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MARKET REPORT

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How Figma defied Adobe's bundlenomics

TEAM

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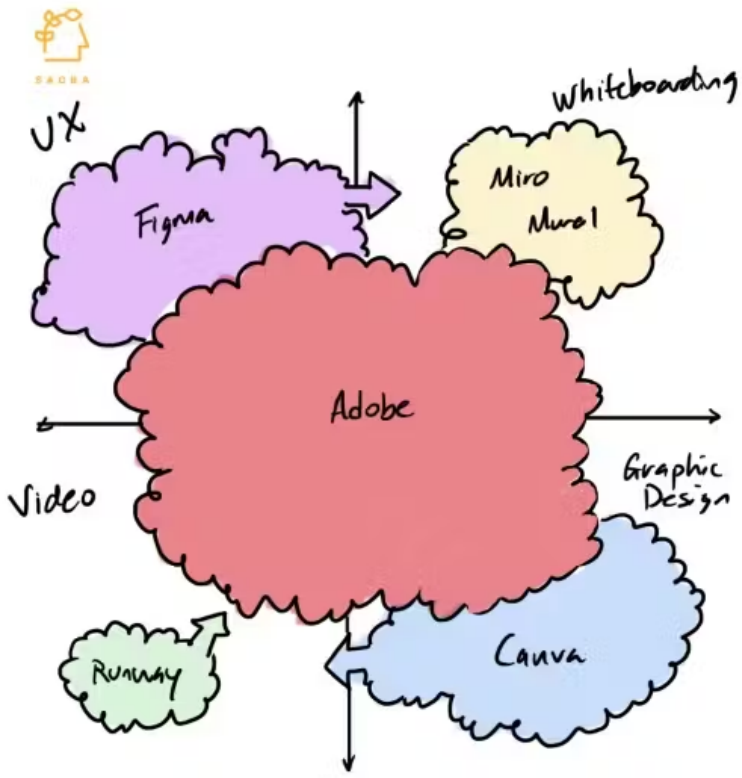
How Figma defied Adobe's bundlenomics

By **Jan-Erik Asplund**

TL;DR: Figma's $20B sale to Adobe reflects both that it beat back Adobe's attempt to break it with bundle economics, *and* that it faced the daunting task of going multi-product and driving wall-to-wall seat expansion. For more, read our interviews with Lime's Head of Design Matt Moore, a Head of Brand Design at a Series E startup, and a PM at Canva.



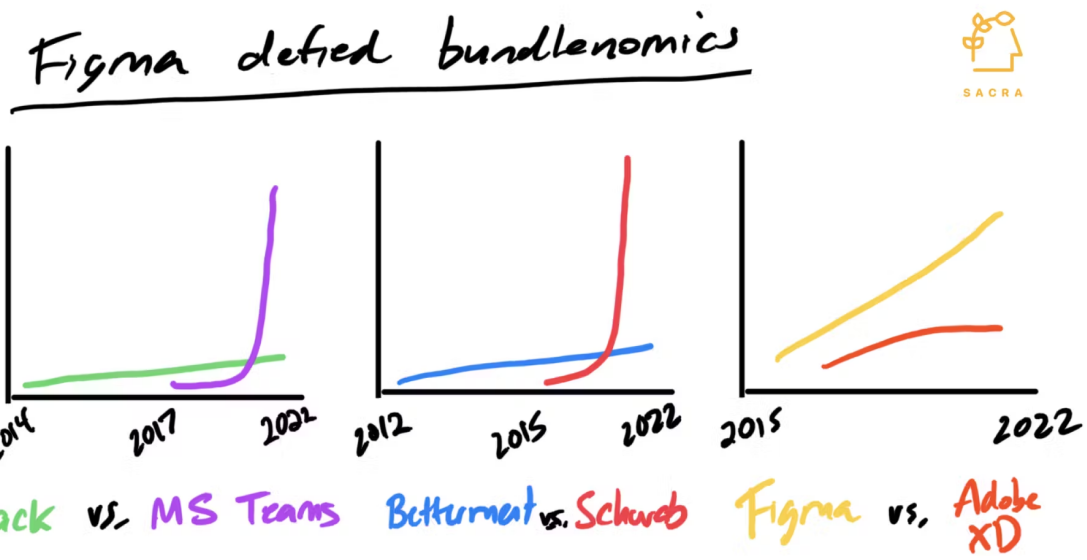
Adobe announced today that it has agreed to buy Figma in a deal valued at $20B. At about 58x Figma's current ARR, that's both the highest revenue multiple ever paid for a SaaS of that size and the largest private tech sale in history.

It's an outcome that's a direct result of how well Figma navigated around both a big incumbent and a congested marketplace for creative tools:

- **Figma won over 4M+ designers in 235 countries by shifting design from a siloed, single-player experience to a multi-player, collaborative one.** Figma replaced the "export

and email" workflow of software like Sketch with real-time UX design in the browser, enabled by WebGL. (link)

- **Figma is at about $340M ARR now, growing 100% YoY and projected to cross $400M ARR by end of year.** Figma is still in the early stages of cracking the enterprise, with most of their growth to date driven by their freemium, product-led motion.
- **Figma built product designers into an intolerant minority that refused to use any substitutes, forcing companies to pay for both Creative Cloud and Figma.** The lack of equivalents for prosumer tools like Photoshop, Premiere or After Effects makes it hard for Figma to completely replace Creative Cloud inside organizations. (link)
- **Even with instant distribution to 26M+ Creative Cloud customers, Adobe XD failed in its attempt to use bundlenomics to dislodge Figma's dominant position among designers.** Figma commanded a premium because of the quality of its growth and product-market fit. (link)



- **After raising at a $10B valuation in 2021, the bar was raised even higher—Figma had to find a way to get wall-to-wall seat expansion inside companies and become a product that every company and every person at a company could use.** Figma set out to become a multi-product company and build their own bundle that could tie together the needs of both designers and marketers, product managers, engineers, and others. (link)
- **Whiteboarding was a key first target with the launch of Figjam, but that space has become more crowded with the COVID-fueled growth of virtual whiteboarding competitors like Miro ($17.5B) and Mural ($2B).** Since the beginning of the pandemic, Miro has gone from 5M to 30M users and has

begun eating up product management use cases like creating PRDs. (link)

- **Meanwhile, Canva ($40B) started off as a graphic design tool, but today is at $1B+ ARR by capturing "non-designer" roles that still regularly need to produce creative collateral, like salespeople and social media marketers.** Canva displaces multiple categories of products from productivity tools and video editing to print services. (link)
- **And today, users of AI art engines like DALL-E 2, Midjourney and StableDiffusion can generate 5,000 novel images for the price they'd pay a designer to create a single mockup.** At roughly $0.005 of compute cost per image generated, these AI engines can drastically undercut human designers on price while driving 80%+ gross margins and continuously improving with more iterations.
- **With this half-cash and half-stock sale, Figma gets into $ADBE at a steep discount (the stock is down 42% on the year) and at a 2020-1 era multiple of 58x.** Selling from a position of strength meant that Figma could ensure a great outcome for the team and protect against the potential downside of a possible impending recession.
- **For Figma, this deal gives the team the backing and firepower to go big—for the company's recently-30 CEO Dylan Field, it could put him next in the line of succession to Adobe's throne.** Salesforce acquired Quip with an eye towards having Bret Taylor succeed Marc Benioff as CEO, and Dylan Field could play a similar role for Shantanu Narayen as Adobe looks to stay relevant.

For more, check out our other coverage on Figma here:

- Figma
- Product manager at Canva on Canva's shift upmarket
- Head of Brand Design at a Series E startup on Figma's wall-to-wall adoption
- Matthew Moore, Head of Design at Lime, on Figma vs. Adobe
- Cristóbal Valenzuela, CEO of Runway, on rethinking the primitives of video