

Adobe (ADBE US)

Inline 2QFY25 results; AI products on track to hit US\$250mn ARR target by end-FY25

Adobe announced 2QFY25 financial results: total revenue increased by 11% YoY to US\$5.87bn, and non-GAAP net income was up by 7% YoY to US\$2.17bn, both in line with Bloomberg consensus estimate. The company raised FY25 total revenue target to US\$23.50-23.60bn (previous: US\$23.30-23.55bn) and non-GAAP EPS target to US\$20.5-20.7 (previous: US\$20.2-20.5), mainly thanks to the strong ARR performance of Digital Media business and the adoption of AI products. Management noted that its AI-first products remain on track of achieving its US\$250mn ARR target by end-FY25, up from c.US\$125mn as of end-1QFY25. We slightly lift our FY25-27E total revenue forecast by 0-1% in view of the solid 1H ARR performance and the 2H outlook; but our target price is lowered to US\$590.0 based on 30x FY25E non-GAAP PE (previous: US\$629.0 based on 32x FY25E PE) given the decline in sector valuation. Maintain BUY.

■ **Digital Media (DM) business maintains growth momentum.** Digital Media revenue grew by 11% YoY to US\$4.35bn in 2QFY25; and its ARR increased by 12% YoY to US\$18.09bn, supported by the strong user growth, solid performance of Creative Cloud flagship offerings, and robust momentum of AI offerings. MAUs of Acrobat and Express products grew by 25%+ YoY to 700mn in 2QFY25 thanks to the PLG optimization of the Acrobat and Express freemium funnel. AI Assistant MAU in Acrobat and Gen AI MAU in Express grew by over 3x YoY in 2QFY25. In terms of Creative Cloud, Adobe launched Firefly Image Model 4 and Firefly Video Model in 2QFY25, driving meaningful user and revenue growth. Traffic to the Firefly app increased by over 30% QoQ and paid subscription nearly doubled QoQ in 2QFY25. The Firefly App is also acquiring new users for Adobe, with first-time subscribers up by 30% QoQ in 2QFY25.

■ **Solid Digital Experience (DE) business supported by AI offerings.** Digital Experience revenue was up by 10% YoY to US\$1.46bn in 2QFY25, mainly driven by the strong subscription revenue growth of AEP and Apps (+over 40% YoY). AI-powered GenStudio also delivered strong momentum, with over 25% YoY growth in ARR. GenStudio for Performance Marketing ARR was up by over 45% QoQ in 2QFY25. The demand for Firefly Services and Custom Models within GenStudio solution remained strong, resulting in 4x YoY ARR growth.

■ **Inline 3QFY25 outlook.** Non-GAAP OPM was largely stable YoY at 46% in 2QFY25, as the increased S&M and R&D investments were offset by efficiency gains. S&M expenses were up by 13% YoY to US\$1.63bn in 2QFY25, mainly on new products such as Express and Firefly. On 3QFY25E outlook, management guided total revenue to increase by 9-10% YoY to US\$5.875-5.925bn (vs. consensus estimate of US\$5.88bn), with DM/DE revenue up by 9-10%/7-9% YoY to US\$4.37-4.40bn/US\$1.45-1.47bn.

Earnings Summary

(YE 01 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	19,409	21,505	23,593	25,617	27,689
YoY growth (%)	10.2	10.8	9.7	8.6	8.1
Adjusted net profit (US\$ mn)	7,377.0	8,281.0	8,797.3	9,603.7	10,693.7
EPS (Adjusted) (US\$)	16.14	18.53	20.55	22.98	25.58
Consensus EPS (US\$)	16.14	18.53	20.40	22.87	25.76

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$590.00
(Previous TP)	US\$629.00)
Up/Downside	50.6%
Current Price	US\$391.68

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Stock Data

Mkt Cap (US\$ mn)	167,639.0
Avg 3 mths t/o (US\$ mn)	680.0
52w High/Low (US\$)	586.55/340.00
Total Issued Shares (mn)	428.0

Source: FactSet

Shareholding Structure

The Vanguard Group	9.3%
BlackRock	8.7%

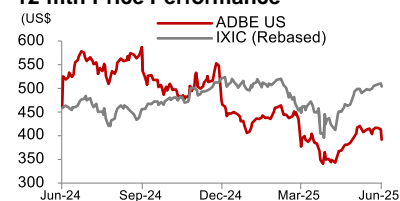
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-1.4%	-3.5%
3-mth	3.7%	-7.6%
6-mth	-15.9%	-13.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: Adobe: forecast revision

US\$ bn	Current			Previous			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	23.6	25.6	27.7	23.4	25.4	27.5	0.7%	0.7%	0.7%
Gross profit	21.1	22.9	24.8	20.9	22.7	24.6	0.8%	0.8%	0.8%
Non-GAAP OP	10.9	11.9	13.1	10.8	11.8	12.9	0.7%	1.4%	1.3%
Non-GAAP NP	8.8	9.6	10.7	8.8	9.6	10.6	0.1%	0.3%	0.7%
Non-GAAP EPS (US\$)	20.6	23.0	25.6	20.4	22.8	25.3	0.6%	0.8%	1.2%
Gross margin	89.3%	89.4%	89.5%	89.2%	89.4%	89.4%	0.1 ppt	0.1 ppt	0.1 ppt
Non-GAAP OPM	46.1%	46.6%	47.2%	46.1%	46.3%	46.9%	0.0 ppt	0.3 ppt	0.3 ppt
Non-GAAP NPM	37.3%	37.5%	38.6%	37.5%	37.6%	38.6%	-0.2 ppt	-0.1 ppt	0.0 ppt

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

US\$ bn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	23.6	25.6	27.7	23.5	25.7	28.2	0.5%	-0.5%	-2.0%
Gross profit	21.1	22.9	24.8	21.1	23.1	25.4	-0.1%	-0.9%	-2.3%
Non-GAAP OP	10.9	11.9	13.1	10.8	11.9	13.1	0.8%	0.3%	-0.5%
Non-GAAP NP	8.8	9.6	10.7	8.8	9.7	10.8	-0.4%	-1.2%	-0.7%
Non-GAAP EPS (US\$)	20.6	23.0	25.6	20.4	22.9	25.8	0.8%	0.5%	-0.7%
Gross margin	89.3%	89.4%	89.5%	89.8%	89.8%	89.8%	-0.6 ppt	-0.4 ppt	-0.3 ppt
Non-GAAP OPM	46.1%	46.6%	47.2%	46.0%	46.2%	46.5%	0.1 ppt	0.4 ppt	0.7 ppt
Non-GAAP NPM	37.3%	37.5%	38.6%	37.7%	37.8%	38.1%	-0.4 ppt	-0.3 ppt	0.5 ppt

Source: Bloomberg, CMBIGM estimates

Valuation

We value Adobe at US\$264bn (US\$590.0 per share) based on 30x 2025E P/E. Our target P/E is at a discount to the sector average (41x), as Adobe is at a more mature business stage with slower earnings growth.

Figure 3: Adobe: target valuation

P/E Valuation (US\$mn)	FY25E
Non-GAAP earnings	8,797
Target 2025E PE	30.0
Target equity valuation	263,919
Valuation per share (USD)	590.0

Source: Company data, CMBIGM estimates

Figure 4: SaaS: valuation comparison

Company	Ticker	Price	P/E (x)			P/S (x)			EPS CAGR
		(LC)	2025E	2026E	2027E	2025E	2026E	2027E	25-27E
CRM									
Salesforce	CRM US	266.9	26.6	23.6	21.1	6.1	5.6	5.1	15%
HubSpot	HUBS US	569.8	60.9	51.0	41.7	9.4	8.2	7.0	19%
Five9	FIVN US	27.8	10.1	8.9	7.9	2.1	1.9	1.7	12%
ITSM									
ServiceNow	NOW US	1007.4	60.8	50.8	42.3	15.7	13.3	11.2	20%
Atlassian	TEAM US	199.3	55.8	47.1	38.3	9.9	8.3	7.0	21%
Security									
CrowdStrike	CRWD US	481.7	NA	NA	NA	24.4	20.0	16.3	15%
ZScaler	ZS US	301.4	94.3	82.0	68.1	17.2	14.3	11.9	12%
Fortinet	FTNT US	101.7	41.0	36.0	31.6	11.1	9.8	8.7	11%
Palo Alto Network	PANW US	197.7	60.4	53.5	46.8	13.8	12.0	10.5	14%
ERP									

SAP	SAP US	301.7	43.3	36.7	28.6	9.9	8.8	7.8	NA
Oracle	ORCL US	199.9	33.4	29.6	24.6	9.9	8.2	7.0	13%
Collaboration									
Twilio	TWLO US	115.8	25.3	22.1	18.9	3.4	3.1	2.9	19%
Ring Central	RNG US	26.4	6.3	5.7	5.3	1.5	1.4	1.3	10%
Zoom	ZM US	77.4	14.2	13.8	13.6	3.3	3.2	3.0	3%
Average			40.9	35.4	29.9	9.8	8.4	7.2	

Source: Bloomberg, CMBIGM

Note: data are as of 12 Jun 2025

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 01 Dec (US\$ mn)						
Revenue	17,606	19,409	21,505	23,593	25,617	27,689
Cost of goods sold	2,165	2,354	2,358	2,534	2,709	2,918
Gross profit	15,441	17,055	19,147	21,059	22,908	24,771
Operating expenses	9,343	10,405	12,406	12,444	13,434	14,363
Selling expense	4,968	5,351	5,764	6,324	6,814	7,338
Admin expense	1,219	1,413	1,529	1,628	1,742	1,855
R&D expense	2,987	3,473	3,944	4,327	4,698	4,977
Others	169	168	1,169	165	179	194
Operating profit	6,098	6,650	6,741	8,616	9,475	10,408
Other income	22	262	359	283	256	277
Net Interest income/(expense)	(112)	(113)	(169)	(189)	(205)	(222)
Pre-tax profit	6,008	6,799	6,931	8,710	9,526	10,464
Income tax	1,252	1,371	1,371	1,698	1,858	2,040
After tax profit	4,756	5,428	5,560	7,011	7,668	8,423
Net profit	4,756	5,428	5,560	7,011	7,668	8,423
Adjusted net profit	6,457	7,377	8,281	8,797	9,604	10,694

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 01 Dec (US\$ mn)						
Current assets	8,996	11,084	11,232	11,584	12,518	14,397
Cash & equivalents	4,236	7,141	7,613	7,773	8,543	10,266
Account receivables	2,065	2,224	2,072	2,182	2,275	2,360
Prepayment	835	1,018	1,274	1,356	1,428	1,497
Other current assets	1,860	701	273	273	273	273
Non-current assets	18,169	18,695	18,998	19,260	19,539	19,835
PP&E	1,908	2,030	1,936	2,198	2,477	2,773
Right-of-use assets	407	358	281	281	281	281
Deferred income tax	777	1,191	1,657	1,657	1,657	1,657
Intangibles	1,449	1,088	782	782	782	782
Goodwill	12,787	12,805	12,788	12,788	12,788	12,788
Other non-current assets	841	1,223	1,554	1,554	1,554	1,554
Total assets	27,165	29,779	30,230	30,844	32,058	34,231
Current liabilities	8,128	8,251	10,521	11,350	11,924	12,534
Account payables	379	314	361	376	390	408
Tax payable	75	85	119	119	119	119
Lease liabilities	587	73	1,574	1,574	1,574	1,574
Contract liabilities	5,297	5,837	6,131	6,972	7,570	8,182
Accrued expenses	1,790	1,942	2,336	2,309	2,271	2,251
Non-current liabilities	4,986	5,010	5,604	5,582	5,591	5,601
Long-term borrowings	3,629	3,634	4,129	4,129	4,129	4,129
Obligations under finance leases	417	373	353	353	353	353
Deferred income	117	113	128	106	115	125
Other non-current liabilities	823	890	994	994	994	994
Total liabilities	13,114	13,261	16,125	16,932	17,516	18,134
Share capital	0	0	0	0	0	0
Capital surplus	9,868	11,586	13,419	15,354	17,454	19,725
Retained earnings	28,026	33,061	38,269	45,280	52,949	61,372
Other reserves	(23,843)	(28,129)	(37,583)	(46,722)	(55,861)	(65,000)
Total shareholders equity	14,051	16,518	14,105	13,912	14,542	16,097
Total equity and liabilities	27,165	29,779	30,230	30,844	32,058	34,231

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 01 Dec (US\$ mn)						
Operating						
Profit before taxation	6,008	6,799	6,931	8,710	9,526	10,464
Depreciation & amortization	856	872	857	210	233	259
Tax paid	1,252	1,371	1,371	1,698	1,858	2,040
Change in working capital	336	(355)	144	615	419	464
Others	(614)	(1,385)	(1,247)	(1,462)	(1,615)	(1,810)
Net cash from operations	7,838	7,302	8,056	9,771	10,421	11,417
Investing						
Capital expenditure	(442)	(360)	(183)	(472)	(512)	(554)
Acquisition of subsidiaries/ investments	(126)	0	0	0	0	0
Net proceeds from disposal of short-term investments	(2)	1,136	332	0	0	0
Others	0	0	0	0	0	0
Net cash from investing	(570)	776	149	(472)	(512)	(554)
Financing						
Net borrowings	0	(500)	1,997	0	0	0
Share repurchases	(7,068)	(4,989)	(9,139)	(9,139)	(9,139)	(9,139)
Others	243	307	(582)	0	0	0
Net cash from financing	(6,825)	(5,182)	(7,724)	(9,139)	(9,139)	(9,139)
Net change in cash						
Cash at the beginning of the year	3,844	4,236	7,141	7,613	7,773	8,543
Exchange difference	(51)	9	(9)	0	0	0
Cash at the end of the year	4,236	7,141	7,613	7,773	8,543	10,266
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 01 Dec						
Revenue	11.5%	10.2%	10.8%	9.7%	8.6%	8.1%
Gross profit	10.9%	10.5%	12.3%	10.0%	8.8%	8.1%
Operating profit	5.1%	9.1%	1.4%	27.8%	10.0%	9.9%
Net profit	(1.4%)	14.1%	2.4%	26.1%	9.4%	9.8%
Adj. net profit	7.6%	14.2%	12.3%	6.2%	9.2%	11.3%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 01 Dec						
Gross profit margin	87.7%	87.9%	89.0%	89.3%	89.4%	89.5%
Operating margin	34.6%	34.3%	31.3%	36.5%	37.0%	37.6%
Adj. net profit margin	36.7%	38.0%	38.5%	37.3%	37.5%	38.6%
Return on equity (ROE)	33.0%	35.5%	36.3%	50.1%	53.9%	55.0%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 01 Dec						
Current ratio (x)	1.1	1.3	1.1	1.0	1.0	1.1
Receivable turnover days	42.8	41.8	35.2	33.8	32.4	31.1
Payable turnover days	63.9	48.7	55.9	54.2	52.6	51.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 01 Dec						
P/E	38.7	33.0	31.5	23.9	21.4	19.4
P/E (diluted)	38.8	33.1	31.7	23.9	21.4	19.4
P/B	13.1	10.8	12.4	12.0	11.3	10.2

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

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