supplier of all-in-one screen design software. Screen design software is used in the design of websites, mobile applications, and digital marketing material (eg website landing pages and marketing emails). Adobe is also active in the supply of screen design software with its Adobe XD product.
5. The CMA has considered two theories of harm in its assessment:
  - (a) loss of competition in the supply of all-in-one screen design software; and
  - (b) loss of competition in the supply of creative design software.

***Theory of Harm 1: loss of competition in the supply of all-in-one screen design software***

6. In assessing competition in screen design software, the CMA has assessed the supply of all-in-one screen design software. All-in-one software covers the main stages of the screen design workflow from sketching through to prototyping and hand off. There are some software companies that supply limited- or single-functionality 'point tools', as well as template-based (low/no-code) or prosumer design software. However, the CMA found that these products are not close substitutes to all-in-one software and has considered them as 'out of market constraints'.
7. The CMA found that Figma is the clear market leader in all-in-one screen design software and is several times larger than any other supplier of all-in-one screen design software. Figma primarily competes with Adobe's Adobe XD and competitor Sketch's all-in-one screen design products.
8. The Parties have argued that, absent the Merger, Adobe would not have been a significant competitor to Figma in all-in-one screen design software. The CMA has considered two questions: first, whether, absent the merger, Adobe would have been likely to continue to compete in all-in-one screen design software, and second, if so, whether Adobe would have been a material constraint on Figma.
  - (i) Whether, absent the Merger, Adobe would likely have continued to compete in all-in-one screen design software

9. While the Parties provided evidence that Adobe had significantly reduced investment in its current product (Adobe XD) prior to the merger, the CMA nonetheless found that Adobe XD remains one of only a limited number of close alternatives to Figma and therefore exercises a competitive constraint.
10. Moreover, the CMA's investigation found that Adobe had made substantial investments in the development of a new tool that is described in internal documents as encompassing a range of functionalities including whiteboarding, marketing design, and product design. Adobe had a large team of engineers working on the development of this tool until it was cancelled shortly before the announcement of the Merger.
11. The Parties argued that Adobe had faced challenges in the development of its new tool, and that Adobe had decided to discontinue this project for reasons unrelated to the Merger. The CMA found, however, that offering an all-in-one screen design software has been a strategic priority for Adobe for a substantial period of time. Adobe had invested significantly in developing and offering an all-in-one screen design software through Adobe XD and its recent development project. Based on an assessment of the evidence in the round, the CMA considers that screen design software was likely to remain a strategic priority for Adobe. Further, Adobe is well-placed to compete in all-in-one screen design given its very significant offerings of adjacent creative design solutions.

(ii) Whether Adobe would have been a material constraint on Figma

12. As noted above, Adobe XD has remained one of only a limited number of close alternatives to Figma. The evidence suggests that Adobe's efforts in product development were motivated, at least in part, by a desire to compete with Figma. Adobe's internal documents regularly reference competing with Figma and compare planned features to those offered by Figma. Finally, Figma perceived Adobe as a competitive threat to its position in screen design. The CMA considers, therefore, that the new tool Adobe was developing would have been a competitive threat to Figma, and that Adobe's investment in developing this tool was itself a competitive threat to Figma.
13. The CMA therefore considers that Adobe and Figma are close competitors in all-in-one screen design, particularly in competition to improve their offerings, as well as with respect to their current offerings. This competition would be lost as a result of the Merger, and the CMA found that there would be limited remaining competitive constraints imposed by rival screen design software providers.

### ***Theory of Harm 2: Loss of competition in the supply of creative design software***

14. Adobe is the industry standard in most of its creative design tools including Photoshop, Illustrator, Premiere Pro, and After Effects. Both Photoshop and Illustrator are leading products in their respective segments with very high market shares. Adobe also has significant shares in video editing and motion design with its Premiere Pro and After Effects products.
15. The CMA has considered whether the merger could affect competition in the supply of vector editing, raster editing, video editing, and motion design software.
16. Figma does not currently offer standalone creative design software but offers some creative design functionality in its screen design product, in particular vector editing capabilities. The CMA found, however, that Figma has regularly explored the possibility of expanding its creative design offering either through development or acquisition.
17. At the same time, the CMA found that Adobe considered Figma and its possible expansion to be a significant potential threat to its creative design software business, and that Adobe has a strong incentive to react to Figma by driving innovation in its own products, including by developing its new screen design product to combine all-in-one screen design with creative design capabilities.
18. As a result, the CMA found that the Merger would remove a significant competitive threat to Adobe from the market and result in a substantial lessening of competition.
19. In light of the above findings in screen design and creative design software, the CMA therefore believes that the Merger would result in significant competitive concerns that give rise to a realistic prospect of an SLC in the supply of all-in-one screen design software and creative design software (specifically, vector editing software, raster editing software, video editing software, and motion design software).
20. As a result of these initial concerns found in its phase 1 investigation, the CMA considers that a further in-depth phase 2 review of the Merger would be warranted unless the Parties offer undertakings to resolve the concerns identified in the CMA's phase 1 investigation. The CMA can accept such undertakings under section 73 of the Enterprise Act 2002 (the **Act**). Adobe and Figma have until **7 July 2023** to offer an undertaking that might be acceptable to the CMA. If no such undertaking is offered, then the CMA will refer the Merger for an in-depth phase 2 investigation pursuant to sections 33(1) and 34ZA(2) of the Act. This would enable the CMA to

investigate these concerns in more detail before reaching a final decision on whether or not the Merger gives rise to an SLC.

# ASSESSMENT

## PARTIES

21. Adobe is a software company that provides products enabling the creation and delivery of digital content. Adobe is a publicly traded company, listed on NASDAQ and with headquarters in California, USA. Adobe is organised into three main segments: (i) 'Digital Media'; (ii) 'Digital Experience'; and (iii) 'Publishing and Advertising'.<sup>1</sup> As described in more detail below, Adobe supplies software products,<sup>2</sup> such as Photoshop, Illustrator, Adobe XD, and Premier Pro as part of its Creative Cloud (CC) offering. Adobe's worldwide turnover in 2022 was £14.1bn,<sup>i</sup> of which £[REDACTED] was generated in the UK.<sup>3</sup>
22. Figma is also a software company, and is also headquartered in California, USA. Figma offers two products, (i) '**Figma Design**', a web-based software for screen design; and (ii) '**FigJam**', its online whiteboarding tool.<sup>4</sup> Figma's worldwide turnover in 2022 was £[REDACTED],<sup>ii</sup> of which £[REDACTED] was generated in the UK.<sup>5</sup>

## TRANSACTION AND RATIONALE

23. The Merger will be effected pursuant to a share purchase agreement dated 15 September 2022, through which Adobe will acquire Figma's entire issued share capital, in exchange for approximately USD 10 billion in cash and approximately USD 10 billion in stock.<sup>6</sup>
24. The Parties informed the CMA that the Merger is subject to ongoing review by other competition authorities in the European Union, the United States, and Japan.<sup>7</sup>
25. Adobe and Figma had discussed a potential acquisition on at least two occasions since [REDACTED]. However, neither discussions progressed beyond initial engagement.<sup>8</sup>

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<sup>1</sup> Final Merger Notice dated 1 May 2023 (FMN), paragraph 83 and ff.

<sup>2</sup> The CMA considers 'software' as an application, script or programme running on a device (eg, computer, laptop, tablet or smartphone).

<sup>3</sup> Adobe's response to section 109 notice of 19 May 2023, paragraph 2.1.

<sup>4</sup> FMN, paragraph 86.

<sup>5</sup> Figma's response to section 109 notice of 19 May 2023, paragraph 1.1.

<sup>6</sup> FMN, paragraph 20. The total consideration for the transaction is subject to customary closing adjustments.

<sup>7</sup> FMN, paragraphs 79-82.

<sup>8</sup> Parties' response to question 4 of the CMA request for information dated 2 December 2022 (RFI1). Discussions involved Figma's CEO, Dylan Field, and Adobe's [REDACTED], Chief Product Officer, and Shantanu Narayen, CEO. The first discussion occurred in early 2020 and Adobe named it "Project Fulham", while the second outreach, known internally at Adobe as "Project Rand" occurred in March 2021.

Adobe started active contemplation of the transaction in its current form in April 2022, following Dylan Field, Figma's CEO, expressing an openness to an acquisition to Adobe's [REDACTED], President of Digital Media business, on 20 April 2022.<sup>9</sup> The Parties entered into a confidentiality agreement on 5 May 2022, following which negotiations and due diligence were carried out through 15 September 2022 when the share purchase agreement was signed.

26. The Parties submitted that Adobe's rationale for the Merger is to allow Adobe to: (i) offer Figma's web-based collaboration tools to a significantly larger customer base; (ii) use Figma's web-based collaboration technology to innovate its existing offering; and (iii) improve Adobe's emerging social content creation application, '**Adobe Express**'.<sup>10, 11</sup>
27. The CMA considers that some of Adobe's internal documents are consistent with the rationale stated above. [REDACTED].<sup>12</sup>
28. In December 2020, in connection with previous discussions between individuals at Adobe and Figma about a potential combination of the businesses, the Adobe Corporate Development team prepared a document setting out potential rationales for an acquisition of Figma, [REDACTED]. While this document was not [REDACTED], it was prepared by Adobe's Corporate Development team for review by the Adobe XD team.<sup>13, 14</sup>
29. Considerations similar to those set out in the December 2020 document are repeated in more recent Adobe documents including an internal document, dated February 2022, that suggests that competition with Figma might have played a role in its rationale for the Merger. [REDACTED].<sup>15</sup> [REDACTED].<sup>16</sup>
30. The CMA considers that the statements in Adobe's internal documents about the threat from Figma and contemplation of acquiring Figma in that context may also be relevant to the Merger rationale.

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<sup>9</sup> FMN, paragraph 25.

<sup>10</sup> [Free Online Photo & Design Tool | Adobe Express](#)

<sup>11</sup> FMN, paragraph 67 and ff. [REDACTED].

<sup>12</sup> See, for instance, Adobe's internal document, [REDACTED].

<sup>13</sup> Adobe's internal document, [REDACTED]. See also Parties' response to question 5 of the CMA's follow up questions dated 7 June 2023.

<sup>14</sup> [REDACTED]. Parties' response to the Issues Paper ('**Issues Paper Response**'), paragraph 3.3.

<sup>15</sup> Adobe's internal document [REDACTED]. See Annex 1 to the Issues Paper Response, page 25.

<sup>16</sup> Adobe's internal document [REDACTED].

## PROCEDURE

31. The CMA's mergers intelligence function identified the Merger as warranting an investigation.<sup>17</sup>
32. The Merger was considered at a Case Review Meeting.<sup>18</sup>

## JURISDICTION

33. The Merger (as described in paragraph 25) is sufficient to constitute arrangements in progress or contemplation for the purposes of the Act.<sup>19</sup>
34. Each of Adobe and Figma is an enterprise. As a result of the Merger, these enterprises will cease to be distinct.

### Turnover test

35. In its most recent financial year (2022), Figma generated £[X] turnover in the UK.<sup>20</sup> The turnover threshold set out at section 23(1)(b) of the Act is therefore not met.

### Share of supply test

36. Under section 23 of the Act, the share of supply test is satisfied if the merged enterprises both either supply or acquire goods or services of a particular description in the UK, and will, after the merger, supply 25% or more of those goods or services in the UK as a whole or in a substantial part of it.

### *Parties' submissions*

37. In the FMN, the Parties assessed the share of supply test on the basis of global 2021 share estimates for interactive product design tools. The Parties submitted that these global share estimates would not materially differ in the UK,<sup>21</sup> and that their resulting combined shares of supply would be [10-20]% (with an increment of [0-5]% brought about by the Merger) and that the Merger therefore does not satisfy the conditions set out in section 23 of the Act. At a later stage of the investigation, the

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<sup>17</sup> [Mergers: Guidance on the CMA's jurisdiction and procedure \(CMA2revised\)](#), December 2020, paragraphs 6.4-6.6.

<sup>18</sup> [Mergers: Guidance on the CMA's jurisdiction and procedure \(CMA2revised\)](#), December 2020, from page 46.

<sup>19</sup> Section 33(1)(a) of the Act.

<sup>20</sup> Figma's response to CMA section 109 request, dated 25 May 2023.

<sup>21</sup> FMN, paragraphs 6, 321 and Table 13.



Parties submitted revised global share estimates for 2022, which estimated a combined share of supply of [30-40]% (with an increment of [0-5]% brought about by Adobe XD).<sup>22</sup> The Parties submitted that their approach to providing shares of supply for 2022 was consistent with their approach to the 2021 shares of supply and the CMA therefore considers these global share estimates would not materially differ in the UK, for the same reasons given by the Parties in relation to their 2021 shares.<sup>23</sup>

38. The Parties submitted that any increment brought about by Adobe XD represents a historic increment based on Adobe's past activities that are being phased out as the product is in 'maintenance' mode and therefore should not be considered.
39. The Parties also submitted global 2022 share of supply data for the narrower segment of *end-to-end* interactive product design tools.<sup>24</sup> On this basis, the Parties have combined shares of supply of [60-70]% (with an increment of [0-5]% brought about by the Merger).<sup>25</sup> The Parties submitted that considering shares of supply on this basis would not be appropriate as customers mix and match between different interactive product design tools to create bespoke solutions.

### **CMA's assessment**

40. As regards the Parties' shares of supply for interactive product design tools, the CMA does not accept that Adobe XD's shares should be disregarded as 'historic'. The increment brought about by Adobe XD is based on 2022 revenues of a product still commercially offered by Adobe and is relevant for the purposes of the Parties' share of supply.<sup>26</sup>
41. As to the basis for calculating the Parties' shares of supply, the CMA has a wide discretion when it comes to identifying a specific category of goods or services sold by the merging parties for the purposes of applying the share of supply test.<sup>27</sup> The description of those goods or services for the purposes of the share of supply test need not amount to a relevant economic market. Instead, the share of supply test is

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<sup>22</sup> FMN, Table 17.

<sup>23</sup> FMN, paragraph 346 and Table 17.

<sup>24</sup> As with the 2021 and 2022 share of supply data for interactive product design tools, the CMA considers that these global share estimates would not materially differ in the UK.

<sup>25</sup> These shares are in line with the shares of supply for all-in-one screen design, which are considered in the competitive assessment below, but which the CMA has adjusted to account for competitor revenues as well as Adobe XD revenues from its usage through Adobe's product bundles.

<sup>26</sup> The Parties' position that Adobe XD is in maintenance mode is considered in the CMA's competitive assessment below.

<sup>27</sup> Section 23(8) of the Act.

to identify a merger which involves a degree of overlap in commercial activity above a certain level, that warrants investigation by the CMA.<sup>28</sup>

42. The Parties proposed interactive product design tools as the basis to determine jurisdiction in the FMN. And the CMA considers that end-to-end interactive product design tools are a reasonable description of goods or services within the meaning of section 23 of the Act, in particular because the Parties' internal documents show a focus on monitoring products and competitors which provide this type of software.<sup>29</sup>
43. Taken together, the CMA considers it appropriate to rely on Adobe XD's 2022 revenues in its jurisdictional assessment and considers interactive product design tools and the narrower segment of end-to-end interactive product design tools are reasonable bases on which to calculate the Parties' shares of supply. Under either basis, the Parties' combined shares exceed 25% and Adobe XD brings about an increment.

### **Conclusion on jurisdiction**

44. In light of the above, the CMA believes that it is or may be the case that the share of supply test under section 23 of the Act is met on the basis of the Parties' combined share in the supply of interactive product design tools and also in the supply of end-to-end interactive product design.
45. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
46. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 4 May 2023 and the statutory 40 working day deadline for a decision is 30 June 2023.

### **COUNTERFACTUAL**

47. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For anticipated mergers, the counterfactual may consist of the prevailing conditions of competition, or conditions

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<sup>28</sup> *Sabre Corporation v Competition and Markets Authority* [2021] CAT 11, paragraphs 144-145.

<sup>29</sup> As further described in the frame of reference and competitive assessment sections below, the CMA ultimately considers that the products and competitors monitored by the Parties are better defined as 'all-in-one screen design' tools, but for the purposes of its jurisdictional assessment has adopted the end-to-end interactive product design terminology used by the Parties in the FMN.

of competition that involve stronger or weaker competition between the merger firms than under the prevailing conditions of competition.<sup>30</sup>

48. In determining the appropriate counterfactual, the CMA generally focuses only on potential changes to the prevailing conditions of competition where there are reasons to believe that those changes would make a material difference to its competitive assessment.<sup>31</sup> The CMA also seeks to avoid predicting the precise details or circumstances that would have arisen absent the merger. For example, the CMA might assess the likelihood that one of the merger firms would have entered or significantly expanded, but not the precise characteristics of the product or service it would have introduced or the level of sales it would have achieved.<sup>32</sup>
49. The Parties submitted the counterfactual for the Merger should be the current competitive situation save in respect of Adobe's activities in screen design. Adobe offers a screen design tool, Adobe XD, which they submitted should not be considered an ongoing competitive constraint because it was put into maintenance mode by Adobe in February 2022 for reasons unrelated to the Merger. In addition, Adobe had an internal project, Project Spice, developing its next generation web-based screen design software, which was discontinued in September 2022, and which Adobe argues [X].<sup>33</sup>
50. The Parties further submitted that the counterfactual should be that Adobe would focus on its [X] product and other strategic initiatives that do not compete with Figma, and that Figma will continue to develop its core functionalities and capture adjacent parts of the product design workflow.<sup>34</sup>
51. The CMA's assessment of the counterfactual does not seek to ossify the market at a particular point in time. An assessment based on the prevailing conditions of competition can reflect that, absent the merger, the position of the merging parties and their competitors would have continued to evolve in the market.<sup>35</sup>

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<sup>30</sup> [Merger Assessment Guidelines](#), paragraph 3.2.

<sup>31</sup> [Merger Assessment Guidelines](#), paragraph 3.9.

<sup>32</sup> [Merger Assessment Guidelines](#), paragraph 3.11.

<sup>33</sup> Issues Paper Response, paragraphs 4.89 to 4.90.

<sup>34</sup> Issues Paper Response, paragraph 3.5.

<sup>35</sup> [Merger Assessment Guidelines](#), paragraph 3.3.

52. In addition, the counterfactual is not intended to be a detailed description of the conditions of competition that would prevail absent the merger.<sup>36</sup> Those conditions are better considered in the competitive assessment.<sup>37</sup>
53. Accordingly, the CMA considers that the relevant counterfactual is the prevailing conditions of competition and that this involves the Parties continuing to evolve in the market. The Parties have argued that the counterfactual should exclude the Adobe XD product as it is in maintenance mode, however, the Adobe XD product is still offered to customers and the CMA has considered its role in the market in the competitive assessment below. The CMA addresses the dynamic aspects of the relevant markets, including a detailed assessment of the Parties' development efforts and attempts to expand their offerings, in its competitive assessment.

## INDUSTRY BACKGROUND

54. Individual consumers and businesses use a wide range of design software to help create products and experiences for a broad variety of purposes. Given the nature of software, the precise distinctions between different types of design software are not fixed. Two discrete groups of design software that are relevant to the CMA's assessment of this Merger are screen design software and creative design software. Broadly, '**screen design**' software is used to create and design experiences that involve some degree of user interaction, such as websites or mobile applications, and which are built using various pieces of underlying creative assets. '**Creative design**' software is used to create and design audio-visual media, either as standalone work (eg a photographic artwork or a video such as a movie) or as underlying assets (eg a website graphic or app icon) for other creative uses, including screen design.
55. Users of screen design and creative design software are generally referred to as '**creative designers**' or, more simply, '**designers**'.
56. The CMA briefly sets out its understanding of screen design software and creative design software below.

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<sup>36</sup> [Merger Assessment Guidelines](#), paragraph 3.7.

<sup>37</sup> [Merger Assessment Guidelines](#), paragraph 3.7.

## Screen design software

57. Screen design software is used in the design of websites, mobile applications (eg Airbnb or Deliveroo),<sup>38</sup> and digital marketing material (eg website landing pages and marketing emails).<sup>39</sup> The screen design process includes certain graphic assets (such as buttons, text, images, sliders, text entry fields, and other items) and a user experience/user interface (**UX/UI**) flow.<sup>40</sup> Screen design can involve a set of standard design options, referred to as a 'design system', to apply and maintain a set of consistent design and style guidelines (eg standard typography, colour, spacing, and components). Screen design tools do not create applications or websites directly, but rather give designers and developers an idea of how the final product will look and work.
58. Screen design work can involve varying degrees of sophistication: for example, the design process for a simple marketing email or website will by necessity include less complicated design work than the process for a multi-functional website or mobile application. The CMA recognises that the industry may collectively refer to less-sophisticated use cases as '**marketing design**' and more complicated use cases (including for multifunctional websites and apps) as '**product design**'. Notwithstanding this, the CMA considers that both uses require similar functionalities and exist along a continuum.<sup>41</sup>
59. Screen design generally includes five stages,<sup>42</sup> namely:
- (a) '**Sketching**' is a preliminary step that involves outlining of ideas and concepts;
  - (b) '**Wireframing**' involves the creation of wireframes, which are diagrams that represent the skeleton, user interface, and core functionality of an app or website;
  - (c) '**Mockup**' involves the creation of high-fidelity graphic representations of the finished product;

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<sup>38</sup> Referred to by the Parties as '**interactive product design**' or '**product design**' in their FMN.

<sup>39</sup> Referred to by the Parties as '**marketing design**' in their FMN.

<sup>40</sup> FMN, paragraph 143.

<sup>41</sup> As described in the competitive assessment below, this understanding appears to be shared by the Parties in some of their internal documents.

<sup>42</sup> FMN, paragraph 144.

- (d) **'Prototyping'** involves the creation of interactive digital 'sandboxes', which look like the finished product, and are used to simulate and test user interactions; and
- (e) **'Handoff'** involves the creation of a document with all details and digital assets (eg images or graphics) required to publish the end product.

- 60. Screen design software can be web or desktop based. Web-based software, such as Figma Design, does not require users to download a programme and can be updated for all users on the hosting server by the software's developers. Desktop-based software, such as Adobe XD and Sketch, must be installed on each user's computer and requires periodic manual updates by the user.
- 61. Collaboration features are an important element of screen design. The Parties state that the screen design process requires a collaborative platform enabling designers, developers, engineers, and other stakeholders to work together to build, approve, and develop the final products.<sup>43</sup> Stakeholders involved in the design process often include: creative professionals (who provide images, video, or illustrations), developers (who code the designs into a website or app), project managers, the agency, and/or end customer (who commissions, oversees, and approves the project). Other collaborators include executives, researchers, product managers, copywriters, and engineers.<sup>44</sup>
- 62. Reflecting the importance of collaboration in the screen design process, customers are increasingly using whiteboarding software. These are web-based collaborative tools used to facilitate discussions and the exchange of assets and ideas by sketching on a shared digital space resembling a whiteboard (**whiteboarding**). Whiteboarding includes features such as sticky notes, sketching, workshops, media, and user flows. Whiteboarding software used for screen design include FigJam, Miro, Mural, and InVision Freehand, among others.
- 63. Some screen design software providers focus on one or more elements of the screen design process, whereas others have expanded their functionality to offer all-

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<sup>43</sup> FMN, paragraph 2.

<sup>44</sup> FMN, paragraph 147.

in-one solutions. '**All-in-one screen design**' software covers all stages in the screen design process and can also include whiteboarding software.<sup>45</sup>

### ***Parties' screen design offerings***

64. Both Figma and Adobe offer all-in-one screen design software:
- (a) '**Figma Design**' is Figma's screen design tool.<sup>46</sup> Launched in December 2015, Figma Design is a web-based all-in-one screen design software used for marketing and interactive product design.
  - (b) '**Adobe XD**' is Adobe's all-in-one screen design tool that was introduced in March 2016, was sold as a standalone product until December 2022, and is still offered commercially as part of the Creative Cloud All Apps (CC All Apps) offer.<sup>47, 48</sup>
65. By October 2021, Adobe removed [more than one hundred] positions from Adobe XD.<sup>49</sup> In February 2022, Adobe placed Adobe XD into maintenance mode.<sup>50</sup> Maintenance mode is Adobe's process for deprioritising products until they eventually become deprecated, lose their customer base, or are phased out.<sup>51</sup> The majority of employees removed from Adobe XD were moved to Project Spice, which is described in paragraph 153.
66. Figma also offers a whiteboarding software, '**FigJam**'. Launched in beta version in April 2021, FigJam connects seamlessly with Figma Design, offering an integrated solution to its customers.<sup>52</sup>
67. Adobe submitted that it has no meaningful presence in whiteboarding and only offers a plugin for Adobe XD which had fewer than [X] users.<sup>53</sup> But in October 2021

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<sup>45</sup> In their FMN, the Parties used the term 'end to end' to describe screen design software that offered broad functionality but have in subsequent submissions explained that terminology may not be appropriate; Issues Paper Response, paragraph 4.6. The CMA agrees that few products, including neither of the Parties' products, offer a complete set of features, and considers 'all-in-one' a more accurate term to describe the multi-functional nature of the Parties' and their competitors' offerings.

<sup>46</sup> [Free Design Tool for Websites, Product Design & More | Figma](#).

<sup>47</sup> FMN, paragraph 151.

<sup>48</sup> [Creative Cloud pricing and membership plans | Adobe Creative Cloud](#), 'plan & pricing details'.

<sup>49</sup> FMN, paragraphs 475, 502 and 507.

<sup>50</sup> FMN, paragraph 496(a).

<sup>51</sup> FMN, paragraph 493.

<sup>52</sup> [Introducing FigJam \(figma.com\)](#).

<sup>53</sup> FMN, paragraphs 11 and 527.

Adobe released a private beta version of the new tool related to Project Spice, which included whiteboarding functionalities.<sup>54</sup>

### *Product development*

68. In addition to the Adobe XD offering, Adobe had been working until September 2022 to develop its next generation, web-based, screen design software. The project for this development was renamed several times: first '**Project Fred**' or '**CC Web**', then '**CC Canvas**', and finally '**Project Spice**'.
69. For the purposes of this Decision, and in light of the continuity across project names, the CMA refers to Adobe's aforementioned development plans (ie Project Fred, CC Web, CC Canvas, and/or Project Spice) as '**Project Spice**' or '**Spice**'.
70. The CMA understands that [Adobe's President of Digital Media] and [X] Adobe's Chief Product Officer, were the two designated corporate approvers for Project Spice.<sup>55</sup>
71. As described in paragraph 152 below, in July 2021 Adobe also considered developing a web-based version of the Adobe XD application, called **Adobe XD Web**, with increased collaboration capabilities. Adobe [X] and did not launch Adobe XD Web.<sup>56</sup>

### *Point tools*

72. '**Point tool**' software only addresses one or a limited number of the five steps of the screen design process (see paragraph 41 above). As such, designers using point tools would require either a combination of point tools or all-in-one screen design software in order to design across the entire design workflow (ie from sketching to handoff). Point tools providers often offer integration with other software, particularly with Figma, Sketch, and Adobe XD, and generally realise lower revenues than their all-in-one screen design competitors.

### *No/low-code website builders*

73. '**No/low-code website builders**' provide professional templates to users wishing to design websites with little or no code at all.

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<sup>54</sup> Adobe marketed CC Spaces as a shared place where teams can access and organize files, libraries, and links in a central location.

<sup>55</sup> FMN, paragraph 101.

<sup>56</sup> FMN, paragraphs 433 and 434.



### *Prosumer tools*

74. **'Prosumer tools'** include applications that offer some screen design functionalities but are typically used for less sophisticated designs (such as photo and video editing for social media, websites, and marketing tools).
75. The CMA notes an example of a prosumer tool is Adobe Express. This is available on a freemium model and dedicated to image, document, and video editing based on available templates, design assets, and royalty-free photos.<sup>57</sup> The product is primarily targeted at social-media related use rather than professional designers, and as such, its user base is different to screen design software and includes lay-users (eg communicators / content creators on social media applications).<sup>58</sup> As such, the CMA did not consider Adobe Express as part of its competitive assessment.
76. The CMA refers to providers of point tools, no/low-code website builders, and prosumer tools, together, as **'other screen design software providers'**.

### **Creative design software**

77. Designers use certain software to create assets such as photos, illustrations, or videos. The following products are relevant for the CMA's assessment and are together referred to as 'creative design' software.
  - (a) **'vector editing'** software is used for creating content, such as logos, icons, brand graphics, marketing materials, and illustrations;<sup>59</sup>
  - (b) **'raster editing'** software is used for point-based image editing and compositing (eg adjusting or retouching photos);<sup>60</sup>
  - (c) **'video editing'** software is used for video asset assembling (eg cutting, arranging, and enhancing already available materials) to create video content; and
  - (d) **'motion design'** software is used for creating motion graphics and visual effects to video content.<sup>61</sup>

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<sup>57</sup> A freemium model allows users to access the product for free but can obtain more features under subscription.

<sup>58</sup> An Adobe 'teach-in' presentation to the CMA, dated 30 November 2022.

<sup>59</sup> Also referred to as vector graphics.

<sup>60</sup> Also referred to as image editing or photo editing.

<sup>61</sup> Also referred to as motion graphics, compositing, and animation.

78. Each creative design software can be used by a wide range of users. For example, professional filmmakers, designers, content creators, and hobbyists might use video editing software.
79. Some customers use both screen design software and creative design software in their workflows. Customers might create an asset using creative design software (eg an edited photo), which they then use as an input into screen design software (eg of a product in a website or a mobile app). The CMA refers to creative design software used for such screen design use cases as '**creative design software for screen design use cases**'.

### ***Parties' creative design offerings***

#### *Adobe*

80. Adobe's Digital Media offering includes the Creative Cloud, a cloud-based subscription allowing members to use its creative products, available in 34 different languages.<sup>62</sup>
81. Adobe's creative toolset consists of a range of products, including but not limited to the following:
- (a) '**Illustrator**' is a vector editing software used by creative professionals, such as graphic designers, as well as other types of users. It is used to design precise and infinitely scalable graphics such as logos, icons, and typographies. Adobe states that Illustrator is purpose-built for illustration and vector asset creation.
  - (b) '**Photoshop**' is a raster editing software used to create and enhance photographs, graphics, and art. Photoshop is a tool used by commercial photographers and graphic designers, as well as a wide range of other types of users (eg hobbyists, communicators, students, etc). Adobe states that Photoshop is purpose-built for image editing and compositing. According to Adobe, over 90% of the world's creative professionals use Photoshop.<sup>63</sup>
  - (c) '**Premiere Pro**' is a video editing software used by video editors, such as film studios, TV production and other professional digital content producers, as well as other types of users. It is a desktop based non-linear video editing tool used

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<sup>62</sup> [Set up multilanguage support \(adobe.com\)](#). Being global and able to support several languages is a key differentiator against competitors, according to Adobe. Adobe's internal document [3&lt;].

<sup>63</sup> [Adobe fast facts](#).

to create video content from social media video clips to feature films. Adobe states that Premier Pro is purpose built for professional video editing.

- (d) **'After Effects'** is a motion design software used to enhance videos, animate film titles, edit audio, and create animated graphics.

- 82. Adobe supplies its software both on a standalone basis and as part of bundles. Adobe's most popular bundle, CC All Apps, includes all the software supplied by Adobe's Digital Media segment, including Illustrator, Photoshop, Illustrator, Premiere Pro, and After Effects.<sup>64</sup>
- 83. [X] customers, and [X], purchase the CC All Apps bundle. As such, Adobe's revenues [X] from sales of this bundle. The revenue from CC All Apps bundle accounts for [X] of all Creative Cloud revenue in the financial year 2022 and is around [X] than the standalone sales of Photoshop, Illustrator, Premiere Pro, and After Effects combined ([X]).<sup>65</sup>
- 84. Adobe provides an ecosystem which integrates Adobe's different products. For example, one customer explained that a designer working entirely within Adobe's ecosystem can interact between software through shared libraries (eg assets, colour palettes, etc).<sup>66</sup>

### *Figma*

- 85. Figma currently does not have standalone creative design software that competes with Adobe's products. However, Figma currently offers some creative design functionalities as part of its screen design software, Figma Design.
  - (a) Figma Design has vector editing capabilities for simple use cases. For instance, customers can use Figma to draw icons and shapes (the most common kind of vector), spot illustrations and infographics. Figma does not support, however, more advanced artwork or illustrations.<sup>67</sup>
  - (b) It offers simple raster editing capabilities, such as adjusting exposure or contrast, or adjusting the size and shape of images.<sup>68</sup>

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<sup>64</sup> CC All Apps bundle also includes Adobe XD, a screen design software.

<sup>65</sup> Adobe's response to the CMA section 109 notice of 13 April 2023, Annex 1.1.

<sup>66</sup> Note of a call with a third party.

<sup>67</sup> Parties' response to the European Commission's third request for information (**EC RFI3**) dated 25 February 2023, question 38.

<sup>68</sup> [Figma design – Figma Help Center](#).

- (c) It offers simple video editing capabilities, such as scaling and adjusting dimensions, and cutting sections of film.<sup>69, iii</sup>
- (d) It offers simple motion design functionalities, such as animating changes in size between frames or applying a transition effect when changing between images.<sup>70</sup>

86. In addition to built-in functionality, Figma's offering can be extended using extensions, of which there are two types: '**plugins**' and '**widgets**'. Plugins are usually deployed outside of the canvas<sup>71</sup> and allow users to work faster and more effectively (eg through tools to import and export certain files). Widgets are inserted on the canvas itself (eg through tools allowing designers to insert diagrams, create interactive functions, etc).<sup>72</sup>

## FRAME OF REFERENCE

87. Market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merging parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.<sup>73</sup>
88. While market definition can sometimes be a useful tool, it is not an end in itself. The outcome of any market definition exercise does not determine the outcome of the CMA's analysis of the competitive effects of the merger in any mechanistic way.<sup>74</sup> Dynamic competition involves a more fluid competition between innovating firms, and this may require more than one, connected, markets to be considered and so defined.<sup>75</sup>

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<sup>69</sup> [Add video to prototypes – Figma Help Center](#).

<sup>70</sup> [Create advanced animations with smart animate – Figma Help Center](#).

<sup>71</sup> Figma defines the canvas as the backdrop on which all customers' frames, groups, and other layers live. It has a finite size of -65,000 through +65,000 points on each axis. See [Explore the canvas – Figma Help Center](#).

<sup>72</sup> [Widgets vs Plugins | Widget API \(figma.com\)](#).

<sup>73</sup> [Merger Assessment Guidelines](#), paragraph 9.4.

<sup>74</sup> [Merger Assessment Guidelines](#), paragraph 9.4.

<sup>75</sup> *Meta Platforms, Inc. v Competition and Markets Authority* [2022] CAT 26, paragraph 66.

89. The Parties overlap in the supply of screen design software. Screen design software is used by businesses and individuals to design websites, mobile-based applications, and digital marketing material.

## **Product scope**

### ***Screen design software***

#### *Parties' submissions*

90. The Parties submitted that a product market for screen design does not represent market reality. They submitted that the CMA should not combine ideation, marketing design, and product design, as companies active in ideation and marketing design do not need functionalities such as prototyping or handoff.<sup>76</sup>
91. The Parties submitted that the relevant product market should include: (i) all-in-one product design software; (ii) point tools providing screen design functionalities, prosumer applications; and (iii) no-code/low-code website builders.<sup>77</sup>
92. The Parties further submitted that there are no point-tools products that offer only one single part of the workflow (as outlined in paragraph 41 above). Point tools software cover more than one single step of the workflow, such as ideation and wireframing (eg Miro and Mural) or prototyping and mock-up (eg ProtoPie).<sup>78</sup> Some even cover four of the five steps of the screen design workflow (eg Flinto, Origami, and Principle).
93. The Parties submitted that customers use multiple tools, mixing between software with specific functions to create ad hoc solutions. Customers switch from one software to another, depending on the needs of the project, collaborators, or clients.<sup>79</sup>
94. The Parties also submitted that suppliers reposition their products and add specific functionalities to compete more closely with other software providers. For instance, Canva, a prosumer tool, recently added whiteboarding functionalities, and InVision, a prototyping tool, expanded to offer an all-in-one solution.<sup>80</sup>

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<sup>76</sup> Issues Paper Response, paragraph 4.3.

<sup>77</sup> FMN, paragraph 285 and Issues Paper Response, paragraph 4.5.

<sup>78</sup> Issues Paper Response, paragraph 4.2.

<sup>79</sup> FMN, paragraph 295.

<sup>80</sup> FMN, paragraph 297.

### *CMA's assessment*

95. The CMA has examined what is the most appropriate product frame of reference for its competitive assessment.
96. There is a continuum between marketing design and interactive product design and, and as such, the CMA considers that both should be included in the same product category.<sup>81</sup> For example, Adobe XD offers interactive product design features and yet professionals use it for marketing design too.<sup>82</sup> Similarly, Figma defines Figma Design as an all-in-one tool,<sup>83</sup> and customers use it for both product design and marketing design. In addition, when planning for its new generation all-in-one software, Project Spice, Adobe outlined its development in [X].<sup>84</sup>
97. There is all-in-one screen design software that serves different types of users (eg the Parties' products are used by professionals). The CMA considers that all-in-one screen design software for professional users differs from other tools in relation to the functionality they offer. Professional-grade all-in-one screen design software is favoured by professional designers (eg multinational companies, advertising and design agencies, marketing agencies, in-house designers, and professional freelancers) who use design systems, logos and specific colour palettes (their own or provided by their clients).<sup>85</sup> No/low-code website builders and prosumer tools are generally preferred by amateur designers, communicators and consumers who rely on the templates and ready-made products these suppliers have to offer.<sup>86</sup>
98. As explained further in paragraphs 187 to 189, most professional customers consider Adobe XD, Figma Design, and Sketch as alternatives, and each of these supplies all-in-one screen design software for professional use cases.<sup>87</sup> Furthermore, most customers did not identify other screen design software providers, such as point tools, as alternatives to Figma Design or Adobe XD.<sup>88</sup>
99. On the basis of the above, the CMA has focused its assessment of screen design on suppliers that provide all-in-one screen design software for professional use cases. The CMA has assessed the out of market constraint imposed by other

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<sup>81</sup> See, for instance, note of a third-party call.

<sup>82</sup> FMN, paragraphs 151 and 325.

<sup>83</sup> Claims include 'The all-in-one design tool built for collaboration – Figma' and 'Figma Collaboration | The All-in-One Design Tool' at [Figma Collaboration | The All-in-One Design Tool](#).

<sup>84</sup> For instance, Adobe's internal documents [X].

<sup>85</sup> Notes of third-party calls.

<sup>86</sup> Note of a third-party call.

<sup>87</sup> Third-party responses to the CMA's questionnaire.

<sup>88</sup> Third-party responses to the CMA's questionnaire.

screen design software providers (including point tools, low-code tools, and prosumer tools) in paragraphs 200 to 202 below.

### ***Creative design software***

#### ***Parties' submissions***

100. The Parties submitted that the definition of the product market for creative design software should be left open, stating the Merger will not lead to any competition concerns under any definition.<sup>89</sup>
101. The Parties further identified potential product markets for vector editing, raster editing, video editing, and motion design.<sup>90</sup>
102. In response to the Issues Paper, the Parties submitted there is no market for creative design software for screen design use cases.<sup>91</sup> In particular, the Parties submitted that neither Party competes or innovates based on this segment, and that customers do not view the Parties as alternatives in the supply of creative design software (or any segment thereof).

#### ***CMA's assessment***

103. As explained in paragraph 209, the CMA focused on creative design software for screen design use cases where the Parties mainly overlap. In particular, the CMA agree with the Parties that separate frames of reference for vector editing, raster editing, video editing, and motion design are an appropriate starting point for its assessment and has accounted for factors that are relevant for each frame of reference in its competitive assessment.
104. In this case, the concern in creative design software relates to dynamic competition (see paragraph 211 below), where the specific future overlaps may not be identified easily.<sup>92</sup> Therefore, in the competitive assessment, where relevant, the CMA has considered a loss of competition in creative design software more broadly rather than focusing on individual specific frames of reference. In addition, the CMA has considered the extent to which the Parties' products can encompass two or more distinct frames of reference in creative design software, and whether looking at

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<sup>89</sup> FMN, paragraph 316.

<sup>90</sup> FMN, from paragraph 309 onwards, and Table 39.

<sup>91</sup> Issues Paper Response, paragraph 5.4.

<sup>92</sup> [Merger Assessment Guidelines](#), paragraph 5.21.

simpler use cases, in particular for screen design (as opposed to professional illustrators, photographers, or filmmakers) is appropriate (see paragraphs 78-7979).

105. There may be scope to consider all creative design software as one wide area where dynamic competition may develop and where it may be difficult to identify precisely a specific overlap in the future, however, for the purpose of this decision the CMA has considered the following four separate product frames of reference for its competitive assessment within the creative design software space:
- (a) vector editing software;
  - (b) raster editing software;
  - (c) video editing software; and
  - (d) motion design software.<sup>93</sup>

### ***Conclusion on product scope***

106. For the reasons set out above, the CMA has considered the impact of the Merger in the following product frames of reference:
- (a) all-in-one screen design software;
  - (b) creative design software, consisting of four separate frames of reference:
    - (i) vector editing software;
    - (ii) raster editing software;
    - (iii) video editing software; and
    - (iv) motion design software.

### **Geographic scope**

107. The Parties submitted that the geographic scope of the screen design and creative design markets are, each, global. The CMA agrees that the relevant geographic frames of reference for the supply of screen design and creative design (including

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<sup>93</sup> This analysis would not change if these four types of software were considered to be part of the same market for creative design software.



the separate product frames of reference for vector, raster, video editing, and motion design software) are global.

## Conclusion on frame of reference

108. For the reasons set out above, the CMA has considered the impact of the Merger in the following frames of reference:

- (a) the global supply of all-in-one screen design software;
- (b) the global supply of creative design software consisting of four separate frames of reference:
  - (i) vector editing software;
  - (ii) raster editing software;
  - (iii) video editing software; and
  - (iv) motion design software.

## COMPETITIVE ASSESSMENT

### Nature of competition

109. The nature of competition may influence the theories of harm that the CMA considers.<sup>94</sup> For screen design and creative design software, the evidence the CMA has reviewed indicates that constant innovation is a key driver of competition. The evidence shows that this innovation involves significant product development, with firms continuously improving their products in anticipation of users' needs and in reaction to competitors. For example:

- (a) Adobe notes that [REDACTED].<sup>95, 96</sup> An Adobe document on Adobe XD's annual product strategy, [REDACTED],<sup>97</sup> [REDACTED]. Innovation is regularly emphasised in the meetings with financial analysts. For example, an Adobe presentation to [REDACTED].<sup>98</sup>

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<sup>94</sup> [Merger Assessment Guidelines](#), paragraph 2.3.

<sup>95</sup> Adobe's internal document [REDACTED].

<sup>96</sup> Other Adobe's documents showing the importance of innovation include [REDACTED]; and [REDACTED], among others.

<sup>97</sup> Adobe's internal document [REDACTED].

<sup>98</sup> Adobe's internal document [REDACTED]. See also, the [presentation for Adobe financial analyst meeting 2022](#).

- (b) A 2022 Figma document, on Figma's values, shows speed of product innovation as one of the main differentiators valued by its customers. Figma prides itself in providing innovation at a rapid pace and pushing monthly updates ranging from major new features to small quality improvements.<sup>99</sup> Figma regularly announces multiple new features at its annual Config conference. In 2022, new features included dark mode, new widgets for FigJam and variable fonts.<sup>100</sup> At Config 2023, new features included Dev Mode, new variables to assist with creating adaptable designs at scale, and new features to facilitate the creation of prototypes with fewer frames.<sup>101</sup>

110. Innovation in real-time collaboration functionality, made available in web-based software, appears to have played a major role in the different levels of growth achieved by Figma and Adobe in screen design. For example, an Adobe internal document shows that [REDACTED].<sup>102</sup> Another Adobe internal document explains, in the context of Adobe XD, that [REDACTED].<sup>103</sup>
111. The CMA's investigation found that costs in switching software are significant. Customers were asked by the CMA to comment on the prevalence of switching and describe any barriers to switching. Most customers indicated that the barriers to switching were significant (medium or high).<sup>104</sup> The Parties have suggested that this assessment of switching costs is unsubstantiated.<sup>105</sup> The CMA considers it is reasonable to rely on this evidence, which reflects the views of the large majority of customers that responded to the CMA's questionnaire.
112. Third-party responses to the CMA's investigation confirm that product development is important, in particular for attracting customers and overcoming aversion to switching that results from the costs involved in changing software. Some customers emphasised that new features are one of the most important parameters that can incentivise switching.<sup>106</sup>
113. Given the nature of competition in the markets under assessment, the CMA considered how the Parties compete through innovation, in particular through

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<sup>99</sup> Figma's internal document [REDACTED].

<sup>100</sup> <https://www.figma.com/blog/config-2022-thinking-big-and-acting-with-urgency/>

<sup>101</sup> <https://www.figma.com/release-notes/?title=New%20at%20Config%202023%3A%20Dev%20Mode%2C%20variables%2C%20advanced%20prototyping%2C%20and%20more>

<sup>102</sup> Adobe's internal document, [REDACTED]. See also Adobe's internal document, [REDACTED].

<sup>103</sup> Adobe's internal document, [REDACTED].

<sup>104</sup> Third-party responses to the CMA's questionnaire.

<sup>105</sup> Issues Paper Response, paragraph 5.147.

<sup>106</sup> Third-party responses to the CMA's questionnaire.

product development. In addition, the CMA considered how this innovation helps attract new customers and overcome switching costs.

## Sources of evidence

114. The CMA's investigation has taken account of a range of evidence gathered from the Parties, their customers, and competitors.
115. This evidence includes submissions made by the Parties, sales data, and product usage data provided by the Parties and a significant number of the Parties' internal documents. In addition, the CMA contacted a number of the Parties' customers and competitors in screen design and creative design software as part of its investigation. The CMA's outreach included written questionnaires seeking views on market conditions and the impact of the Merger, as well as calls with a number of third parties.
116. In connection with the ongoing Merger investigations in the United States and the European Union, the Parties have also provided: transcripts of the United States Department of Justice (**US DOJ**)'s sworn depositions of certain of the Parties' executives, and the Parties' responses to the European Commission's requests for information. The CMA has considered all of this carefully, including considering how statements made in depositions and submissions align with other evidence including the Parties' internal documents.<sup>107</sup>

## Theories of harm

117. The CMA has assessed two theories of harm related to the Merger, namely, horizontal unilateral effects in the global supply of:
  - (a) all-in-one screen design software (**TOH1**); and
  - (b) each of vector editing (**TOH2a**), raster editing (**TOH2b**), video editing (**TOH2c**), and motion design software (**TOH2d**).
118. The CMA has considered whether the merger firms exert a material constraint on each other and whether the remaining competitive constraints are sufficient to offset the loss of competition between them resulting from the merger,<sup>108</sup> noting that

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<sup>107</sup> [Merger Assessment Guidelines](#), paragraphs 2.25 and 2.29.

<sup>108</sup> [Merger Assessment Guidelines](#), paragraph 4.8.

where one merger firm has a strong position in the market, even small increments in market power may give rise to competition concerns.<sup>109</sup>

119. An important aspect of competition in this case is in innovation, specifically competition in product development between firms. This dynamic competition involves efforts or investments aimed at protecting or expanding a firm's market position and profits in the future. This includes efforts that may give firms the ability to compete in entirely new areas (ie to enter), or the ability to compete more effectively in areas where they are already active (ie to expand).<sup>110</sup> Uncertainty about the outcome of such dynamic competitive process does not preclude the CMA from assessing the impact of the merger on that dynamic process. A process of dynamic competition can increase the likelihood of new innovations or products being made available in the future, and therefore has economic value in the present.<sup>111</sup> While the likelihood of successful expansion is a relevant factor to consider, the elimination of a dynamic competitor that is making efforts towards expansion may lead to competition concerns even where expansion is unlikely and may ultimately be unsuccessful.<sup>112</sup>

## **TOH1 – Horizontal unilateral effects in the supply of all-in-one screen design software**

120. As regards this theory of harm, the CMA assessed the following:
- (a) current market structure, including the degree of market power implied by the Party's shares of supply;
  - (b) the extent to which the Parties compete closely (in relation to their current offering and in product development); and
  - (c) the existence and strength of any competitive constraints on the Parties.
121. Due to the role of innovation as an important competitive parameter in the supply of all-in-one screen design software, the CMA has focused its assessment on the degree of dynamic competition between the Parties and their competitors, that is competition in developing their offerings.

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<sup>109</sup> [Merger Assessment Guidelines](#), paragraph 4.12(a).

<sup>110</sup> [Merger Assessment Guidelines](#), paragraphs 5.17 to 5.20.

<sup>111</sup> [Merger Assessment Guidelines](#), paragraph 5.20.

<sup>112</sup> [Merger Assessment Guidelines](#), paragraph 5.23.

122. Mergers can reduce the dynamic competitive interactions between an existing supplier and a dynamic competitor, or between two dynamic competitors.<sup>113</sup> As noted above in paragraph 119 and in the CMA's guidance,<sup>114</sup> dynamic competition includes 'efforts that may give firms the ability to compete in entirely new areas (ie to enter), or the ability to compete more effectively in areas where they are already active (ie to expand).' Dynamic competition can therefore also take place between two existing suppliers. In this case, there is dynamic competition between two existing suppliers of screen design software which are both making efforts to improve and expand their products. The CMA's assessment of dynamic competition takes into account competition between the Parties' current offerings, as well as their efforts to develop products through investment and innovation (referred to as product development in this decision).

### ***Current market structure and shares of supply***

#### ***Parties' submissions***

123. The Parties submitted that relevant shares of supply should include not just all-in-one screen design software providers, but also providers of point tools, no/low-code website builders, and prosumer tools.<sup>115</sup> On this basis, the Parties submitted they have shares of supply with a combined share of [30-40]% and an increment of [0-5]% in 2022.<sup>116</sup>
124. The Parties also submitted that static market shares cannot provide a meaningful assessment of the competitive effects in a dynamic market like screen design, as they do not capture increasingly strong players like Framer.<sup>117</sup> The Parties further submitted that Adobe XD's increment in the market is historic as it relates to a product that has been disinvested by being placed in maintenance mode.<sup>118</sup>

#### ***CMA's assessment***

125. The CMA's assessment of the shares of supply focuses on the frame of reference for all-in-one screen design software providers. The CMA has assessed the out of

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<sup>113</sup> [Merger Assessment Guidelines](#), paragraph 5.17.

<sup>114</sup> [Merger Assessment Guidelines](#), paragraph 5.17.

<sup>115</sup> As mentioned above, the CMA collectively refers to point tools, no/low-code website builders, and prosumer tools as other screen design software providers.

<sup>116</sup> FMN, Table 17.

<sup>117</sup> Issues Paper Response, Annex 6, paragraph 1.3.

<sup>118</sup> Issues Paper Response, Annex 6, paragraph 1.3.

market constraint imposed by other screen design software providers in paragraphs 200 to 202 below.

126. The CMA has considered share of supply estimates in the supply of all-in-one screen design software, and the extent to which these shares suggest supply is concentrated or that either Party holds market power.
127. Based on 2022 data submitted by the Parties (on the basis of booked revenue),<sup>119</sup> and as shown in Table 1 below, Figma has [60-70]% and Adobe has [0-5]% of the market. After the Merger, the Merged Entity would be the largest supplier of all-in-one screen design software, with a share of [60-70]%. In the same period, Sketch's share of supply was [5-10]%.<sup>120</sup> These shares suggest that Figma has a very strong position in all-in-one screen design software and is substantially larger than any other supplier of all-in-one screen design software.

**Table 1: Share of supply estimates submitted by the Parties in all-in-one screen design software<sup>121</sup> based on booked revenue, globally, 2020-2022**

Provider	2020		2021		2022	
	Million USD	Share	Million USD	Share	Million USD	Share
<b>Figma</b>	[<]	[20-30]%	[<]	[40-50]%	[<]	[60-70]%
<b>Adobe</b>	[<]	[0-5]%	[<]	[0-5]%	[<]	[0-5]%
<b>Combined</b>	[<]	[20-30]%	[<]	[50-60]%	[<]	[60-70]%
<b>InVision</b>	[<]	[50-60]%	[<]	[30-40]%	[<]	[20-30]%
<b>Sketch</b>	[<]	[10-20]%	[<]	[5-10]%	[<]	[5-10]%
<b>Axure</b>	[<]	[0-5]%	[<]	[0-5]%	[<]	[0-5]%
<b>Framer</b>	[<]	[0-5]%	[<]	[0-5]%	[<]	[0-5]%
<b>UXPin</b>	[<]	[0-5]%	[<]	[0-5]%	[<]	[0-5]%
<b>Justinmind</b>	[<]	[0-5]%	[<]	[0-5]%	[<]	[0-5]%
<b>PenPot</b>	[<]	[0-5]%	[<]	[0-5]%	[<]	[0-5]%
<b>Total</b>	[<]	<b>100.0%</b>	[<]	<b>100.0%</b>	[<]	<b>100.0%</b>

Source: FMN, Table 18.

128. The CMA considers that the Parties' share estimates understate the significance of Adobe XD.
- (a) First, these shares are based on the inclusion of InVision in the market as the Parties' largest competitor with a share of over [20-30]%, however InVision is

<sup>119</sup> I.e., revenue recorded from customers in the Parties' financial data.

<sup>120</sup> FMN, Table 18.

<sup>121</sup> The Parties used the term end-to-end interactive product design in their share of supply estimates.

no longer active in the supply of all-in-one screen design software (see paragraph 196) below.<sup>122</sup>

- (b) Second, the Parties have overestimated the revenues of the remaining competitors.
- (c) Third, the Parties' share data was based on Adobe XD's standalone revenue and did not take into account revenue from the CC All Apps bundle, which includes Adobe XD. The Parties submitted that this was the most suitable metric as Adobe XD's contribution to the bundle offering is [X<].<sup>123</sup> If a proportion of revenue from the CC All Apps bundle were attributed to Adobe XD, taking into account the proportion of CC All Apps subscribers who use Adobe XD as their primary app (around [0-5]% in 2020, 2021 and 2022) and attributing [10-20]% of the revenues from these users to Adobe XD based on the standalone price for Adobe XD being [10-20]% of the CC All Apps price,<sup>124</sup> Adobe's share of screen design software would increase.

129. Table 2 sets out share of supply estimates for all-in-one screen design software globally based on the Parties' estimates with the following changes: (i) excluding InVision; (ii) including third-party revenue data where available; and (iii) attributing a [X<] proportion of the CC All Apps revenue to Adobe XD as set out above at a paragraph 128(c). With these adjustments, Adobe's share is [5-10]% in 2022, making Adobe the largest competitor to Figma (rather than third largest competitor to Figma under the Parties' estimates). Figma's share also increases to [80-90]%.

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<sup>122</sup> In addition, the Parties do not have a robust estimate for InVision revenues in screen design (in FMN, Table 20). In particular, their estimate includes revenue from InVision's whiteboarding software.

<sup>123</sup> FMN, paragraph 334.

<sup>124</sup> [X<].

**Table 2: Share of supply estimates in all-in-one screen design software based on booked revenue, globally, 2020-2022**

Provider	2020		2021		2022	
	Million USD	Share	Million USD	Share	Million USD	Share
<b>Figma</b>	[<]	[50-60]%	[<]	[70-80]%	[<]	[80-90]%
<b>Adobe</b>	[<]	[10-20]%	[<]	[10-20]%	[<]	[5-10]%
<b>Combined</b>	[<]	[60-70]%	[<]	[80-90]%	[<]	[90-100]%
<b>Sketch</b>	[<]	[10-20]%	[<]	[5-10]%	[<]	[0-5]%
<b>Axure</b>	[<]	[5-10]%	[<]	[0-5]%	[<]	[0-5]%
<b>Framer</b>	[<]	[5-10]%	[<]	[0-5]%	[<]	[0-5]%
<b>UXPin</b>	[<]	[5-10]%	[<]	[0-5]%	[<]	[0-5]%
<b>Justinmind</b>	[<]	[0-5]%	[<]	[0-5]%	[<]	[0-5]%
<b>PenPot</b>	[<]	[0-5]%	[<]	[0-5]%	[<]	[0-5]%
<b>Total</b>	<b>89.9</b>	<b>100.0%</b>	<b>185.0</b>	<b>100.0%</b>	<b>355.1</b>	<b>100.0%</b>

Source: CMA's analysis of the Parties' and third-party data.

130. The CMA recognises that these shares may not constitute a precise reflection of competitive conditions, for the following reasons:

- (a) the shares constitute a static representation of the market, and do not take into account the different scale of each firm's product development;
- (a) product offerings of each competitor are differentiated (for example, Justinmind is focused on prototyping);
- (b) most share of supply figures for third parties are based on the Parties' estimates, which might be unreliable; and
- (c) some providers (such as PenPot) offer free software, meaning their presence is not reflected in revenue shares.

131. Nevertheless, these share estimates are largely consistent with a 2022 design tools survey by third-party website [uxtools.co](#) which shows that Figma, Adobe XD, and Sketch are the three products used by 85% of UI designers sampled as primary tools and as such constitute the three key current players in the industry.<sup>125</sup>

<sup>125</sup> [2022 Design Tools Survey - UI Design | UX Tools](#). The Design Tools Survey takes place on an annual basis, and covers users, 80% of whom full-time professionals, from a variety of countries, including the United States and the United Kingdom. This year's survey included a total of 4,260 responses, approximately 70% of which were from product designers (~30%), UX/UI designers (~25%) and UX designers (~15%). The same data showed that 73% and 6% of survey respondents use Figma Design and Adobe XD as their primary design tools. When taking primary and secondary design tools into account, these shares rise to 82% and 15%.



Uxtools.co and its survey are [REDACTED],<sup>126</sup> and while the data used is self-reported and not based on a representative random sample, the CMA nonetheless considers the survey is of some relevance, albeit as an approximate cross-check of the CMA's share of supply estimates.

132. While the share data may not constitute a precise reflection of competitive conditions, share data from all sources consistently indicates that Figma has a leading market position in screen design software, and is substantially larger than any other provider of all-in-one screen design software. The data also consistently indicates that Adobe XD, while it has a significantly smaller share than Figma, is one of the three largest suppliers of screen design software with all remaining suppliers being substantially smaller than Figma, Adobe XD, and Sketch.

***Continued competitive constraint from Adobe on Figma***

133. To assess competition between Adobe and Figma in screen design software:
- (a) first, the CMA has assessed whether Adobe would have remained active in screen design; and
  - (b) second, the CMA has assessed whether Adobe is a close competitor to Figma in screen design software.
134. The CMA has undertaken this assessment in relation to:
- (a) competition between Adobe and Figma's current offerings; and
  - (b) competition between Adobe and Figma in product development.

***Parties' submissions***

135. The Parties have submitted that Adobe would not have been a relevant competitive constraint in screen design absent the Merger on the basis that:
- (a) Adobe XD was a [REDACTED], leaving Adobe as a weak and diminishing competitor in screen design; and
  - (b) Adobe's investment in Project Spice and related projects would not have positioned Adobe to offer a new screen design product.

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<sup>126</sup> For instance, see Adobe's internal document, [REDACTED].

136. As regards Adobe XD, Adobe submitted that Adobe XD has very limited competitive significance given its [§<]. [§<]. Therefore, Adobe decided to reduce engineering and marketing resources for Adobe XD in October 2021, and in February 2022 Adobe placed Adobe XD into what Adobe refers to in its submissions as maintenance mode.<sup>127</sup> Adobe submitted that maintenance mode refers to the process of deprioritising a product (in this case Adobe XD) until it eventually becomes deprecated, loses its customer base, and is phased out.<sup>128</sup> Additionally, the Parties submitted that [§<].<sup>129</sup> As such, the Parties told the CMA that Adobe XD is a weak competitor and that it does not compete closely with Figma or drive Figma to innovate.<sup>130</sup>
137. The Parties submitted that their service offerings are materially different, in that Adobe XD lacks key collaboration features. The Parties told the CMA that they consider that collaboration is an increasingly important feature of screen design software.<sup>131</sup> Figma Design has web-based collaborative screen design functionalities, which the Parties submit is the reason for an [§<] growth [§<]. The Parties further submitted that [§<].<sup>132</sup>
138. As regards product development, or Adobe's and Figma's efforts in screen design outside current offerings, the Parties told the CMA that Adobe and Figma are not close competitors for several reasons:
- (a) [§<].<sup>133</sup>
  - (b) Adobe's Project Spice was not intended for [§<]. While initially conceived to develop its screen design software, the Parties told the CMA that Spice was in the end never released as a complete product offering, and that its latest betas only had very limited functionality (ie only basic whiteboarding and review features).<sup>134</sup> Adobe submitted that, in any case, it decided to end Spice in August 2022 and that the decision to cancel the project was made independently of Adobe's engagement with Figma.<sup>135</sup> According to the Parties, the decision to cancel was made due to [§<].<sup>136</sup> The Parties have submitted

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<sup>127</sup> FMN, paragraph 496(a); Issues Paper Response, paragraphs 4.37 to 4.84.

<sup>128</sup> FMN, paragraph 493.

<sup>129</sup> Parties' submission to the CMA [§<].

<sup>130</sup> Issues Paper Response, paragraphs 4.37 to 4.84.

<sup>131</sup> FMN, paragraph 424.

<sup>132</sup> FMN, paragraph 446.

<sup>133</sup> FMN, paragraph 426.

<sup>134</sup> Adobe's submission to the CMA on Project Spice dated 19 May 2023, paragraphs 48 to 50.

<sup>135</sup> FMN, paragraphs 529 to 533.

<sup>136</sup> FMN, paragraphs 128 to 133.

that [Adobe's President of Digital Media]'s view from early 2022 was that Spice should focus on [X] (see paragraph 168). As [Adobe's President of Digital Media] told the CMA during Adobe's meeting with the CMA on 27 April 2023, he was [X].

139. In the response to the Issues Paper, the Parties further elaborated on these submissions. Broadly, they submitted that:

- (a) The Parties would not become close competitors in the future as Adobe [X] in relation to product design; in other words, that Project Spice was '[X], cancelled independently of the [Merger]'.<sup>137</sup>
- (b) Spice was dependent on [X],<sup>138</sup> [X].<sup>139</sup>
- (c) Spice was initially conceived to [X].<sup>140</sup> However, Spice was never credibly considered for [X].<sup>141</sup>
- (d) Adobe did not have the [X] to execute Project Spice.<sup>142</sup>
- (e) Project Spice, finally, was not a response to competition from Figma, and, accordingly, would not have been a competitive constraint on Figma in [X].<sup>143</sup>

*CMA's assessment of competition on current offerings*

- Ongoing presence of Adobe XD in screen design

140. The CMA recognises that Adobe had placed Adobe XD in maintenance mode, which includes reallocating the large majority of the staff who had worked on Adobe XD and no longer seeking to actively develop new features for Adobe XD or increase its market position.

141. Despite this, Adobe XD retains a material position in screen design.

- (a) Adobe XD is available for customers to purchase through the CC All Apps bundle and was, until December 2022 (many months after it was deprioritised),

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<sup>137</sup> Issues Paper Response, paragraphs 4.85 to 4.119.

<sup>138</sup> Adobe's submission to the CMA on Project Spice dated 19 May 2023, paragraph 40.

<sup>139</sup> Adobe's submission to the CMA on Project Spice dated 19 May 2023, paragraphs 5, 41 and 54.

<sup>140</sup> Adobe's submission to the CMA on Project Spice dated 19 May 2023, paragraph 5.

<sup>141</sup> Issues Paper Response, paragraphs 4.145 to 4.152.

<sup>142</sup> Issues Paper Response, paragraphs 4.153 to 4.157.

<sup>143</sup> Issues Paper Response, paragraphs 4.120 to 4.137.

advertised as a separately available product. Based on evidence submitted by the Parties, Adobe XD's customers include [REDACTED].<sup>144</sup>

- (b) Adobe XD's monthly active users [REDACTED].<sup>145</sup> [REDACTED].<sup>146</sup>
- (c) Adobe continues to allocate resources to Adobe XD, even if these are limited, [REDACTED] for those customers that continue to use it.<sup>147</sup> Specifically, as the Parties submitted, Adobe keeps a team of [REDACTED] engineers who are responsible for fixing bugs and addressing 'customer pain points' related to Adobe XD.<sup>148</sup> Adobe's latest release of a set of new features and enhancements for Adobe XD took place as recently as in January 2023.<sup>149</sup>

142. Lastly, the Parties submitted that Adobe's 'products can remain in maintenance mode for several years'.<sup>150</sup> Based on the evidence available to the CMA, this suggests that a not insignificant number of customers are likely to continue to use Adobe XD for a reasonable period of time. On that basis, the CMA considers that, contrary to the Parties' submission that Adobe XD is not a meaningful rival, Adobe XD remains a relevant product in the screen design segment.

- Closeness of competition between Adobe XD and Figma

143. As set out above, the share data indicates that Figma has a leading market position in screen design software and that Adobe, through Adobe XD, is one of the three largest suppliers of screen design software.

144. The Parties' internal documents also indicate that Figma and Adobe are two of the three key providers of screen design software, with the third provider being Sketch. For example, a September 2022 Figma document indicates that [REDACTED].<sup>151</sup> An August 2022 Figma presentation describes [REDACTED].<sup>152</sup>

145. In addition, evidence from competitors and customers shows that they consider Adobe XD as a competitor to Figma.

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<sup>144</sup> Parties' response to question 6 of the CMA RF14.

<sup>145</sup> FMN, Table 31.

<sup>146</sup> Parties' response to the Follow-up Questions following Issues Meeting – Questions 9 and 10, dated 16 June 2023, Table 1.

<sup>147</sup> Issues Paper Response, paragraphs 1.16(b) and 4.70.

<sup>148</sup> Issues Paper Response, paragraph 1.16(b); FMN, paragraph 475.

<sup>149</sup> [Feature summary | Adobe XD \(January 2023 release\)](#).

<sup>150</sup> FMN, paragraph 495.

<sup>151</sup> Figma's internal document, [REDACTED].

<sup>152</sup> Figma's internal document, [REDACTED]. See also Figma's internal document, [REDACTED] and Adobe internal document, [REDACTED].

146. Customers and competitors were asked to list alternatives to the Parties' products using open-ended questions, and in doing so, they were asked to rate such alternatives by awarding a score out of five, corresponding to different degrees of the alternatives' suitability.<sup>153</sup>
- (a) A significant majority of customers listed the Parties' products as alternatives to each other, considering, on average, Figma Design to be a 'very strong' alternative to Adobe XD.<sup>154</sup>
  - (b) The majority of customers who responded to the CMA's investigation indicated they consider Adobe XD to be an alternative to Figma Design, with Adobe XD being the second most mentioned alternative, after Sketch.<sup>155</sup> Of customers who mentioned Adobe XD, the majority ranked it as at least an adequate alternative to Figma Design, and a third mentioned that Adobe XD lacks web-based functionality and collaboration features.<sup>156</sup>
  - (c) All competitors who responded included Adobe XD as an alternative to Figma Design,<sup>157</sup> while half of the competitors that responded noted that the Parties are among the strongest players in the market,<sup>158</sup> with one competitor commenting that its largest competitor was acquiring its second-largest competitor.<sup>159</sup>
- Conclusion on competition on current offerings
147. The CMA recognises that Adobe had placed Adobe XD in maintenance mode; however, Adobe XD remains a relevant constraint in screen design. First, there are only a small number of suppliers of all-in-one screen design software. Figma is by far the largest supplier of such products, and Adobe XD is one of the three largest products alongside Figma and Sketch. Second, Figma's internal documents regularly described Adobe as one of the main alternatives to Figma. While one recent document [X],<sup>160</sup> it remains the case that Adobe XD is one of a small

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<sup>153</sup> A score of 5 corresponds to a 'very strong' alternative; a score of 4 corresponds to a 'strong' alternative, a score of 3 corresponds to an 'adequate' alternative, a score of 2 corresponds to a 'weak' alternative and a score of 1 corresponds to a 'very weak' alternative.

<sup>154</sup> Third-party responses to the CMA's questionnaire.

<sup>155</sup> Third-party responses to the CMA's questionnaire.

<sup>156</sup> Third-party responses to the CMA's questionnaire.

<sup>157</sup> Third-party responses to the CMA's questionnaire.

<sup>158</sup> Third-party responses to the CMA's questionnaire.

<sup>159</sup> Third-party response to the CMA's questionnaire.

<sup>160</sup> Adobe's internal document [X].

number of close alternatives to Figma. Third, evidence from customers and competitors confirmed that Adobe XD is a close alternative to Figma.

### *CMA's assessment of competition in product development*

148. As outlined in paragraphs 109 to 113 above, the CMA examined the extent to which the Parties compete through their attempts to continuously develop their products.

149. Given Figma's leading market position (as is described in the above section on market shares), a particular focus of the CMA's investigation was on Adobe's plans to develop its screen design software, and the extent to which these plans involved challenging Figma. Therefore, the following sections outline the CMA's assessment of Adobe's strategy for all-in-one screen design software. The CMA has focused in particular on Adobe's most recent product development plans related to Project Spice.

- Background to Project Spice

150. In June 2020, Adobe formulated a strategy to develop a one-stop-shop software, including an infinite canvas for whiteboarding, screen design applications, and integration with web-based versions of Adobe's flagship creative design products, such as Illustrator and Photoshop.<sup>161, 162</sup>

151. [REDACTED].<sup>163</sup> [REDACTED].<sup>164, 165</sup> [REDACTED], however, it decided to launch a private beta version.<sup>166, 167</sup> On 26 October 2021, at MAX 2021, Adobe presented a demo to its customers, revealing some of its collaboration and sharing functionalities.<sup>168</sup>

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<sup>161</sup> Adobe's submission to the CMA on Project Spice dated 19 May 2023, paragraph 19 and Adobe's voluntary submission to the US DOJ on Project Spice dated 25 October 2022.

<sup>162</sup> Adobe's voluntary submission to the US DOJ titled 'Follow-up on Project Spice, dated 25 October 2022.

<sup>163</sup> Adobe's submission to the CMA on Project Spice dated 19 May 2023, paragraph 26. See also Adobe's voluntary submission to the US DOJ titled 'Follow-up on Project Spice, dated 25 October 2022.

<sup>164</sup> Adobe's submission to the CMA on Project Spice dated 19 May 2023, paragraph 25. See also Adobe's voluntary submission to the US DOJ titled 'Follow-up on Project Spice, dated 25 October 2022.

<sup>165</sup> Private beta involves inviting a limited number of customers to use a product, in order to obtain feedback for development. Public beta is a further phase, where a product is opened up to a larger customer set.

<sup>166</sup> The CMA considers 'private beta' in this context to mean an early product release open to a limited customer base. See Adobe's submission to the CMA on Project Spice dated 19 May 2023, paragraph 27. See also Adobe's voluntary submission to the US DOJ titled 'Follow-up on Project Spice, dated 25 October 2022, Paragraph 26 and footnote 46.

<sup>167</sup> Adobe's submission to the CMA on Project Spice dated 19 May 2023, paragraph 27. See also Adobe's voluntary submission to the US DOJ titled 'Follow-up on Project Spice, dated 25 October 2022.

<sup>168</sup> See <https://blog.adobe.com/en/publish/2021/10/26/creative-cloud-canvas-spaces-ps-ai-in-browser>

152. In July 2021 Adobe also considered developing Adobe XD Web, being a web-based version of Adobe XD, as described in paragraph 71 above. Adobe [§<].<sup>169</sup>
153. By November 2021, Adobe had transferred approximately [more than one hundred] people from Adobe XD to the Project Spice team,<sup>170</sup> [§<].<sup>171</sup> This represented a transfer of the vast majority of Adobe XD's engineering resources to Project Spice. In January 2022, Adobe again increased the size of the Project Spice team and planned to release its product [§<].<sup>172</sup>
154. According to Adobe, in February 2022 [§<] inputs to Project Spice encountered new and significant delays.<sup>173</sup> As such, Project Spice continued to experience delays in the completion of its planned release.<sup>174</sup> However, by April 2022 and around the time [Adobe's President Digital Media] and [Adobe's Chief Product Officer] met with [Figma's CEO] to discuss the Merger, Adobe outlined plans to release the public beta version of Project Spice in the first half of 2023. This release would include functionalities for whiteboarding and marketing design. In May 2022, Adobe launched two private beta versions with basic collaboration, review, and sharing functionalities).<sup>175</sup>
155. Ultimately, Adobe decided to disinvest in Project Spice by August 2022, and communicated this decision internally on 9 September 2022, around a week before the Merger was announced on 15 September 2022.<sup>176</sup> Adobe had [more than two hundred] FTEs working on Spice before its decision to disinvest in September 2022.<sup>177</sup>
- Ongoing presence of Adobe in product development in screen design

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<sup>169</sup> FMN, paragraphs 433 and 434.

<sup>170</sup> Branded as CC Canvas, at the time.

<sup>171</sup> Adobe's submission to the CMA on Project Spice dated 19 May 2023, paragraph 17. See also Adobe's voluntary submission to the US DOJ titled 'Follow-up on Project Spice, dated 25 October 2022.

<sup>172</sup> Adobe's submission to the CMA on Project Spice dated 19 May 2023, paragraph 4. See also Adobe's voluntary submission to the US DOJ titled 'Follow-up on Project Spice, dated 25 October 2022.

<sup>173</sup> Adobe's submission to the CMA on Project Spice dated 19 May 2023, paragraph 40. Adobe submitted that [§<].

<sup>174</sup> Adobe's submission to the CMA on Project Spice dated 19 May 2023, paragraph 40. Adobe submitted that [§<].

<sup>175</sup> Adobe's submission to the CMA on Project Spice dated 19 May 2023, paragraph 38 and 39. See also Adobe's voluntary submission to the US DOJ titled 'Follow-up on Project Spice, dated 25 October 2022.

<sup>176</sup> For example, see Adobe's internal document, [§<], announcing the decision to cancel Project Spice, with immediate effect. See also Adobe's submission to the CMA on Project Spice dated 19 May 2023, paragraph 60.

<sup>177</sup> Parties' response to the CMA RFI4, updated Annex 5.1.

156. As a preliminary point, the CMA acknowledges the Parties' submissions that Project Spice faced [REDACTED] delays throughout its development process.<sup>178</sup> However, the CMA has taken these representations into account alongside the evidence showing Adobe's commitment and efforts to bring Project Spice to market. In this regard, the CMA notes that Adobe is a global company that is well-resourced and well positioned to invest in new products, including in the screen design software market, where Adobe has had a presence since 2016.<sup>179</sup>
157. Adobe expressed confidence in Project Spice. A briefing for [REDACTED].<sup>180</sup> Adobe's confidence in the project appears to be supported by early positive feedback on Spice, in the summer of 2022. For example:
- (a) An internal Adobe presentation on Project Spice, [REDACTED].<sup>181</sup>
  - (b) A bi-weekly Adobe meeting that took place on [REDACTED].<sup>182</sup> [REDACTED].
158. [REDACTED] demonstrate a strong degree commitment and the importance afforded to Project Spice. [REDACTED] until a few days before the Merger was announced, [REDACTED]. In fact, Adobe invested [REDACTED] resources into Spice [REDACTED], with [more than two hundred] FTEs worked on Spice at the peak in September 2022, shortly before the announcement of the Merger.<sup>183</sup> By way of comparison, Figma had only approximately [hundreds of] engineers and [hundreds of] employees overall in 2022.
159. Adobe's confidence in Project Spice was not limited to internal communications. Adobe showed a pre-release version of Spice to its customers and discussed development plans with them. One Adobe customer told the CMA that Adobe was in touch with them about Spice from October 2021 until October 2022, when Adobe announced that the development was paused.<sup>184</sup> The customer told the CMA that they found the decision to pause Spice surprising given that the project seemed very concrete.<sup>185</sup> [REDACTED].<sup>186</sup>

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<sup>178</sup> [REDACTED]. See Adobe's internal document, [REDACTED].

<sup>179</sup> FMN, paragraph 151.

<sup>180</sup> Adobe's internal document, [REDACTED].

<sup>181</sup> Adobe's internal document, [REDACTED].

<sup>182</sup> Adobe's internal [REDACTED].

<sup>183</sup> Parties' response to the CMA RFI4, updated Annex 5.1.

<sup>184</sup> The third-party customer referenced did not name the development plans as 'Spice', however the CMA considers that there was no other tool that Adobe could have demonstrated other than Spice, in light of the features demonstrated.

<sup>185</sup> Note of a third-party call.

<sup>186</sup> Adobe's response to the CMA section 109 notice dated 31 January 2023, paragraph 13.3.



160. The CMA considers that Adobe's decisions around Project Spice are interconnected with those around Adobe XD and that this confirms Adobe's intentions to develop Project Spice into a next-generation screen design product. [REDACTED].<sup>187</sup> [REDACTED].<sup>188</sup> [REDACTED].<sup>189</sup> The continuity of engineering personnel and resources is also evident in internal documents that discuss [REDACTED].<sup>190</sup>
161. The CMA therefore considers Adobe's efforts to invest in Spice consistent with the strategic assessment it had made and was continuing to make in screen design. Adobe had identified screen design as a growing market,<sup>191</sup> and there are several Adobe internal documents showing that Adobe was investing in Spice as a response to the competitive threat from Figma (see paragraph 167 in the next section below). The CMA considers Adobe's significant investments in screen design software combined with internal documents outlining [REDACTED] that Adobe had a commitment to being active in screen design. This is also supported by Adobe's decision to pay \$20 billion to acquire Figma as an alternative to developing its own product through Project Spice.
162. Finally, the CMA has also assessed whether there is evidence to show whether Adobe would have cancelled Spice absent the Merger. The decision to cancel Spice was made in August 2022, approximately three months after the Parties signed confidentiality agreements for the Merger (ie after when Adobe's senior leadership were contemplating and actively negotiating the Merger).<sup>192</sup> In contrast to the enthusiasm for Project Spice set out above, the CMA considers that the evidence in the round does not substantiate the Parties' submissions on why Adobe cancelled Spice. In particular:
- (a) The Parties' explained that Spice was cancelled due to the [REDACTED].<sup>193</sup> Although timings of certain milestones were changed, Adobe has not submitted evidence suggesting that [REDACTED].<sup>194</sup>
  - (b) The Parties have not pointed to evidence of any specific trigger or decision that would have led the decision to cancel Spice in September 2022 that is

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<sup>187</sup> FMN, paragraphs 475, 502 and 507.

<sup>188</sup> Adobe's internal document, [REDACTED].

<sup>189</sup> Adobe's internal [REDACTED].

<sup>190</sup> Adobe's internal document, [REDACTED]. Adobe's internal document, [REDACTED].

<sup>191</sup> Adobe's internal document, 10-012, titled 'Outside-in Assessment of XD Positioning & Strategy', dated November 2020.

<sup>192</sup> FMN, paragraph 533.

<sup>193</sup> Adobe's submission to the CMA on Project Spice dated 19 May 2023, paragraph 5.

<sup>194</sup> Adobe's submission to the CMA on Project Spice dated 19 May 2023, paragraph 46.

unrelated to the Merger. In fact, earlier in 2022 Adobe had [REDACTED] and set out plans for it to compete with Figma in screen design.

(c) The CMA is unable to place significant weight on [REDACTED]. First, [REDACTED].<sup>195</sup> Second, while [REDACTED],<sup>196</sup> [REDACTED].

(d) As regards the decision to move [REDACTED]. [REDACTED].<sup>197</sup>

163. The CMA notes that Adobe has invested significantly in developing a screen design offering since 2014 (when Adobe commenced Project Sparkler, an early project code name that would eventually become Adobe XD).<sup>198</sup> From that time and up until 2022, Adobe made substantial investments in the development of its screen design offering with large teams of employees working on XD and then on Spice. The CMA considers that this history of commitment to developing a screen design offering, and investment in developing such an offering, is relevant to the CMA's assessment as to whether Adobe would have been likely to continue its activities in this segment absent the Merger.

164. On the basis of an assessment of the evidence in the round, the CMA considers that Adobe was likely to continue to pursue its strategic interest in screen design absent the Merger.

- Closeness of competition between Adobe and Figma in product development

165. The CMA investigated the closeness of competition between Adobe and Figma in product development, in particular the extent that each of them reacted to the others' investment and/or innovation strategies.

- Threat that Project Spice poses to Figma

166. From conception, Spice was envisioned as a web-based product, which would bring Adobe's screen design offering closer to Figma Design in terms of functionality. [REDACTED]<sup>199</sup> [REDACTED].<sup>200</sup> The CMA considers that the consistent references to Figma in these documents are evidence that Project Spice, whatever its precise feature set and intended audience, would have competed against Figma for users.

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<sup>195</sup> Adobe internal document, [REDACTED].

<sup>196</sup> [REDACTED]. Issues Paper Response, paragraph 4.96b.

<sup>197</sup> Adobe's response to the CMA section 109 notice, dated 19 May 2023, paragraph 1.2.

<sup>198</sup> FMN, paragraph 159.

<sup>199</sup> For example, Adobe's internal document, [REDACTED].

<sup>200</sup> Adobe's internal documents, [REDACTED].

167. Several of Adobe's internal documents evidence that Spice was, at least in part, a direct response to competition from Figma, even if these same documents acknowledge that developing [§<]. The CMA has seen evidence from documents dated 2021 and 2022 that describe plans for Spice to challenge Figma's market leading position.

- (a) A January 2022 presentation on Adobe's strategy regarding [§<]. [§<].<sup>201</sup> While the Parties submitted that the statements in this document were speculative, the CMA nonetheless considers it indicative of the wider thinking at Adobe to challenge Figma. A follow-on document on Spice dated February 2022 also notes [§<].<sup>202</sup>
- (b) An additional February 2022 document, which includes Adobe's concerns about [§<].<sup>203</sup>
- (c) An internal document presenting [§<].<sup>204</sup>
- (d) A Slack conversation from February 2022 between [Adobe's Senior Vice President & General Manager, Creative Cloud and Document Cloud] and [Adobe's Vice President for Creative Cloud] suggests that [§<]. According to the messages, [Adobe's Senior Vice President & General Manager, Creative Cloud and Document Cloud] asked [Adobe's Vice President for Creative Cloud] to [§<], with [Adobe's Vice President for Creative Cloud] responding that [§<].<sup>205</sup>
- (e) A Slack conversation dated March 2022 between [Adobe's Vice President, Photoshop and Lightroom, Product Management & Product Strategy], [Adobe's Vice President, Digital Imaging] and [Adobe's Product Marketing & Strategy Director] explicitly mentions that [§<].<sup>206</sup>

168. As regards the Parties' submission that Spice was only for ideation and marketing design (paragraph 139(c) above), the CMA notes that Spice was an ambitious product with multiple envisioned features that could cut across several different

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<sup>201</sup> Adobe's internal document, [§<].

<sup>202</sup> Adobe's internal document, [§<]. Adobe's internal document, [§<].

<sup>203</sup> Adobe's internal document, [§<].

<sup>204</sup> Adobe's internal document, [§<].

<sup>205</sup> Adobe's internal document, [§<].

<sup>206</sup> Adobe's internal document, [§<].

types of existing software tools.<sup>207</sup> The CMA has seen evidence suggesting that Adobe did have plans for product design in Spice.

- (a) Email correspondence in February 2022 between [Adobe's CEO], [Adobe's President of Digital Media], and [Adobe's Chief Product Officer] [§].<sup>208</sup> The CMA considers that Adobe XD offers marketing design and product design functionality, and in discussing [§].
- (b) [Adobe's Chief Product Officer] in his Slack message to [Adobe's Vice President of Creative Cloud] [§]. [§]. [§].<sup>209</sup>
- (c) Even documents from the summer of 2022, [§], feature product design. [§].<sup>210</sup> While the CMA understands that [§], the CMA considers that this does not affect whether Adobe would develop product design capabilities, [§]. As such, the CMA considers that Adobe still had plans to develop such capabilities in the medium to longer term, [§].

169. The evidence above is inconsistent with the representation that the Project Spice team were no longer working on product design functionality following [§]. It is also inconsistent, in so far as the evidence considered above was [§].<sup>211</sup>

170. Even if Spice were only focused on ideation and marketing design (which the CMA does not believe to be the case), the CMA considers that it would still exercise a competitive constraint on Figma, for the following reasons.

- (a) As noted in paragraph 96 above, marketing and product design are very closely related. [§]<sup>212</sup> [§].<sup>213</sup> [§].<sup>214</sup>
- (b) Figma is also used for marketing design and hence would compete with Spice. Figma's website contains a number of marketing design templates, available for users.<sup>215</sup> [§].<sup>216</sup> [§].<sup>217</sup>

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<sup>207</sup> [§].

<sup>208</sup> Adobe's internal document, [§].

<sup>209</sup> Adobe's internal document, [§].

<sup>210</sup> Adobe's internal document, [§].

<sup>211</sup> Adobe's submission to the CMA on Project Spice dated 19 May 2023, paragraph 5.

<sup>212</sup> The text in brackets was included in the Issues Paper Response, Annex 1, page 73. In the same document, the Parties defined 'a persona' to be a customer profile type.

<sup>213</sup> Issues Paper Response, Annex 1, page 73.

<sup>214</sup> Adobe's internal [§].

<sup>215</sup> 60+ Free Templates for Marketing | Figma & FigJam.

<sup>216</sup> Adobe's internal document, [§].

<sup>217</sup> Adobe's internal document, [§].

171. Overall, the CMA considers that one of the drivers of Project Spice was a reaction to and effort to compete with Figma. The CMA further believes that Adobe would be particularly well-placed to constrain Figma with Project Spice. From a development perspective, Adobe has already successfully developed, launched, and made available for sale a product in Adobe XD that is one of only a small number of close alternatives to Figma, [REDACTED]. From a marketing perspective, the CMA also believes that Adobe's established presence in both screen design and creative design software would afford it an advantage in persuading customers to switch from Figma [REDACTED].<sup>218</sup>

– Figma's response to the threat from Adobe

172. Figma's internal documents show that it has responded to Adobe's innovation plans in the past.

(a) Personal notes from Figma's CTO [REDACTED].<sup>219</sup>

(b) A letter from Figma's CEO to Figma's board of directors dated October 2021, [REDACTED].<sup>220</sup>

173. Moreover, Figma was expanding into creative design software (see paragraphs 231 to 242 below). Improving creative design functionality would allow Figma to compete better with Adobe's Spice, which was meant to include creative design functionality (see paragraph 177 below). Both products would compete for customers seeking a next-generation integrated offering of screen design and creative design software.

174. On this basis, the CMA considers that absent the Merger, Figma would have an incentive to respond to the threat of competition from Adobe in the supply of all-in-one screen design software.

- Loss of competition in product development arising from the Merger

175. The CMA considers that the Merger may result in loss of competition in the development of screen design software in two different ways.

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<sup>218</sup> Figma itself appears to have acknowledged Adobe's ability to leverage the Creative Cloud bundle, even in the context of Adobe XD. [REDACTED]. Figma's internal document [REDACTED].

<sup>219</sup> Figma's internal document, [REDACTED].

<sup>220</sup> Figma's internal document, [REDACTED].

176. First, the CMA considers that Adobe is competing with Figma in product development, in particular through Adobe's investment in Spice. The Merger will reduce the competitive pressure on Adobe to invest and innovate in this segment.
177. Second, Adobe's efforts to expand into screen design software imposes a significant competitive constraint on Figma. Figma has an incentive to respond to this competition from Adobe by developing its own products. The CMA considers that the Merger could reduce competitive pressure on Figma to innovate.

*CMA's conclusion on the continued competitive constraint from Adobe to Figma*

178. On the basis of the evidence set out above, Adobe XD is still a competitive product to Figma design, despite the fact that it has been placed on maintenance mode, and a number of customers see Adobe XD as a close competitor to Figma currently. Moreover, the Parties are competing closely through a process of dynamic competition, in particular in product development, which involves significant innovation efforts and investment. As set out above, Adobe has been making efforts to create a next-generation integrated screen design offering (Spice) and absent the Merger would continue these efforts. Project Spice poses a threat to Figma's market position and Figma has an incentive and is well positioned to respond to any threat from Adobe's product development. This competitive interaction between the Parties would be lost as a result of the Merger.
179. Accordingly, the CMA considers that the evidence set out above indicates the Parties compete closely through their current offerings and product development in the supply of all-in-one screen design software.

***Competitive constraints***

180. This section describes the evidence gathered by the CMA on the competitive constraints provided by other screen design suppliers including all-in-one software providers and other screen design software providers. The CMA has considered the following sources of evidence: (i) the Parties' internal documents; and (ii) third-party views.

*Parties' submissions*

181. The Parties submitted that the screen design market is highly competitive, with customers typically adopting a mix-and-match approach between tools with specific functions.<sup>221</sup> Adobe estimates that, on average, between two and five screen design

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<sup>221</sup> Issues Paper Response, paragraph 4.6.

tools are used by freelance designers, advertising agencies, IT consultancies, and others. This can involve either more integrated all-in-one solutions or mixing and matching across solutions focused on particular parts of the design workflow (eg prototyping or wireframing).

182. In addition to Adobe and Figma, the Parties state the following entities also supply all-in-one screen design software: Axure, Framer, InVision, Justinmind, PenPot, Sketch, and UXPin.<sup>222</sup>
183. The Parties submitted that they also compete with the following providers of point tools: Abstract, Anima, Avocode, Balsamiq, Flinto/Flinto lite, Frontify, iRise, Lucidchart, Marvel, Miro, Mural, Omnigroup, Origami Studio, Play, Principle, Proto.io, Protopie, Sympli Handoff, Whimsical, Zeplin, and Zeroheight.<sup>223</sup> In addition, the Parties listed the following as no/low-code software or prosumer applications with who they compete: Canva, Plasmic, Squarespace, Webflow, and Wix.<sup>224</sup>
184. In response to the Issues Paper, the Parties submitted that there is a high degree of dynamic competition in the market.
- (a) The current competitive landscape in screen design includes at least point tools with advanced prototyping or handoff capabilities, no-code, low code or design-to-production tools and tools with AI capabilities. If marketing design is also considered as part of the market, the Parties submitted that there is an even greater number of competitors in the market, including prosumer tools and website builders.<sup>225</sup>
- (b) Sketch does not constitute a weak competitive constraint to the Parties, supported by the fact that Figma initiated competitive responses to Sketch's new features in recent years. The Parties further submitted that Sketch has introduced a series of new features over the years, including co-editing

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<sup>222</sup> FMN, paragraph 381. The Parties provided 2022 revenue estimates for each of these entities, as follows: Axure, \$6 million; Framer, \$5 million; InVision, \$100 million; Justinmind, \$0.5 million; PenPot, no revenues; Sketch, \$28.2 million; and UXPin, \$5 million.

<sup>223</sup> The Parties provided 2022 revenue estimates for the third parties listed, as follows: Abstract, \$10.5million; Anima, \$0.5 million; Avocode, \$3 million; Balsamiq, \$7.7 million; Flinto/Flinto lite, \$3.7 million; Frontify, \$9 million in 2022; iRise, \$4.6 million; Lucidchart, \$9.5 million; Marvel, \$7.5 million; Mural, \$16 million; Omnigroup, \$6.2 million; Origami Studio, no revenue; Play, no revenue; Principle, \$5 million; Proto.io, \$4 million; Protopie, \$4.5 million; Sympli Handoff, \$2 million; Whimsical, \$4.1 million; Zeplin, \$15 million; and Zeroheight, \$2.5 million.

<sup>224</sup> The Parties provided 2022 revenue estimates for the third parties listed, as follows: Canva, \$50 million; Plasmic, \$2.5 million; Squarespace, \$86.7 million; Webflow, £28 million; and Wix, \$ 138.8million.

<sup>225</sup> Issues Paper Response, paragraph 4.22.

functionality in 2021, and that it has the ability to continue innovating in the future. Lastly, the Parties submitted that the fact that Figma provides import capabilities from Sketch demonstrates the competitive constraint that Sketch poses to Figma, in contrast to Adobe XD, for which no such functionality exists.<sup>226</sup>

### *CMA's assessment*

185. The CMA has considered competitive constraints in screen design as well as the impact of Adobe's portfolio on the strength of these competitive constraints.
186. As outlined in paragraphs 97 to 99 and 125 to 132 above, the CMA assessed the competitive impact of the Merger relative to the market for all-in-one screen design software providers.
187. The CMA has seen evidence that indicates that the competitive constraints on the Parties emanate primarily from all-in-one screen design software providers. The Parties' internal documents list providers of all-in-one solutions as their [X] competitors and track these competitors more than others. For example, a September 2021 Adobe presentation includes Figma, Sketch, InVision and Axure as part of Adobe's competitive analysis for Adobe XD.<sup>227</sup>
188. Furthermore, customer evidence supports the separation of other software providers from all-in-one screen design software providers. Only a few customers mentioned one or more other screen design software providers as alternatives to the Parties' offerings,<sup>228</sup> while no customer mentioned combinations of products as part of their response.<sup>229</sup>
189. Therefore, in the following sections, the CMA outlines its assessment of other all-in-one software providers, and the extent to which they provide a competitive constraint on either Party. The CMA then outlines its assessment of other screen design software providers, and the extent to which they provide an out of market constraint on either Party.

- All-in-one software providers

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<sup>226</sup> Issues Paper Response, paragraphs 4.23 and 4.25.

<sup>227</sup> Adobe's internal document, [X].

<sup>228</sup> Third-party responses to the CMA's questionnaire.

<sup>229</sup> When asked to list and rank alternatives to the Parties' products, customers were asked to express their views on whether they considered using combinations of different software as an alternative.



– Sketch

190. Sketch provides screen design software. It began operating in the market in 2012, and subsequently gained a significant customer base.<sup>230</sup> Sketch employs 140 people across 28 countries.<sup>231</sup> The Parties estimate it generated revenues of [X] in 2022.<sup>232</sup> Sketch's offering, however, differs from the Parties, in that its editor is available only on Apple's Mac platform.
191. The Parties' internal documents demonstrate [X]:
- (a) An October 2021 Adobe internal document indicates that [X].<sup>233</sup>
  - (b) A September 2022 [X].<sup>234</sup>
192. The Parties' internal documents indicate that Sketch may have [X]. A Figma [X] presentation shows that, [X]. Specifically, the document [X]. Furthermore, its [X] functionalities, [X], compared to [X].<sup>235</sup> The Parties themselves submitted that Sketch [X].<sup>236</sup>
193. The CMA has additionally gathered evidence from customers and competitors about the competitive constraint provided by Sketch.
- (a) One customer suggested that Sketch has limitations in its offering, in that its software is desktop or native based, and needs to be installed by its users if they want to collaborate.<sup>237</sup> It is also a Mac-only application, making it difficult or impossible for non-Mac users to collaborate and/or use files.<sup>238</sup> This view is supported by customer responses to the CMA's questionnaires; several customers noted that it lacked functionality, including being only available on Mac devices.<sup>239</sup>
  - (b) Another customer noted that Sketch is used less than Adobe XD and Figma.<sup>240</sup>

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<sup>230</sup> Note of a call with a third party.

<sup>231</sup> <https://www.sketch.com/about-us/>.

<sup>232</sup> FMN, Table 20.

<sup>233</sup> Adobe's internal document, [X].

<sup>234</sup> Figma's internal document, [X].

<sup>235</sup> Figma's internal document, [X].

<sup>236</sup> Issues Paper Response, paragraph 4.23.

<sup>237</sup> Third-party response to the CMA's questionnaire.

<sup>238</sup> Note of a call with a third party.

<sup>239</sup> Third-party responses to the CMA's questionnaire.

<sup>240</sup> Note of a call with a third party.

- (c) Some customers noted that Sketch lacks live or cloud-based collaboration capabilities.<sup>241</sup>
- (d) In response to the CMA's questionnaire, a high number of customers listed Sketch as an alternative to Adobe XD and Figma; in fact, for Figma Design, Sketch was the most frequently listed alternative, while for Adobe XD, Sketch was listed most frequently together with Figma Design. However, the ratings attributed to Sketch were mixed. For Adobe XD, the majority of customers rated Sketch as a 'strong' alternative, with just over a third rating Sketch as 'adequate', 'weak', or 'very weak'. For Figma Design, a third of customers who responded considered Sketch to be an 'adequate' alternative and just under a third of customers considered it as a 'weak' or 'very weak' alternative.<sup>242</sup>

194. The CMA considers that Sketch, despite its limitations, is one of three main players in the screen design market (alongside the Parties) and will after the Merger be a competitive constraint on the Merged Entity.

– InVision

195. The CMA understands that InVision has withdrawn its all-in-one screen design software and is now focusing on whiteboarding, and therefore no longer exercises a competitive constraint on the Parties in screen design software.

- (a) In a publication on its website, InVision announced the discontinuation of its all-in-one screen design software.<sup>243</sup> InVision's screen design software no longer works, and all existing prototypes have been deleted from InVision's accounts. InVision's website currently only offers its whiteboarding tool, InVision Freehand, and a limited set of point tools, such as prototyping.<sup>244</sup>
- (b) The Parties themselves have recognised that InVision is no longer active in all-in-one screen design.<sup>245</sup> A September 2022 Figma presentation on [3<] shows that InVision is now active in '**User Feedback/Research**' rather than Design/Prototype.<sup>246</sup>

196. The CMA has additionally considered evidence from customers in assessing the strength of InVision as a competitive constraint to the Parties. While half of the

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<sup>241</sup> Third-party responses to the CMA's questionnaire.

<sup>242</sup> Third-party responses to the CMA's questionnaire.

<sup>243</sup> [SUNSET NOTIFICATION: Studio – InVision Support \(invisionapp.com\)](https://www.invisionapp.com/support/sunset-notification-studio).

<sup>244</sup> [Plans Designed For Every Team | InVision \(invisionapp.com\)](https://www.invisionapp.com/support/plans).

<sup>245</sup> FMN, footnote 123.

<sup>246</sup> Figma's internal document, [3<].

customers who responded to the CMA's investigation listed InVision as an alternative to the Parties' products, they ranked it, on average, as a 'weak' alternative, while some customers also referred to the product being 'sunset' in 2023.<sup>247</sup>

197. On this basis, the CMA does not consider InVision as a competitive constraint on the Merged Entity in screen design software going forward.

– Other all-in-one providers

198. As noted above in paragraph 182 above, the Parties list other, smaller, providers of all-in-one screen design, namely: Axure, Justinmind, Framer, Penpot, and UXPin.

199. The CMA has not seen any evidence that suggests any of these providers pose a significant competitive constraint on either Party.

(a) While the Parties' internal documents also mention other players, [X],<sup>248</sup> these players tend to be given less prominence than the Parties and Sketch, or used as examples for [X]. For example, the letter from [Figma's CEO] to Figma's board of directors [X] dated July 2021 mentions [X].<sup>249</sup>

(b) Customers do not consider these providers to be particularly strong alternatives to the Parties' screen design offerings:

- (i) Most customers did not mention Axure as a potential alternative to the Parties' products, although the limited number that did, mentioned that it constitutes an adequate or strong alternative to the Parties' offering, mainly due to its powerful prototyping capabilities.<sup>250</sup>
- (ii) Similarly, while when mentioned as potential alternatives, Framer and Penpot were typically ranked as adequate alternatives, either because of their features or given their future potential, they were only mentioned by a very small set of customers.<sup>251</sup>
- (iii) Customers did not mention Justinmind or UXPin as potential alternatives at all.<sup>252</sup>

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<sup>247</sup> Third-party responses to the CMA's questionnaire.

<sup>248</sup> Issues Paper Response, paragraphs 4.9 and 4.12.

<sup>249</sup> Figma's internal document, [X].

<sup>250</sup> Third-party responses to the CMA's questionnaire.

<sup>251</sup> Third-party responses to the CMA's questionnaire.

<sup>252</sup> Third-party responses to the CMA's questionnaire.

- Other screen design software providers

200. The CMA has also not seen any evidence to date that providers of other screen design software (ie point tools, prosumer tools, or no/low-code website builders, as listed by the Parties and in paragraph 183 above) are a competitive constraint on either Party.

201. Internal documents show that some of these providers, [X], target different customer groups compared to the Parties' screen design products, such as creatives and communicators. An Adobe internal document, for instance, mentions [X].<sup>253</sup>

202. Most customers did not identify other screen design software providers as alternatives to Figma Design or Adobe XD.<sup>254</sup>

- (a) Only a small number of customers mentioned point tool providers as alternative solutions to the Parties' screen design software, namely Abstract, Balsamiq, Omnigraffle, Principle, and Zeplin. The customers did not consider them as strong alternatives, but rather ranked them as 'very weak', 'weak' or 'adequate'.<sup>255</sup>
- (b) Only one customer mentioned a prosumer tool provider, Canva, as an alternative solution to the Parties' screen design software, ranking it as adequately suitable.<sup>256</sup>
- (c) Only a small number of customers mentioned other screen design software providers as possible alternatives, namely Affinity Designer, Celtra, Google, Marvel, and ProtoPie. The customers rated them no higher than adequate alternatives.<sup>257</sup>

- Breadth of Parties' portfolio and competition in product development

203. As outlined in paragraph 64, Adobe offers a CC All Apps bundle. Third-party evidence shows that customers find value in using a single provider for multiple tasks. Specifically, in response to a question about whether customers would prefer to use design and/or creative software from the same provider for multiple tasks (eg screen design, whiteboarding, photo editing, vector editing, video editing, and

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<sup>253</sup> Adobe's internal document, [X].

<sup>254</sup> Third-party responses to the CMA's questionnaire.

<sup>255</sup> Third-party responses to the CMA's questionnaire.

<sup>256</sup> Third-party responses to the CMA's questionnaire.

<sup>257</sup> Third-party responses to the CMA's questionnaire.

motion design), most customers expressed a preference in doing so.<sup>258</sup> The reasons cited included, among others, efficiencies in training, productivity gains, cost savings, and higher integration across tools.

- 204. Figma already offers whiteboarding software, which is integrated with its screen design software, and an ecosystem of extensions that allow expanding Figma's in-built functionality as discussed in paragraph 86 above. Moreover, it also has plans to expand further into creative design software (see paragraphs 231 to 242 below).
- 205. It may be more cost-effective for some customers to take a bundle rather than buy standalone software from a competitor. As such, competitors may need a strong offering to compete against a bundle (like Figma has done in reaction to with Adobe's CC All Apps bundle that includes Adobe XD) or a wider ecosystem of software.
- 206. Furthermore, even if customers prefer an alternative to their existing screen design software, the CMA understands they may be unwilling to switch to this alternative, since there are significant switching costs (see paragraph 111 above). These switching costs mean that competitors and any potential entrants, particularly those that do not have a wider software ecosystem, would likely need to offer customers major new features and/or significant cost savings for customers to switch. The CMA has not seen evidence that competitors could impose a significant competitive constraint on the Parties in this way, such as similar product development plans to the Parties.

#### *CMA's conclusion on competitive constraints*

- 207. The CMA considers that the competitive constraints on the Parties in the supply of all-in-one screen design software are limited. The CMA considers that only one other competitor, Sketch, would provide some competitive constraint and would be the Parties' main competitor.

#### ***CMA's conclusion on TOH1***

- 208. On the basis of the evidence set out above, the CMA believes that the Merger raises significant competition concerns arising from a loss of competition in the supply of all-in-one screen design software through a loss of current competition and product development and innovation.

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<sup>258</sup> Third-party responses to the CMA's questionnaire.

## **TOH2 – Horizontal unilateral effects in the supply of vector editing, raster editing, video editing, and motion design software**

209. Figma’s screen design software includes some creative design functionality, for example, vector editing for simple use cases, and – as set out further in this section – Figma has plans to expand this creative design offering. Given how these Figma activities and product development could compete with Adobe’s creative design software, the CMA has considered horizontal unilateral effects in the following four global markets: the supply of vector editing (TOH2a), raster editing (TOH2b), video editing (TOH2c), and motion design software (TOH2d).
210. There is a wide range of use cases and users of creative design software.<sup>259</sup> For these theories of harm, the CMA’s focus is on whether competition concerns would arise in relation to each of the above creative design software types for simpler use cases, in particular screen design use cases (as opposed to functionality needed for professional photographers, illustrators, or filmmakers). As described in paragraph 79 above, designers are professionals who use assets (eg images or videos) generated in creative design software in the screen design process. These assets can be created or modified either by designers who specialise in creative design or designers themselves. The CMA refers to the creation of such creative assets as screen design use cases.
211. Innovation is an important competitive parameter in the markets for creative design software. The CMA has therefore mainly focused its investigation into the competitive interactions between the Parties and their competitors, as regards their plans for developing their product offerings. As part of its assessment, the CMA has considered the Parties’ plans to integrate creative design software into their next-generation screen design software, for example, Figma’s product development plans. Where relevant to the CMA’s assessment, the below sections take current offerings into account including the current offerings of competitors.
212. Mergers can reduce the dynamic competitive interactions between an existing supplier and a dynamic competitor.<sup>260</sup> For TOH2, there is dynamic competition between an existing supplier (Adobe) and a dynamic competitor seeking to enter and/or expand (Figma) in creative design software. As with TOH1, the CMA uses the term product development to refer to the Parties’ efforts to develop products through investment and innovation.

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<sup>259</sup> FMN, paragraph 169; Issues Paper Response, paragraph 5.11.

<sup>260</sup> [Merger Assessment Guidelines](#), paragraph 5.17.

213. As regards these theories of harm, the CMA assessed the following:

- (a) the Parties' current market positions;
- (b) the extent to which the Parties compete closely; and
- (c) the existence and strength of any competitive constraints on the Parties.

### ***Parties' current market position***

#### ***Parties' submissions***

214. The Parties submitted that Adobe faces competition from a large number of providers for each type of creative design software. The Parties also submitted that Figma does not offer advanced vector editing, raster editing, video editing, or motion design functionality.<sup>261</sup>

#### ***CMA's assessment of Adobe's current market positions in creative design software***

215. Adobe is by far the largest supplier of both vector editing and raster editing software, with Illustrator and Photoshop having an estimated global share of supply of [60-80]% and [60-90]%, respectively. Adobe also holds a strong position in video editing (Premiere Pro) and motion design (After Effects), where its shares of supply are [35-55]% and [30-50]%, respectively on the basis of the Parties' estimates.<sup>262</sup>

216. Analyst reports indicate that Adobe has a very strong position in creative design software. For example, [X] report [X].<sup>263</sup> [X].<sup>264</sup>

217. Adobe's internal documents also reflect Adobe's strong market positions in creative design software. For example, [X].<sup>265</sup> While this document lists [X].<sup>266</sup>

218. Some of Adobe's internal documents specifically emphasise Adobe's strong position in relation to Illustrator, Photoshop, and After Effects. [X].<sup>267</sup> [X].<sup>268</sup> [X]<sup>269</sup> [X].<sup>270</sup>

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<sup>261</sup> Figma's submission titled 'Potential competition in creative tools', dated 21 March 2023, paragraph 3.2b; Issues Paper Response, paragraphs 5.23-5.25.

<sup>262</sup> FMN, Table 39.

<sup>263</sup> Adobe's internal document, [X].

<sup>264</sup> Adobe's internal document, [X].

<sup>265</sup> Adobe's internal document, [X].

<sup>266</sup> Adobe's internal document, [X].

<sup>267</sup> Adobe's internal document, [X].

<sup>268</sup> Adobe's internal document, [X].

<sup>269</sup> As described in paragraph 68, CC Web is the precursor of Project Spice.

<sup>270</sup> Adobe's internal document, [X].

While these documents mention some competitors to Adobe that are discussed in the competitive constraints section below, high shares of supply and references to Adobe as industry leader are indicative of Adobe's strong position. As for video editing, [§<].<sup>271</sup>

219. Third-party responses to the CMA's investigation are consistent with industry reports and Adobe's internal documents. Most customers stated that there are limited alternatives to Adobe or that these alternatives are not as strong as Adobe, especially in relation to vector editing, raster editing, and motion design as described in the competitive constraints section below.
220. On this basis, the CMA considers that while Adobe's strength might vary across creative design software products, Adobe has a very strong market position in each of the creative design software products: vector editing, raster editing, video editing, and motion design.

#### *CMA's assessment of Figma's current market position*

221. Figma currently does not have standalone software that competes with Adobe's creative design software.
222. As described in paragraph 85 above, Figma currently offers some creative design functionality as part of its screen design software (with the most advanced capabilities in vector editing), and its current built-in functionality can be augmented using extensions: plugins and widgets (see paragraphs 253-257 below).

#### ***Closeness of competition between the Parties***

##### *Parties' submissions*

223. The Parties submitted that Figma is not an alternative to Adobe's creative design software because Figma's products are not designed to generate creative digital assets, such as graphics or videos and they contain only very basic functionality to help users with simple tasks (eg changing the dimensions).<sup>272</sup>
224. The Parties also submitted that Figma is not an alternative to Adobe's vector editing (Illustrator), raster editing (Photoshop), video editing (Premiere Pro), and motion design software (After Effects) for the following reasons:

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<sup>271</sup> Adobe's internal document, [§<].

<sup>272</sup> FMN, paragraph 183; Issues Paper Response, paragraphs 5.23-5.25.



- (a) Figma's website acknowledges that Photoshop and Illustrator are not competitive but rather related tools.<sup>273</sup>
- (b) [REDACTED].<sup>274</sup>
- (c) [REDACTED].<sup>275</sup> In response to the Issues Paper, the Parties submitted [REDACTED].<sup>276</sup>
- (d) [REDACTED],<sup>277</sup> [REDACTED]. [REDACTED].<sup>278</sup>

225. In response to the Issues Paper, the Parties submitted that:

- (a) The focus on screen design use cases does not reflect how competition works in creative design software, and there are significant differences between product design elements and creative design assets.<sup>279</sup>
- (b) Third-party extensions offer limited graphics functionality and are developed independently of Figma.<sup>280</sup>

226. The Parties further submitted that Figma does not represent any realistic potential competitive constraint to Adobe in the creative design software space and cannot be expected to enter within the time horizon competition authorities consider in the context of merger reviews:

- (a) Figma has not taken any meaningful steps to offer creative design software. It has not dedicated a '[REDACTED]'.<sup>281</sup> In response to the Issues Paper, the Parties submitted that Figma's executive team [REDACTED].<sup>282</sup>
- (b) In response to the Issues Paper, the Parties stated that Figma is not going to buy creative design software companies. Figma [REDACTED] identifies acquirers and

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<sup>273</sup> FMN, paragraph 178.

<sup>274</sup> Parties' submission to the CMA on economic analysis of the Adobe/Figma transaction dated 1 May 2023, paragraph 57; Issues Paper Response, paragraphs 5.37-5.40.

<sup>275</sup> Parties' submission to the CMA on economic analysis of the Adobe/Figma transaction dated 1 May 2023, paragraph 6.

<sup>276</sup> Issues Paper Response, paragraphs 5.43-5.44.

<sup>277</sup> [REDACTED].

<sup>278</sup> Parties' submission to the CMA on economic analysis of the Adobe/Figma transaction dated 1 May 2023, paragraph 8; Issues Paper Response, paragraphs 5.46-5.52.

<sup>279</sup> Issues Paper Response, paragraphs 5.5-5.9.

<sup>280</sup> Issues Paper Response, paragraphs 5.30-5.34.

<sup>281</sup> Figma's submission titled 'Potential competition in creative tools', dated 21 March 2023, paragraph 1.2.

<sup>282</sup> Issues Paper Response, paragraphs 5.58-5.61 and 5.68.

opportunities to develop extensions. The acquisition of [Figma] was considered as a potential acquire opportunity (rather than product acquisition).<sup>283, 284</sup>

(c) Since Figma is a small company, it must focus its engineering and financial resources on [Figma]. As such, entry [Figma]. In response to the Issues Paper, the Parties noted that Figma would also face [Figma].<sup>285</sup>

(d) [Figma].<sup>286</sup> [Figma].<sup>287</sup>

### *CMA's assessment*

227. As set out above, Adobe has a strong position in creative design software, while Figma currently offers only some limited creative design functionality as part of its screen design software. The Parties therefore impose a limited competitive constraint on each other, based on their current respective offerings.

228. However, the CMA considers that investment into product development and innovation represent an important part of the competitive process in creative design software (see the nature of competition section above).

229. In assessing the closeness of competition, the CMA has considered the following:

- (a) the likelihood of Figma investing in creative design software, including Figma's ability and incentive to do so;
- (b) the extent to which Figma was perceived as a threat by Adobe and whether Adobe would have an incentive to respond to such threat from Figma; and
- (c) the ways in which the Merger would result in the loss of competition in product development.

230. Adobe's creative design software can be used for a wide range of projects of varying complexity from designing a simple logo using Adobe Illustrator's vector editing tools to editing a full-length movie for release into cinemas using Premiere Pro's video editing tools. As described in paragraph 210 above, the CMA's focus is on whether competition concerns would arise in relation to simpler use cases, in

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<sup>283</sup> [Figma] is a raster editing software founded in August 2021. Figma considered acquiring [Figma] in May to June 2022 (see paragraph 239(b) below).

<sup>284</sup> Issues Paper Response, paragraphs 5.62-5.67.

<sup>285</sup> Figma's submission titled 'Potential competition in creative tools', dated 21 March 2023, paragraph 1.2; Issues Paper Response, paragraphs 5.70-5.82 and 5.87-5.90.

<sup>286</sup> Issues Paper Response, paragraphs 5.91-5.100.

<sup>287</sup> Issues Paper Response, paragraphs 5.134-5.137.

particular screen design use cases. The CMA considers that it is appropriate to consider competition for these simpler use cases in each of the four creative design software frames of reference. The CMA considers that competition for these simpler use cases could take place in terms of product development, price, and non-price aspects (eg quality).

- Figma's development plans absent the Merger
  - Evidence of Figma's development plans

231. The CMA considers that Figma has consistently looked at the possibility of expanding its offering in creative design tools through either development or acquisition. Figma's internal documents show that Figma has regularly looked at expanding into raster editing, vector editing, video editing, and motion design software over the last several years. Discussions about expanding into these segments started in or before 2021 and involved Figma's senior management.

- (a) A Figma internal document [X].<sup>288</sup> The same document shows [X].<sup>289</sup> [X], it indicates that Figma was [X]. [X].<sup>290</sup> [X],<sup>291</sup> Figma continued making efforts to expand into creative design software, as summarised below.
- (b) A letter from [Figma's CEO] to Figma's board of directors setting out [X] includes acquiring creative design companies as a [X]. The document suggests [X].<sup>292</sup>
- (c) A Figma 2025 document dated [X]. [X].<sup>293</sup> [X], the CMA considers that the [X] shows that Figma was considering expanding into creative design software.<sup>294</sup> Furthermore, the later documents discussed below indicate that Figma continued to explore opportunities to expand into creative design software.

232. The Parties' submission that [X] correspond to 'blue sky thinking' and that this thinking is [X] old does not appear to be consistent with the other evidence.<sup>295</sup>

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<sup>288</sup> Figma's internal document, [X].

<sup>289</sup> Figma's internal document, [X].

<sup>290</sup> Figma's response to the CMA section 109 notice dated 13 April 2023, [X].

<sup>291</sup> Figma's response to the CMA section 109 notice dated 13 April 2023, paragraph 6.5(ii).

<sup>292</sup> Figma's internal document, [X].

<sup>293</sup> Figma's internal document, [X].

<sup>294</sup> Issues Paper Response, Annex 2, page 56.

<sup>295</sup> Figma's submission titled 'Potential competition in creative tools', dated 21 March 2023, paragraph 5; Issues Paper Response, paragraph 5.58.

While [X], other Figma internal documents show that Figma continued to consider expanding into creating design software and was making efforts to do so:

- (a) A letter from [Figma's CEO] dated October 2021 stated that Figma was '[X]'.<sup>296</sup> This research focused on [X].<sup>297</sup>
- (b) [Figma's CEO] [X] in March 2022 expressed that he wants to buy creative tools, although he also noted that, on the other hand, he wants to focus on [X].<sup>298</sup>
- (c) In May 2022, [Figma's CEO]'s message to [Figma's Chief Product Officer], considers [X].<sup>299</sup> Following a company offsite in May 2022, [Figma's Chief Product Officer] updated [Figma's Corporate Development and Strategy Head] that [X].<sup>300</sup>
- (d) Moreover, Figma was approaching players in creative design, [X] (see paragraphs 239-240 below).<sup>301</sup> A Figma May 2022 document containing notes from the meeting with [X] shows that [Figma's CEO], is '[X]', while [Figma's Chief Product Officer] noted that [X].<sup>302</sup> While the Parties submitted that these statements were made at a point in time when [Figma's Chief Product Officer] was new to the company and did not yet entirely understand it,<sup>303</sup> [Figma's Chief Product Officer] was a senior executive at Figma and the May 2022 note was prepared over two years after he had joined Figma.<sup>iv</sup>

233. As regards the Parties' submission that Figma does not have [X] to expand into creative design software, some of Figma's internal documents are consistent with this view. The above Figma May 2022 document related to the potential acquisition of [X] indicates that Figma does not have [X].<sup>304</sup> Despite these constraints, some competitors emphasised that Figma has strong access to capital and hence can grow fast.<sup>305</sup> For example, Figma successfully raised \$200 million in 2021.<sup>306</sup>

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<sup>296</sup> Figma's internal document, [X].

<sup>297</sup> Figma's response to the CMA section 109 notice dated 13 April 2023, paragraph 6.8.

<sup>298</sup> Figma's internal document, [X]. Figma's Project Lego is aimed at building [X] (FMN, paragraph 562).

<sup>299</sup> Figma's internal document, [X].

<sup>300</sup> Figma's internal document, [X].

<sup>301</sup> See also other examples of documents on expansion into creative design software: Figma's internal document, [X]; Figma's response to the CMA section 109 notice dated 13 April 2023, Annex 48(a), titled [X].

<sup>302</sup> Figma's internal document, [X].

<sup>303</sup> Parties' oral statement at the Issues Meeting on 6 June 2023.

<sup>304</sup> Figma's internal document, [X].

<sup>305</sup> Note of a call with a third party; Note of a call with a third party.

<sup>306</sup> [Software Design Startup Figma Is Now Worth \\$10 Billion - Bloomberg](#).

234. The Parties submitted that Figma is focusing not only on improving existing products and developer handoff but also [REDACTED].<sup>307</sup> The CMA considers that while Figma may be pursuing developments in these areas, it was also discussing possible expansion into creative design tools up until shortly before the Merger was agreed. [REDACTED].<sup>308</sup> [REDACTED].<sup>309</sup>
235. Figma has an active Corporate Development team that constantly scans the market for new opportunities not just on Figma's core markets, but also on adjacent markets, such as creative design software.<sup>310</sup> In addition, Figma set up its venture capital investment arm, '**Figma Ventures**', to provide investments of \$[REDACTED] to tech startups and emerging software providers. It has invested in Scenery Corp, a video editing startup (see paragraph 240(a) below).<sup>311</sup>
236. The Parties suggested that Figma's acquisition strategy was focused on acquihires and should not be considered as evidence of an interest in expanding into new product areas. Figma's [REDACTED].<sup>312</sup> Figma stated that this is a general statement that [REDACTED].<sup>313</sup> An [REDACTED] document on potential investment areas and acquisition targets, however, sets out that creative design software can be [REDACTED] and shows that Figma would compete with [REDACTED], although setting out some doubts about the attractiveness of such opportunities.<sup>314</sup> [REDACTED] (see paragraph 260 above).
237. Figma [REDACTED] across different creative design software products to learn more about the markets or discuss potential acquisitions or investments. The CMA sets out the purpose of these meetings in brackets.
238. Figma [REDACTED] but did not proceed to invest or acquire [REDACTED].<sup>315</sup>
239. As for raster editing, Figma [REDACTED], [REDACTED] (potential acquisition), [REDACTED] (potential acquisition), and [REDACTED].<sup>316</sup>

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<sup>307</sup> Issues Paper Response, paragraph 5.89c.

<sup>308</sup> Figma's internal document, [REDACTED].

<sup>309</sup> Issues Paper Response, paragraph 5.89c.

<sup>310</sup> Figma's submission titled Potential competition in creative tools, dated 21 March 2023, paragraph 5.1(c).

<sup>311</sup> Figma Ventures invested in two other companies that are outside the scope of creative design software considered under these theories of harm: (i) Poly Corporation, a 3D, AI-based, asset generator and (ii) Diagram Technologies, Inc., which offers automation, AI-based UI design and prototyping tools (Figma's submission titled Potential competition in creative tools, dated 21 March 2023, footnote 106).

<sup>312</sup> Figma's internal document, [REDACTED].

<sup>313</sup> Issues Paper Response, paragraphs 5.62 and 5.67.

<sup>314</sup> Figma's internal document, [REDACTED].

<sup>315</sup> Figma's response to the CMA section 109 notice dated 31 January 2023, paragraph 5.11.

<sup>316</sup> Figma's response to the CMA section 109 notice dated 31 January 2023, paragraph 5.10.

- (a) Figma considered a potential acquisition of [X] in February 2022 but ultimately did not pursue it.<sup>317</sup>
- (b) Figma was in discussions with [X] concerning a potential acquisition in May to June 2022. While the Parties have told the CMA that Figma was pursuing this transaction as an acquihire opportunity, [X] states that the transaction would expand Figma's [X].<sup>318</sup> [X],<sup>319</sup> [X]. In [X] dated June 2022 in the context of [X] refer to [X] as a means to enter the raster editing market.<sup>320</sup>

240. As for video editing, Figma met with [X] in 2021 and 2022: [X] (market scanning), [X] (market scanning), [X] (market scanning), [X] (potential investment and acquisition), and [X] (potential investment).<sup>321</sup>

- (a) Figma has a close relationship with [X]. Its investment business, Figma Ventures, invested in [X], and Figma also had high-level discussions about the possibility of acquiring [X], which would have allowed Figma to expand in the video editing space.<sup>322</sup> In [X].<sup>323</sup>
- (b) A Figma internal document shows that Figma also considered investing in [X] in April 2022 [X]. [X].<sup>324</sup>

241. As for motion design, Figma met with [X] in 2021 and 2022: [X] (market scanning and development of extensions on Figma), [X] (market scanning and a possible acquihire), [X] (market scanning and development of extensions on Figma), [X] (market scanning), and [X] (market scanning and development of extensions on Figma).<sup>325</sup> While, these interactions did not result in any acquisitions or investments, they indicate that Figma is monitoring this space.

242. Even though most of these interactions did not result in any acquisitions or investments, the CMA considers that they show that Figma has been actively exploring possible expansion into creative design tools for at least the past two years. [X]. Moreover, Figma decided not to pursue some of these acquisitions while

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<sup>317</sup> Figma's response to the CMA section 109 notice dated 31 January 2023, paragraph 5.6.

<sup>318</sup> Figma's response to the CMA section 109 notice dated 13 April 2023, [X].

<sup>319</sup> Issues Paper Response, paragraph 5.64.

<sup>320</sup> Figma's internal document, [X].

<sup>321</sup> Figma's response to the CMA section 109 notice dated 31 January 2023, paragraphs 5.8 and 5.14.

<sup>322</sup> Figma's response to the CMA section 109 notice dated 31 January 2023, paragraph 5.8(iv).

<sup>323</sup> Figma's response to the CMA section 109 notice dated 13 April 2023, [X].

<sup>324</sup> Figma's response to the CMA section 109 notice dated 13 April 2023, [X].

<sup>325</sup> Figma's response to the CMA section 109 notice dated 31 January 2023, paragraph 5.9.

the discussions with Adobe about the Merger were ongoing, and the CMA takes into account the context in which these decisions were made.

- Figma's ability and incentive to expand

243. In addition to the above evidence on Figma's expansion, the CMA has also considered whether Figma is well positioned to expand and whether it would have an incentive to do so.
244. With regard to Figma's position to expand, there are several factors that make Figma's successful expansion more likely.
245. First, as described in paragraph 109(b) above, Figma is an innovative company that pioneered web-based collaboration tools in the screen design space. A number of Figma documents set out that Figma is well placed to disrupt Adobe in creative design software and has the necessary expertise to do so. For example, [Figma's Chief Product Officer] who joined Figma in April 2019, high-level rough notes dated October 2020 state that [X].<sup>326</sup> Another undated [Figma's Chief Product Officer] note setting out [X].<sup>327</sup> [X].<sup>328</sup> [X]. A letter from [Figma's CEO] to Figma's board of directors [X].<sup>329</sup> While these [X], the CMA considers that Figma can achieve that through hiring, acquisitions, or acquihires. [X].
246. Second, Figma already has some creative design functionality, in particular, vector editing since its screen design product is vector-based. This means that Figma already has some engineers that are capable of maintaining and improving creative design functionality. In response to the Issues Paper, [X].<sup>330</sup>
247. Third, Figma does not need to match the full functionality of Adobe's products to target simpler use cases such as screen design. Interviews in April 2021 with Figma's employees as part of research into [X].<sup>331</sup> [X].<sup>332</sup>
248. Fourth, as regards the Parties' submission that there are significant technical challenges in developing web-based creative design software, [X].<sup>333</sup> Moreover,

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<sup>326</sup> Figma's internal document, [X].

<sup>327</sup> Figma's internal document, [X].

<sup>328</sup> Figma's internal document, [X].

<sup>329</sup> Figma's internal document, [X].

<sup>330</sup> Issues Paper Response, paragraph 5.62 and footnote 368.

<sup>331</sup> Figma's response to the CMA section 109 notice dated 13 April 2023, [X].

<sup>332</sup> Figma's internal document, [X].

<sup>333</sup> Issues Paper Response, paragraph 3.0.

Figma's internal document dated [REDACTED].<sup>334</sup> Therefore, evidence suggests that Figma can overcome these technical challenges.

249. On this basis, the CMA considers that while there is some uncertainty, Figma is well positioned to expand into creative design software.
250. With regard to incentives to expand, the fact that Figma made efforts to enter into creative design software shows that it perceived it as profitable. Moreover, the market for creative design software is large, with 55 million creative professionals expected in 2025.<sup>335</sup> Therefore, the potential upside from entering this market is significant. Figma already has a significant user base that uses creative design software. The CMA agrees with the Parties that screen design elements and creative assets are different in nature.<sup>336</sup> However, almost [REDACTED]% of Figma's users use Adobe Photoshop or Illustrator at the individual email address level. The overlap would likely be even higher when looking at the entity level.<sup>337</sup> Offering creative design software needed for screen design would be a natural expansion and would allow Figma to compete with Adobe on a wider scale.
251. As discussed in TOH1, competitors benefit from having an ecosystem when competing to supply screen design software. [REDACTED].
252. On this basis, the CMA considers that Figma would have an incentive to expand into creative design software.

– Figma's extension ecosystem

253. Figma can also compete with Adobe in creative design software through its extension ecosystem.
254. The Parties' internal documents suggest that the extension ecosystem provides a number of benefits to Figma. An undated Figma internal document on [REDACTED].<sup>338</sup> [REDACTED].<sup>339</sup> [REDACTED].<sup>340</sup> Moreover, Figma also supports the monetisation of extensions and charges a commission on payments it processes.<sup>341</sup>

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<sup>334</sup> Figma's internal document, [REDACTED].

<sup>335</sup> Figma's internal document, [REDACTED].

<sup>336</sup> Issues Paper Response, paragraph 5.9.

<sup>337</sup> Parties' response to the CMA sixth request for information dated 19 May 2023, Table 2.

<sup>338</sup> Figma's internal document, [REDACTED].

<sup>339</sup> Figma's internal document, [REDACTED].

<sup>340</sup> Adobe's internal document, [REDACTED].

<sup>341</sup> Third-party response to the CMA's questionnaire.



255. The Parties' internal documents suggest that Figma's extensions help expand creative design functionality. [REDACTED].<sup>342</sup> A Figma document discussed above shows that [REDACTED].<sup>343</sup>
256. Some customers also told the CMA that there are numerous extensions available on Figma that allow adding functionality that is not natively supported by Figma.<sup>344</sup> However, one of these customers caveated that even with extensions Figma's offering would not be comparable to those of Adobe products.<sup>345</sup>
257. On this basis, the CMA considers that, absent the Merger, Figma has an incentive to continue to support its third-party extension ecosystem and that this ecosystem can facilitate Figma's expansion into creative design software.
- Competitive interaction between Adobe and Figma
    - Threat to Adobe from Figma's expansion
258. As set out in the section on Figma's plans above, Figma's internal documents on expansion into creative design software often directly reference competing with Adobe, if Figma entered into the creative design space. Such focus on Adobe in Figma's internal documents is expected given Adobe's strong market position in creative design software (see paragraphs 215-220 above).
259. A Figma document from around the time the Merger was being negotiated also reflects Figma's potential expansion into creative design software. [REDACTED].<sup>346</sup> [REDACTED],<sup>347</sup> [REDACTED]. [REDACTED].<sup>348</sup>
260. While there are not many documents prepared by Figma or for Figma discussing current competition with Adobe (apart from XD), some documents indicate that Figma already competes with Adobe to some extent. A document prepared by [REDACTED].<sup>349</sup> [REDACTED].<sup>350</sup>

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<sup>342</sup> Adobe's internal [REDACTED].

<sup>343</sup> Figma's internal document, [REDACTED].

<sup>344</sup> Note of third-party calls; third-party response to the CMA's questionnaire.

<sup>345</sup> Note of a third-party call.

<sup>346</sup> Figma's internal document, [REDACTED].

<sup>347</sup> Issues Paper Response, paragraph 2.13.

<sup>348</sup> Adobe's internal document, [REDACTED].

<sup>349</sup> Figma's internal document, [REDACTED].

<sup>350</sup> Figma's response to the CMA section 109 notice dated 13 April 2023, [REDACTED].

261. Adobe's internal documents indicate that it considers Figma to be a competitive threat to Adobe in creative design software and discuss competition with Figma in creative design software at least from 2021.
262. A 2021 overview of [REDACTED].<sup>351</sup> [REDACTED]. [REDACTED]. [REDACTED].<sup>352</sup>
263. The Parties submitted in response to the Issues Paper that Adobe subsequently [REDACTED].<sup>353</sup> The CMA, however, considers that while evidence shows that current competition is limited, it reveals that Figma is a future threat to Adobe in creative design software and that Spice was in part a direct response to this threat:
- (a) As for Illustrator, [REDACTED]. [REDACTED].<sup>354</sup> [REDACTED].<sup>355</sup> [REDACTED]: [REDACTED].<sup>356</sup>
  - (b) Adobe continued to investigate the threat from Figma while contemplating the Merger. [REDACTED].<sup>357</sup> As for the Parties' submission that complex vector design does not reflect what Figma was designed to do,<sup>358</sup> the CMA considers that vector editing software for screen design use cases may not need complex vector editing functionality, and such examples of designers using Figma for vector drawings show that Figma has capabilities to expand vector functionality in the future.
  - (c) As for Photoshop, [REDACTED]. [REDACTED].<sup>359</sup> An Adobe March 2022 presentation on Canvas (another name for Spice), states that [REDACTED].<sup>360</sup> A later August 2022 document from Adobe's data science team assessing Figma's threat to Photoshop emphasises that [REDACTED].<sup>361</sup>
264. The Parties have submitted an analysis of Adobe and Figma's usage data and canceller survey. This analysis shows that [REDACTED]. However, such analysis does not provide any insights into how strong the dynamic competitive constraint is that Figma imposes to Adobe through product development. Figma currently only has limited offerings in creative design software and any effect on Adobe's subscribers

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<sup>351</sup> Adobe's internal document, [REDACTED].

<sup>352</sup> Adobe's internal document, [REDACTED].

<sup>353</sup> Issues Paper Response, Annex 1, page 32.

<sup>354</sup> Adobe's internal document, [REDACTED].

<sup>355</sup> Adobe's internal document, [REDACTED].

<sup>356</sup> Adobe's internal recording, [REDACTED].

<sup>357</sup> Adobe's internal recording, [REDACTED].

<sup>358</sup> Issues Paper Response, Annex 1, page 76.

<sup>359</sup> Adobe's internal document, [REDACTED].

<sup>360</sup> Adobe's internal document, [REDACTED].

<sup>361</sup> Adobe's internal document, [REDACTED].

are likely to be in the future (see paragraphs 243-252 above on evidence that Figma has the ability and incentive to expand in this area).

265. A substantial number of customers responding to the CMA's investigation stated that Adobe might be at risk of losing sales to Figma in the future as a result of Figma's expansion in vector editing.<sup>362</sup> A smaller number of customers also mentioned future risk in raster editing,<sup>363</sup> video editing,<sup>364</sup> or motion design.<sup>365</sup> However, customers are generally not aware of Figma's plans,<sup>366</sup> so they are naturally less likely to see the risk to Adobe from Figma's expansion plans.
266. Competitors' views are largely consistent with those of customers. Some competitors believe that Adobe is at risk of losing sales in vector editing in the future.<sup>367</sup> One competitor also flagged that Adobe might also be at risk in motion design in the future.<sup>368</sup>
267. On this basis, the CMA considers that Figma and Adobe would compete with each other closely if Figma's expansion were successful. Further, Figma is making efforts towards expanding and, even if unsuccessful, Adobe's reactions to the threat of Figma's expansion indicates that Figma currently imposes a competitive constraint on Adobe as a dynamic competitor. While the CMA has seen less evidence on Figma being a threat to Adobe in video editing and motion design, given the dynamic nature of its concerns and the uncertainty around which specific creative tools Figma's expansion may focus on (particularly in the early phases of its expansion), the CMA considers that Figma might be a threat to Adobe also in video editing and motion design.
- Adobe's response to the threat from Figma
268. The CMA has considered whether Adobe is well positioned to respond to the threat of expansion by Figma and the extent to which Adobe would have an incentive to do so.
269. Adobe has a very strong position in creative design software and can dedicate significant resources to innovation (see paragraphs 109(a)-109(c) and 215-220 above). Moreover, Adobe was already working on Spice, which was aimed at

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<sup>362</sup> Third-party responses to the CMA's questionnaire.

<sup>363</sup> Third-party responses to the CMA's questionnaire.

<sup>364</sup> Third-party responses to the CMA's questionnaire.

<sup>365</sup> Third-party responses to the CMA's questionnaire.

<sup>366</sup> Third-party responses to the CMA's questionnaire.

<sup>367</sup> Third-party responses to the CMA's questionnaire.

<sup>368</sup> Third-party response to the CMA's questionnaire.

competing with Figma in screen design software (see paragraphs 166 - 171 for more detail) [REDACTED]. As described in paragraph 263 above, some Adobe documents show that Figma is a threat to Adobe's creative design software and also indicate that Spice was in part Adobe's direct response to this threat, in contrast to the Parties' submissions.

270. The CMA considers that Spice could compete with Figma in creative design software since Adobe's internal documents show that Spice would ultimately include vector, raster, and video editing functionality as part of a wider screen design offering. For example, a June 2022 document on Spice shows that [REDACTED].<sup>369</sup> [REDACTED].<sup>370</sup>
271. Moreover, Adobe is making efforts to improve the collaboration functionality of its creative design software, which is one of Figma's unique propositions (see TOH1 above). This is both through Project Spice and through development work on Adobe's existing creative design software. Early documents on Spice [REDACTED] across creative design software. For example, [REDACTED].<sup>371</sup> Adobe continued to improve collaboration features of its creative design software. For instance, Adobe launched share of review functionality in Photoshop and Illustrator in October 2022.<sup>372</sup>
272. Therefore, the CMA considers that Adobe is well positioned to respond to the threat from Figma on Adobe's creative design software, and that Adobe was doing so through its efforts to develop Spice and to improve the [REDACTED] of its creative design software.
273. Adobe's incentives to respond to the threat from Figma in this way include protecting Adobe's existing sales of creative design software. Part of Adobe's response involved not only investments in creative design software but also investment in screen design software. Adobe's incentives to invest in screen design software appear to be part of a '[REDACTED]' strategy to [REDACTED] that a rival product might '[REDACTED]' Adobe creative design software customers or workflows. [REDACTED].<sup>373</sup>
274. Adobe's incentives to respond to competition from Figma are not limited to protecting its existing sales in creative design software. Another relevant factor is the potential benefit to Adobe of making significant new sales of an integrated product combining screen and creative design software. Adobe's documents on the Merger shows that product design, which is part of screen design, is a fast-growing

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<sup>369</sup> Adobe's internal document, [REDACTED].

<sup>370</sup> Adobe's submission to the CMA on Project Spice dated 19 May 2023, paragraph 5.

<sup>371</sup> Adobe's internal document, [REDACTED].

<sup>372</sup> [Adobe Introduces New Collaboration Capabilities In Creative Cloud and Document Cloud | Business Wire](#)

<sup>373</sup> Adobe's internal document, [REDACTED].

category [REDACTED].<sup>374</sup> Therefore, the market opportunity for Adobe would be significant. Moreover, offering Figma with creative design software is one of the Merger's rationale (see paragraph 26 above), which shows that Adobe believes that offering screen and creative design software together is an effective way to address this market opportunity.

275. [REDACTED], the CMA considers that Adobe would focus its product development where it sees the biggest threat and opportunities. As regards screen designers, Figma is Adobe's most significant threat (see also the competitive constraints section below).
276. On this basis, the CMA considers that absent the Merger, Adobe would have an incentive to respond to a threat of competition from Figma in the supply of creative design software.
- Loss of competition in product development arising from the Merger
277. Figma's efforts to expand into creative design software are materially driven by an incentive to capture sales from Adobe and impose a significant competitive constraint on Adobe. Adobe has an incentive to respond to this competition from Figma by developing its own products. The CMA considers that the Merger will remove this important competitive constraint that is driving investment and innovation by Adobe.

#### *CMA's conclusion on closeness of competition*

278. On the basis of the evidence set out above, Figma is making efforts to expand into creative design software and offer software that would encompass both screen design software and creative design software used for screen design. Adobe has an incentive to respond to any threat from Figma's expansion in the future. Adobe is also well positioned to innovate and develop a corresponding offering of its own. This competitive interaction between the Parties would be lost as a result from the Merger, leading to a loss of dynamic competition.
279. Accordingly, the CMA considers that the evidence set out above indicates the Parties currently compete closely through product development in the supply of vector editing, raster editing, video editing, and motion design software, in particular, for screen design use cases.

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<sup>374</sup> Adobe's internal document, [REDACTED].

## ***Competitive constraints***

### ***Parties' submissions***

280. The Parties submitted that Adobe faces competition from a large number of competitors in vector editing, raster editing, video editing, and motion design software.<sup>375</sup>
- (a) Photoshop and Illustrator face competition from multiple rivals including growing pressure from open-source tools or tools which have begun by catering to more mass-market use cases but are increasingly competing for pro design use cases.<sup>376</sup>
  - (b) Premiere Pro faces strong competition from multiple video editing solutions including Apple Final Cut Pro, Blackmagic DaVinci Resolve, Avid Media Composer, Vegas Pro, and Grass Valley EDIUS Pro.<sup>377</sup>
  - (c) There is a very broad range of animation and compositing products, which the CMA refers to as the motion design, across a wide range use cases and customer types.<sup>378</sup>
281. The Parties submitted that Figma is not better suited to expand into creative design software than many prosumer graphic design companies (eg Canva) and large tech companies (eg Google, Apple, and Microsoft).<sup>379</sup>
282. In response to the Issues Paper, the Parties submitted that:
- (a) Adobe's activities in creative design software are driven by intense competition from established rivals, such as Affinity, and new entrants, including Big Tech companies, such as Apple, Google, and Microsoft.<sup>380</sup>
  - (b) Adobe faces competitive threats from simpler solutions to generate creative content (eg Canva), mobile apps and features, and AI.<sup>381</sup>
  - (c) Adobe does not face different competitors based on use case. Rather, there is a wide range of use cases and users of creative design software, while

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<sup>375</sup> FMN, Table 39; Issues Paper Response, paragraphs 5.106-5.113.

<sup>376</sup> FMN, paragraph 590.

<sup>377</sup> FMN, paragraph 590.

<sup>378</sup> FMN, paragraphs 594-595.

<sup>379</sup> Figma's submission titled Potential competition in creative tools, dated 21 March 2023, paragraph 1.2.

<sup>380</sup> Issues Paper Response, paragraphs 5.101-5.122.

<sup>381</sup> Issues Paper Response, paragraphs 5.123-5.133.

different players focus on certain types of users (eg prosumer, creative professional).<sup>382</sup>

#### *CMA's assessment*

283. The strength of any alternative suppliers needs to be assessed in the context of Adobe's strong market position in creative design software, especially vector and raster editing (see paragraphs 215-220 above).
284. Adobe's internal documents show that it faces a range of competitors in the markets for vector editing, raster editing, video editing, and motion design, which may differ depending on the target audience:
- (a) In vector editing, an Adobe document on Illustrator's [REDACTED]:
    - (i) [REDACTED];
    - (ii) [REDACTED]; and
    - (iii) [REDACTED].<sup>383</sup>
  - (b) In raster editing, a document on Photoshop's [REDACTED]. [REDACTED].<sup>384</sup>
  - (c) In video editing, a document on [REDACTED]. [REDACTED]. [REDACTED].<sup>385</sup>
  - (d) In motion design, a March 2022 Adobe document on After Effects [REDACTED]:
    - (i) [REDACTED];
    - (ii) [REDACTED]; and
    - (iii) [REDACTED].<sup>386</sup>
285. In contrast to the Parties' submissions, the above documents show that there are some differences based on the target audience. Therefore, it is important to consider relevant alternatives in relation to simpler use cases, in particular for screen design. Therefore, the CMA places greater weight on alternatives listed by customers active in screen design.

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<sup>382</sup> Issues Paper Response, paragraph 5.11.

<sup>383</sup> Adobe's internal document, [REDACTED].

<sup>384</sup> Adobe's internal document, [REDACTED].

<sup>385</sup> Adobe's internal document, [REDACTED].

<sup>386</sup> Adobe's internal document, [REDACTED].

286. As regards vector editing and raster editing, some customers responding to the CMA's investigation stated that there are no alternatives to Adobe Illustrator<sup>387</sup>, Photoshop,<sup>388</sup> and After Effects.<sup>389</sup> Other customers mentioned some alternatives that are set out below. All customers that listed alternatives to Photoshop and Illustrator and provided comments on their strength stated that these alternatives are not as strong as Adobe's products.<sup>390</sup> Customers that listed alternatives to After Effects generally noted that alternatives are strong or did not comment on the strength.<sup>391</sup> However, some customers noted some weaknesses of these alternatives, such as After Effects having more gentle learning curve.<sup>392</sup>
287. As regards video editing, customers generally identified more or better alternatives to Adobe's products compared to other software products. While some customers stated that there are no alternatives or that such alternatives are inferior to Premiere Pro,<sup>393</sup> a larger number of customers mentioned that there are strong competitors to Premiere Pro.<sup>394</sup>
288. Table 3 below sets out third-party alternatives to Adobe's products that at least two customers responding to the CMA's investigation mentioned (in the descending order based on the number of mentions).

**Table 3: Third-party alternatives to Adobe's products**

<b>Product</b>	<b>Alternatives</b>
Vector editing	Affinity Designer, GIMP, Sketch
Raster editing	GIMP, Affinity Photo, Pixlr, Pixelmator
Video editing	Apple Final Cut Pro, Avid, DaVinci Resolve, Apple iMovie
Motion design	Apple Motion, Blender

*Source: Third-party responses to the CMA's questionnaire.*

289. Customers noted limitations of alternatives in vector editing and raster editing. Contrary to the Parties' submissions, the CMA considers that these limitations, such as lack of features, are significant:<sup>395</sup>

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<sup>387</sup> Third-party responses to the CMA's questionnaire.

<sup>388</sup> Third-party responses to the CMA's questionnaire.

<sup>389</sup> Third-party responses to the CMA's questionnaire.

<sup>390</sup> Third-party responses to the CMA's questionnaire.

<sup>391</sup> Third-party responses to the CMA's questionnaire.

<sup>392</sup> Third-party responses to the CMA's questionnaire.

<sup>393</sup> Third-party responses to the CMA's questionnaire.

<sup>394</sup> Third-party responses to the CMA's questionnaire.

<sup>395</sup> Issues Paper Response, paragraph 5.120.



- (a) **Affinity Designer.** One customer told the CMA that Affinity Designer is ‘a lot cheaper but rougher around the edges on features and UI’,<sup>396</sup> while another customer stated that Affinity Designer is a ‘great product but deployment options are limited (single sign on) and lacks Creative Cloud features that Adobe can offer’.<sup>397</sup>
- (b) **GIMP.** Several customers told the CMA that GIMP is free and open source, but lacks features compared to Photoshop.<sup>398</sup>
- (c) **Sketch.** One customer told the CMA that Sketch is more focused on user interface design and does not have wider integration with Adobe’s Creative Cloud.<sup>399</sup>
- (d) **Affinity Photo.** One customer told the CMA Affinity Photo is ‘a lot cheaper but it is less feature rich’.<sup>400</sup> Some other customers also stated that Affinity Photo lacks features compared to Photoshop.<sup>401</sup>
- (e) **Pixlr.** Some customers told the CMA that Pixlr lacks features compared to Photoshop.<sup>402</sup>
- (f) **Pixelmator.** Some customers told the CMA that Pixelmator is behind Photoshop.<sup>403</sup>

290. As regards video editing, while there are stronger alternatives, some customers noted that alternatives to Premiere Pro lack integration with Adobe’s Creative Cloud.<sup>404</sup>

291. As regards motion design, only a small number of customers mentioned Apple Motion and Blender as alternatives,<sup>405</sup> which is consistent with Adobe’s internal documents [X] (see paragraph 218 above).

292. Moreover, most customers told the CMA that they prefer to purchase software together because of cost savings, integration, and other reasons.<sup>406</sup> None of these

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<sup>396</sup> Third-party response to the CMA’s questionnaire.

<sup>397</sup> Third-party response to the CMA’s questionnaire.

<sup>398</sup> Third-party responses to the CMA’s questionnaire.

<sup>399</sup> Third-party response to the CMA’s questionnaire.

<sup>400</sup> Third-party response to the CMA’s questionnaire.

<sup>401</sup> Third-party responses to the CMA’s questionnaire.

<sup>402</sup> Third-party responses to the CMA’s questionnaire.

<sup>403</sup> Third-party responses to the CMA’s questionnaire.

<sup>404</sup> Third-party responses to the CMA’s questionnaire.

<sup>405</sup> Third-party responses to the CMA’s questionnaire.

<sup>406</sup> Third-party responses to the CMA’s questionnaire.

alternatives are able to offer an integrated offering, which includes screen design software with some creative design capabilities.

293. The CMA considered to what extent these competitors drive Adobe's product development in creative design software for screen design use cases, in particular the significant increase in the investment Adobe made in Spice in late 2021 and 2022. Spice involved Adobe developing creative design software for screen design uses cases with Adobe's internal documents showing that Spice would include vector, raster, and video editing functionality as part of a wider screen design offering (see paragraph 270 above).
294. Some Adobe internal documents show that Spice was in part a direct response to competition from Figma without mentioning other competitors set out in the table above, including in relation to creative design software (see also paragraph 167 above). For example:
- (a) An Adobe March 2022 presentation on Canvas (another name for Spice), states that [REDACTED].<sup>407</sup> [REDACTED].
  - (b) [Adobe's Vice President of Creative Cloud] in an email to [Adobe's Chief Product Officer] and [Adobe's Vice President of Digital Media] describes Spice [REDACTED].<sup>408</sup>
295. The CMA is not aware of any competitors that have similar plans to the Parties in developing any creative design software for screen design use cases. Moreover, the CMA has not seen at this stage significant evidence that would show that other competitors drive Adobe's innovation in creative design software for screen design uses cases. Adobe's documents instead refer to how these other competitors have, in part, led to Adobe innovating in other areas. For example, a Slack message [REDACTED].<sup>409</sup>
296. While the CMA agrees that Adobe as a company faces threats from Canva, mobile apps, and big tech companies, the CMA considers that these threats mainly relate to non-professional designers. [REDACTED].<sup>410</sup>
297. While AI might be a threat and an opportunity to Adobe, the CMA considers that Adobe, which already has AI products, would continue to face competitive

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<sup>407</sup> Adobe's internal document, [REDACTED].

<sup>408</sup> Adobe's internal document, [REDACTED].

<sup>409</sup> Adobe's internal document, [REDACTED].

<sup>410</sup> Adobe's internal document, [REDACTED].

constraints from non-AI competitors. Moreover, Figma, which considered employing AI to enter raster editing, might also encompass a threat based on AI.

298. Overall, the CMA considers that Figma imposes a stronger competitive constraint on Adobe in product development than other suppliers in creative design software for screen design uses cases.

#### *CMA's conclusion on competitive constraints*

299. The CMA considers that the evidence set out above indicates that third parties impose only a limited competitive constraint on the Parties in the supply of vector editing, raster editing, video editing, and motion design software for screen design use cases specifically, in particular, given Adobe's strong position in each of the creative design products.

#### **CMA's conclusion on TOH2**

300. On the basis of the evidence set out above, the CMA believes that the Merger raises significant competition concerns arising from a loss of dynamic competition in the global supply of vector editing (TOH2a), raster editing (TOH2b), video editing (TOH2c), and motion design software (TOH4d), with separate concerns in each of these frames of reference.

#### **Other theories of harm considered**

301. The CMA also considered whether the Merged Entity could leverage Adobe's market power in creative design software by bundling Figma software with Adobe. [30].<sup>411</sup> To the extent that offering both creative design and all-in-one screen design software affects the competitiveness of the Merged Entity and its competitors, the CMA has taken it into account as part of its assessment of TOH1 and TOH2.

### **BARRIERS TO ENTRY AND EXPANSION**

302. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. In assessing whether entry or expansion might prevent an SLC, the CMA considers whether such entry or expansion would be timely, likely, and sufficient.<sup>412</sup> In terms of timeliness,

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<sup>411</sup> FMN, paragraph 606.

<sup>412</sup> [Merger Assessment Guidelines](#), paragraph 8.40 onwards.

the CMA's guidelines indicate that the CMA will look for entry to occur within two years.

303. The Parties submitted that existing and potential competitors are better placed to expand and compete with Figma than Adobe. They listed startups, Google, Microsoft, Salesforce, and Apple and affirmed they are better placed to develop web-based multiplayer collaboration.<sup>413</sup>
304. The evidence received by the CMA from third parties does not indicate that entry or expansion will be timely, likely, or sufficient to mitigate any SLC. None of the Parties' competitors that responded to the CMA's questionnaire foresee any significant or long-term threat to the Parties from other players.
305. The CMA has not received evidence of any meaningful entry or expansion by a third party in all-in-one screen design or in creative design software. Many customers highlighted barriers to switching between software providers (see paragraph 111 above).<sup>414</sup> A third party stressed the Parties' unparalleled access to capital and their omnipresence across creative customers as barriers to any entry or expansion in all-in-one screen design or creative design software markets.<sup>415</sup>
306. In light of the above, the CMA considers that barriers to entry and expansion in all-in-one screen design and creative design software are high and that entry or expansion in these markets is unlikely to alleviate the competition concerns identified.

## THIRD-PARTY VIEWS

307. The CMA contacted customers and competitors of the Parties. Just under half of the customers and more than half of the competitors raised concerns about the Merger, identifying risks that include, but are not limited to, loss of product quality and innovation, loss of credible alternative products and higher prices.
308. The CMA considers that third parties are not expected to be aware of the Parties' product development efforts and innovation plans, which are fundamental to the CMA's assessment.

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<sup>413</sup> FMN, paragraphs 559 and 560.

<sup>414</sup> Third-party responses to the CMA's questionnaire.

<sup>415</sup> Note of a call with a third party. Another third party stated that a new entry would not be meaningful without substantial funding (note of a third-party call).

309. Third-party comments have been taken into account where appropriate in the competitive assessment above.

## **CONCLUSION ON SUBSTANTIAL LESSENING OF COMPETITION**

310. Based on the evidence set out above, the CMA believes that it is or may be the case that the Merger may be expected to result in an SLC as a result of horizontal unilateral effects in relation to:

- (a) the global supply of all-in-one screen design software (TOH1); and
- (b) the global supply of vector editing (TOH2a), raster editing (TOH2b), video editing (TOH2c), and motion design software (TOH4d), with separate concerns in each of these frames of reference.

## DECISION

311. Consequently, the CMA believes that it is or may be the case that (i) arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation; and (ii) the creation of that situation may be expected to result in an SLC within a market or markets in the United Kingdom.
312. The CMA therefore believes that it is under a duty to refer under section 33(1) of the Act. However, the duty to refer is not exercised while the CMA is considering whether to accept undertakings under section 73 of the Act instead of making such a reference.<sup>416</sup> The Parties have until 7 July 2023<sup>417</sup> to offer an undertaking to the CMA.<sup>418</sup> The CMA will refer the Merger for a phase 2 investigation<sup>419</sup> if the Parties do not offer an undertaking by this date; if the Parties indicate before this date that they do not wish to offer an undertaking; or if the CMA decides<sup>420</sup> by 14 July 2023 that there are no reasonable grounds for believing that it might accept the undertaking offered by the Parties, or a modified version of it.

**Sorcha O'Carroll**  
**Senior Director, Mergers**  
**Competition and Markets Authority**

**30 June 2023**

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<sup>i</sup> Adobe's worldwide turnover is for FY2022.

<sup>ii</sup> Figma's worldwide turnover is for FY2022.

<sup>iii</sup> It offers simple video editing capabilities, such as scaling and adjusting dimensions, and masking sections of video (via a [mask](#) functionality).

<sup>iv</sup> The CMA notes that Figma contested the CMA's record of the Parties' statement at the Issues Meeting on this point. Figma's position is that the reference, in the Issues Meeting, to 'being new to the company' related to a different Figma employee.

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<sup>416</sup> Section 33(3)(b) of the Act.

<sup>417</sup> Section 73A(1) of the Act.

<sup>418</sup> Section 73(2) of the Act.

<sup>419</sup> Sections 33(1) and 34ZA(2) of the Act.

<sup>420</sup> Section 73A(2) of the Act.