

Adobe (ADBE US)

2QFY26 results: accelerate AI business transition

Adobe announced 2QFY26 results: total revenue was up by 11% YoY in constant currency to US\$6.62bn, 3% ahead of Bloomberg consensus estimate; non-GAAP net income grew by 11% YoY to US\$2.40bn, in line with consensus estimate. The company raised FY26 revenue guidance by 11.5-12.0% YoY to US\$26.5-26.6bn (previous: US\$25.9-26.1bn) on the strong 1HFY26 performance and acquisition of Semrush; but maintained FY26 ending ARR growth guidance unchanged at +10.2%, due to the company's strategic choice to accelerate freemium MAU growth and defer Creative Cloud line optimizations. Overall, we raise FY26-28E total revenue forecast by 2-4%, but trim our target price to US\$300.0 on 12x FY26E non-GAAP PE (previous: US\$350.0 based on 15x FY26E non-GAAP PE) given the heightening competitive pressure from AI labs and recent management transition. Maintain BUY on positive AI product momentum and attractive valuation.

- Steady revenue growth across business lines.** Creative & marketing professionals subscription revenue was US\$4.54bn in 2QFY26, up by 11% YoY in constant currency, mainly driven by the solid growth in Creative Cloud and strength in enterprise customer base. Business professionals & consumers subscription revenue was US\$1.85bn in 2QFY26, up by 15% YoY in constant currency, fuelled by strong performance in the Enterprise across both Commercial and Government. Business professionals & consumers business sustained double-digit ending ARR YoY growth across all geographies in 2QFY26.
- Solid AI business momentum.** Adobe's AI-first product ARR tripled YoY to over US\$500mn in 2QFY26, driven by the strong performance of several products: 1) Firefly ending ARR approached US\$300mn, up by c.50% QoQ; 2) Acrobat AI Assistant paid MAU increased by over 150% YoY, with lifetime AI users in Acrobat tripled YoY; 3) The AI products also accelerate Adobe's user acquisition, with Creative Freemium MAU up from over 50mn to over 90mn YoY, and Acrobat & Express MAU up from over 700mn to over 850mn YoY. Given the strong momentum of freemium user growth and shift in user behaviors, the company strategically plans to acquire more freemium customers through Acrobat and Firefly, which may impact short-term ARR growth but strengthen the foundation for long-term durable growth.
- Management transition in progress.** Following the CEO transition announced in Mar, CFO also announced to depart the company in Jun, which may add short-term uncertainty, in our view. That said, the company currently only trades at 9x FY26E non-GAAP PE, in addition to its US\$27bn share repurchase authorisation (c.30% of current market cap), offering ample safety margin in our view.

Earnings Summary

(YE 01 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US\$ mn)	21,505	23,769	26,584	29,287	32,068
Adjusted net profit (US\$ mn)	8,281.0	8,941.0	9,728.6	10,900.5	12,214.3
EPS (Adjusted) (US\$)	18.53	20.98	24.38	27.88	32.04
Consensus EPS (US\$)	18.53	20.98	23.56	26.50	29.87
P/S (x)	4.1	3.7	3.3	3.0	2.7
P/E (x)	17.6	13.1	12.2	10.3	8.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$300.00
 (Previous TP) US\$350.00
Up/Downside 37.1%
Current Price US\$218.80

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Stock Data

Mkt Cap (US\$ mn)	87,301.2
Avg 3 mths t/o (US\$ mn)	542.2
52w High/Low (US\$)	401.73/218.80
Total Issued Shares (mn)	399.0

Source: FactSet

Shareholding Structure

BlackRock	9.4%
Vanguard	7.6%

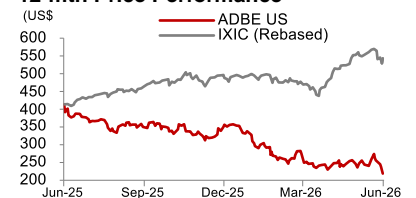
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-9.1%	-8.2%
3-mth	-18.9%	-29.9%
6-mth	-38.6%	-44.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: Adobe: forecast revision

US\$ bn	Current			Previous			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	26.6	29.3	32.1	26.1	28.4	30.8	2.0%	3.1%	4.1%
Gross profit	23.8	26.2	28.7	23.2	25.3	27.4	2.5%	3.6%	4.7%
Non-GAAP OP	12.0	13.4	15.0	11.7	13.0	14.4	2.4%	2.8%	4.1%
Non-GAAP NP	9.7	10.9	12.2	9.4	10.6	11.8	3.4%	3.0%	3.5%
Non-GAAP EPS (US\$)	24.4	27.9	32.0	23.3	26.3	29.3	4.4%	6.2%	9.4%
Gross margin	89.5%	89.5%	89.5%	89.0%	89.0%	88.9%	0.5 ppt	0.5 ppt	0.6 ppt
Non-GAAP OPM	45.0%	45.8%	46.8%	44.9%	45.9%	46.8%	0.2 ppt	-0.1 ppt	0.0 ppt
Non-GAAP NPM	36.6%	37.2%	38.1%	36.1%	37.2%	38.3%	0.5 ppt	0.0 ppt	-0.2 ppt

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

US\$ bn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	26.6	29.3	32.1	26.1	28.4	31.1	2.0%	3.1%	3.2%
Gross profit	23.8	26.2	28.7	23.4	25.5	27.8	1.7%	3.0%	3.2%
Non-GAAP OP	12.0	13.4	15.0	11.7	12.8	14.6	2.2%	5.2%	2.9%
Non-GAAP NP	9.7	10.9	12.2	9.5	10.4	11.4	2.4%	4.9%	7.4%
Non-GAAP EPS (US\$)	24.4	27.9	32.0	23.6	26.5	29.9	3.5%	5.2%	7.3%
Gross margin	89.5%	89.5%	89.5%	89.8%	89.6%	89.5%	-0.3 ppt	-0.1 ppt	0.0 ppt
Non-GAAP OPM	45.0%	45.8%	46.8%	45.0%	44.9%	46.9%	0.1 ppt	0.9 ppt	-0.2 ppt
Non-GAAP NPM	36.6%	37.2%	38.1%	36.4%	36.6%	36.6%	0.2 ppt	0.6 ppt	1.5 ppt

Source: Bloomberg, CMBIGM estimates

Valuation

We value Adobe at US\$119.7bn (US\$300.0 per share) based on 12x 2026E P/E. Our target P/E is at a discount to the sector average (26x), as Adobe is at a more mature business stage with slower earnings growth.

Figure 3: Adobe: target valuation

P/E Valuation (US\$mn)	FY26E
Non-GAAP earnings	9,729
Target 2026E PE	12
Target equity valuation	119,662
Valuation per share (USD)	300.0

Source: Company data, CMBIGM estimates

Figure 4: SaaS: valuation comparison

Company	Ticker	Price (LC)	P/E (x)			P/S (x)			EPS CAGR 25-28E
			2026E	2027E	2028E	2026E	2027E	2028E	
CRM									
Salesforce	CRM US	166.5	14.1	11.8	10.7	3.1	2.9	2.6	16%
HubSpot	HUBS US	186.4	14.2	12.0	10.1	2.2	1.9	1.6	24%
Five9	FIVN US	20.8	6.4	5.5	5.1	1.4	1.2	1.1	12%
ITSM									
ServiceNow	NOW US	103.1	24.7	20.4	16.9	6.3	5.3	4.5	20%
Atlassian	TEAM US	89.2	16.2	14.3	12.1	3.3	2.8	2.4	28%
Security									
CrowdStrike	CRWD US	691.5	NA	NA	NA	28.9	23.7	19.6	18%
ZScaler	ZS US	126.1	30.6	27.4	23.4	5.6	4.8	4.1	19%
Fortinet	FTNT US	145.1	45.9	42.3	38.3	13.3	12.0	10.8	12%
Palo Alto Network	PANW US	279.5	74.1	68.0	58.2	19.2	15.9	14.1	14%
Collaboration									

Twilio	TWLO US	206.6	36.2	31.3	26.9	5.2	4.7	4.3	17%
Ring Central	RNG US	37.7	7.6	7.0	6.2	1.6	1.6	1.5	12%
Zoom	ZM US	92.3	15.3	15.4	14.7	3.8	3.7	3.5	5%
Average			25.9	23.2	20.2	7.8	6.7	5.8	

Source: Bloomberg, CMBIGM

Note: data as of 11 Jun 2026

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 01 Dec (US\$ mn)						
Revenue	19,409	21,505	23,769	26,584	29,287	32,068
Cost of goods sold	2,354	2,358	2,551	2,791	3,075	3,367
Gross profit	17,055	19,147	21,218	23,792	26,212	28,701
Operating expenses	10,405	12,406	12,512	14,398	15,431	16,587
Selling expense	5,351	5,764	6,488	7,443	7,907	8,498
Admin expense	1,413	1,529	1,573	1,994	2,164	2,333
R&D expense	3,473	3,944	4,294	4,785	5,166	5,544
Others	168	1,169	157	176	193	212
Operating profit	6,650	6,741	8,706	9,395	10,781	12,114
Other income	262	359	291	160	146	1
Net interest income/(expense)	(113)	(169)	(263)	(292)	(293)	(2)
Pre-tax profit	6,799	6,931	8,734	9,262	10,635	12,113
Income tax	1,371	1,371	1,604	2,084	2,340	2,604
After tax profit	5,428	5,560	7,130	7,178	8,295	9,508
Net profit	5,428	5,560	7,130	7,178	8,295	9,508
Adjusted net profit	7,377	8,281	8,941	9,729	10,901	12,214
BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 01 Dec (US\$ mn)						
Current assets	11,084	11,232	10,163	8,804	9,814	13,297
Cash & equivalents	7,141	7,613	5,431	3,953	4,736	8,003
Account receivables	2,224	2,072	2,344	2,359	2,495	2,623
Prepayment	1,018	1,274	1,224	1,328	1,419	1,507
Other current assets	701	273	1,164	1,164	1,164	1,164
Non-current assets	18,695	18,998	19,333	19,631	19,957	20,309
PP&E	2,030	1,936	1,873	2,171	2,497	2,849
Right-of-use assets	358	281	312	312	312	312
Deferred income tax	1,191	1,657	2,186	2,186	2,186	2,186
Intangibles	1,088	782	495	495	495	495
Goodwill	12,805	12,788	12,857	12,857	12,857	12,857
Other non-current assets	1,223	1,554	1,610	1,610	1,610	1,610
Total assets	29,779	30,230	29,496	28,435	29,771	33,606
Current liabilities	8,251	10,521	10,200	11,368	12,423	13,498
Account payables	314	361	417	443	473	502
Tax payable	85	119	153	153	153	153
Lease liabilities	73	1,574	77	77	77	77
Contract liabilities	5,837	6,131	6,905	7,855	8,654	9,476
Accrued expenses	1,942	2,336	2,648	2,839	3,066	3,290
Non-current liabilities	5,010	5,604	7,673	7,668	7,680	7,692
Long-term borrowings	3,634	4,129	6,210	6,210	6,210	6,210
Obligations under finance leases	373	353	361	361	361	361
Deferred income	113	128	125	120	132	144
Other non-current liabilities	890	994	977	977	977	977
Total liabilities	13,261	16,125	17,873	19,035	20,103	21,190
Share capital	0	0	0	0	0	0
Capital surplus	11,586	13,419	15,361	17,514	19,887	22,484
Retained earnings	33,061	38,269	45,109	52,287	60,582	70,090
Other reserves	(28,129)	(37,583)	(48,847)	(60,401)	(70,800)	(80,158)
Total shareholders equity	16,518	14,105	11,623	9,400	9,669	12,416
Total equity and liabilities	29,779	30,230	29,496	28,435	29,771	33,606

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 01 Dec (US\$ mn)						
Operating						
Profit before taxation	6,799	6,931	8,734	9,262	10,635	12,113
Depreciation & amortization	872	857	210	233	260	289
Tax paid	1,371	1,371	1,604	2,084	2,340	2,604
Change in working capital	(355)	144	718	1,043	840	872
Others	(1,385)	(1,247)	(1,235)	(2,014)	(2,307)	(2,611)
Net cash from operations	7,302	8,056	10,031	10,607	11,768	13,267
Investing						
Capital expenditure	(360)	(183)	(475)	(532)	(586)	(641)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Net proceeds from disposal of short-term investments	1,136	332	(712)	0	0	0
Others	0	0	0	0	0	0
Net cash from investing	776	149	(1,187)	(532)	(586)	(641)
Financing						
Net borrowings	(500)	1,997	0	0	0	0
Share repurchases	(4,989)	(9,139)	(11,554)	(11,554)	(10,399)	(9,359)
Others	307	(582)	494	0	0	0
Net cash from financing	(5,182)	(7,724)	(11,060)	(11,554)	(10,399)	(9,359)
Net change in cash						
Cash at the beginning of the year	4,236	7,141	7,613	5,431	3,953	4,736
Exchange difference	9	(9)	34	0	0	0
Cash at the end of the year	7,141	7,613	5,431	3,953	4,736	8,003
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 01 Dec						
Revenue	10.2%	10.8%	10.5%	11.8%	10.2%	9.5%
Gross profit	10.5%	12.3%	10.8%	12.1%	10.2%	9.5%
Operating profit	9.1%	1.4%	29.1%	7.9%	14.8%	12.4%
Net profit	14.1%	2.4%	28.2%	0.7%	15.6%	14.6%
Adj. net profit	14.2%	12.3%	8.0%	8.8%	12.0%	12.1%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 01 Dec						
Gross profit margin	87.9%	89.0%	89.3%	89.5%	89.5%	89.5%
Operating margin	34.3%	31.3%	36.6%	35.3%	36.8%	37.8%
Adj. net profit margin	38.0%	38.5%	37.6%	36.6%	37.2%	38.1%
Return on equity (ROE)	35.5%	36.3%	55.4%	68.3%	87.0%	86.1%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 01 Dec						
Current ratio (x)	1.3	1.1	1.0	0.8	0.8	1.0
Receivable turnover days	41.8	35.2	36.0	32.4	31.1	29.9
Payable turnover days	48.7	55.9	59.7	57.9	56.1	54.5
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 01 Dec						
P/E	18.4	17.6	13.1	12.2	10.3	8.8
P/E (diluted)	18.5	17.7	13.1	12.2	10.3	8.8
P/B	6.1	6.9	8.0	9.3	8.8	6.7

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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