Adobe drops $20bn takeover of Figma after EU and UK regulator concerns

Publication Date: 2023-12-18

Author: Mark Sweney

Section: Technology

Tags: Adobe, Mergers and acquisitions, Software, Computing, Competition and Markets Authority, European Union, Europe, news

Article URL: https://www.theguardian.com/technology/2023/dec/18/adobe-drops-20bn-takeover-of-figma-after-eu-and-uk-regulator-concerns

Adobe has abandoned its $20bn (£15.8bn) takeover of its smaller rival Figma, after European and UK regulators raised concerns that it would eliminate competition in the product design software market. The Photoshop owner, which dominates the market with products including Illustrator and Acrobat Reader, said the two companies had come to a joint assessment that there was "no clear path" to regulatory approval. Last month the UK's Competition and Markets Authority (CMA) said the deal would threaten competition in the product design, image editing and illustration markets, while the EU's equivalent body issued a statement raising the same concerns. "There is no clear path to receive necessary regulatory approvals from the European Commission and the UK Competition and Markets Authority," the companies said in the joint statement. "Adobe and Figma strongly disagree with the recent regulatory findings, but we believe it is in our respective best interests to move forward independently," said Shantanu Narayen, Adobe's chair and chief executive. Adobe will pay Figma a $1bn termination fee after the collapse of the cash-and-stock deal for the cloud-based designer platform. In a response to the CMA published on Monday, Adobe said any divestment would be "wholly disproportionate" and would "reduce investment and innovation and ultimately harm the parties' customers" and did not offer any alternatives. "Requiring a multibillion-dollar global divestment of Photoshop or Illustrator in order to address an uncertain and speculative theory of harm is wholly disproportionate," the two companies said in their response. "This is also the case in requiring a divestment of the entirety of Figma Design." Margrethe Vestager, the European commissioner for competition, said, however, that the proposed acquisition would have "terminated all current and prevented all future competition between [Adobe and Figma]". She said: "Our in-depth investigation showed that this would lead to higher prices, reduced quality or less choice for customers. It is important in digital markets, as well as in more traditional industries, to not only look at current overlaps but to also protect future competition. This applies in particular to transactions by which large, established companies acquire successful disruptive innovators." The deal, which was announced in September last year, is the latest big tech takeover to draw intense scrutiny from regulators on both sides of the Atlantic. Earlier this year, the CMA moved to block Microsoft's $69bn takeover of Activision Blizzard, the maker of games including Call of Duty and World of Warcraft, the largest acquisition in gaming history. The watchdog stood its ground despite intense criticism from both parties – which included saying the UK was "closed for business" – until a revised deal that included selling cloud gaming rights outside Europe to Activision's French rival Ubisoft was cleared in October. The push by the CMA has come after the appointment of Sarah Cardell as its new chief executive last year. Cardell has worked to create a more muscular watchdog, having said it needs to take on a “more significant global role” after the UK’s decision to leave the EU, positioning it alongside Brussels and Washington as a third pillar in the policing of technology multinationals. “People seeing today’s announcement by Adobe may view it as an anti big tech stance from the CMA, following on from the Microsoft/Activision case,” said Alex Haffner, a competition partner at the law firm Fladgate. “Certainly, the regulatory landscape for big tech has become somewhat more complicated in recent times, but, on this occasion at least, the regulators appear to be talking with a unified voice in their opposition to the proposed deal.” In May, the Facebook owner Meta sold the gif search engine Giphy after the CMA blocked the $315m deal. It was acquired by the stock image service Shutterstock for $53m. The CMA is also reviewing Microsoft’s multibillion investment and partnership with OpenAI, the company behind the artificial intelligence technology ChatGPT.