

# Adobe (ADBE US)

## Inline 4QFY25 results; accelerating AI integration to drive business growth

Adobe announced 4QFY25 results: total revenue increased by 10% YoY to US\$6.19bn, and non-GAAP net income grew by 8% YoY to US\$2.29bn, both in line with Bloomberg consensus estimates. Total new AI-influenced ARR exceeds one-third of the overall business as Adobe continues to integrate AI into its solutions and launch AI-native products. Looking ahead to FY26E, management guided 1) total revenue to increase by 9-10% YoY to US\$25.9-26.1bn; and 2) total Adobe ending ARR to grow by 10.2% YoY, with total net new ARR of c.US\$2.6bn, which is Adobe's highest beginning-of-year guide for total net new ARR. We lower our FY26-28E earnings forecast by 3-4% to reflect higher opex estimates related to marketing spending and AI product development. We fine-tune our target price to US\$585.0 based on 25x FY26E non-GAAP PE (previous: US\$590.0 based on 25x FY26E PE). Maintain BUY.

■ **Digital Media and Experience maintained solid growth momentum.** Digital Media revenue was up by 11% YoY to US\$4.62bn in 4QFY25, with ending ARR up by 11.5%. And over 75% of the net new ARR was driven by growth in subscriptions, including both cross-sell and up-sell. Digital experience revenue increased by 9% YoY to US\$1.52bn in 4QFY25, mainly driven by the strong demand for AEP (Adobe Experience Platform) and native apps, the subscription revenue for which grew by over 40% YoY. Ending ARR for the Adobe GenStudio solution was also up by over 25% YoY in 4QFY25.

■ **AI progress update.** Adobe continued to make solid progress on AI front: 1) total new AI-influenced ARR exceeds one-third of the overall business, supported by the launch of AI-first products and the integration of AI features; 2) the company saw strong AI usage trend, with the Generative Credit consumption growing by c.3 times QoQ in 4QFY25; 3) the company also introduced agentic web offerings in 4QFY25, including Adobe LLM Optimizer, Sites Optimizer, and Brand Concierge, which have already acquired over 50 customers. Adobe announced the acquisition of Semrush for US\$1.9bn in November and expect the deal to close in 1HFY26. As one of the leading providers of generative engine optimization solutions, Semrush shall improve and complement Adobe LLM Optimizer, in our view.

■ **Continuous investment in marketing and AI innovation.** Adobe's non-GAAP OPM was down by 0.4ppt YoY to 46.2% in FY25, primarily due to the investment in sales and marketing (+13% YoY). For FY26E, management guided non-GAAP OPM of c.45%, further down by c.1ppt YoY as the company invests in marketing and AI innovations. On shareholder return, the company executed a record-high share repurchase of US\$12bn in FY25, reducing shares outstanding by over 6%.

### Earnings Summary

(YE 01 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US\$ mn)	21,505	23,769	26,012	28,331	30,664
YoY growth (%)	10.8	10.5	9.4	8.9	8.2
Adjusted net profit (US\$ mn)	8,281.0	8,941.0	9,423.1	10,609.4	11,847.1
EPS (Adjusted) (US\$)	18.53	20.98	23.38	26.33	29.40
Consensus EPS (US\$)	18.53	20.98	23.37	25.97	28.43
P/S (x)	6.9	6.3	5.7	5.3	4.9
P/E (x)	28.2	20.9	19.4	17.0	15.1

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** US\$585.00  
 (Previous TP) US\$590.00  
**Up/Downside** 66.9%  
**Current Price** US\$350.43

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### Stock Data

Mkt Cap (US\$ mn)	149,353.3
Avg 3 mths t/o (US\$ mn)	831.7
52w High/Low (US\$)	465.69/312.40
Total Issued Shares (mn)	426.2

Source: FactSet

### Shareholding Structure

The Vanguard Group	9.9%
BlackRock	9.1%

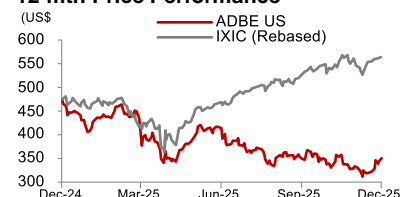
Source: Company data

### Share Performance

	Absolute	Relative
1-mth	4.0%	2.9%
3-mth	0.3%	-6.1%
6-mth	-15.3%	-29.6%

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	26.0	28.3	30.7	25.8	28.0	NA	0.9%	1.4%	NA
Gross profit	23.2	25.3	27.4	23.1	25.0	NA	0.5%	1.1%	NA
Non-GAAP OP	11.7	13.1	14.5	12.1	13.3	NA	-3.4%	-1.8%	NA
Non-GAAP NP	9.4	10.6	11.8	9.8	10.9	NA	-4.3%	-3.0%	NA
Non-GAAP EPS (US\$)	23.4	26.3	29.4	23.6	26.2	NA	-0.9%	0.4%	NA
Gross margin	89.2%	89.3%	89.4%	89.5%	89.5%	NA	-0.3 ppt	-0.3 ppt	NA
Non-GAAP OPM	45.0%	46.2%	47.2%	47.0%	47.7%	NA	-2.0 ppt	-1.5 ppt	NA
Non-GAAP NPM	36.2%	37.4%	38.6%	38.2%	39.1%	NA	-1.9 ppt	-1.7 ppt	NA

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

US\$ bn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	26.0	28.3	30.7	25.9	28.3	30.7	0.4%	0.2%	0.0%
Gross profit	23.2	25.3	27.4	23.3	25.4	27.6	-0.4%	-0.5%	-0.8%
Non-GAAP OP	11.7	13.1	14.5	11.9	13.0	14.1	-1.2%	0.4%	2.5%
Non-GAAP NP	9.4	10.6	11.8	9.7	10.6	11.8	-3.1%	-0.3%	0.6%
Non-GAAP EPS (US\$)	23.4	26.3	29.4	23.4	26.0	28.4	0.1%	1.4%	3.4%
Gross margin	89.2%	89.3%	89.4%	89.9%	89.9%	90.0%	-0.7 ppt	-0.6 ppt	-0.7 ppt
Non-GAAP OPM	45.0%	46.2%	47.2%	45.8%	46.1%	46.1%	-0.7 ppt	0.1 ppt	1.1 ppt
Non-GAAP NPM	36.2%	37.4%	38.6%	37.6%	37.6%	38.4%	-1.3 ppt	-0.2 ppt	0.3 ppt

Source: Bloomberg, CMBIGM estimates

## Valuation

We value Adobe at US\$236bn (US\$585.0 per share) based on 25x 2026E P/E. Our target P/E is at a discount to the sector average (38x), 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	9,423
Target 2026E PE (x)	25.0
Target equity valuation	235,578
Valuation per share (USD)	585.0

Source: Company data, CMBIGM estimates

Figure 4: SaaS: valuation comparison

Company	Ticker	Price (LC)	2025E	P/E (x) 2026E	2027E	2025E	P/S (x) 2026E	2027E	EPS CAGR 25-27E
CRM									
Salesforce	CRM US	264.2	26.3	22.4	20.1	5.9	5.3	4.9	13%
HubSpot	HUBS US	392.5	40.9	34.1	27.8	6.2	5.3	4.6	12%
Five9	FIVN US	21.6	7.4	6.8	6.0	1.7	1.5	1.4	9%
ITSM									
ServiceNow	NOW US	853.6	49.1	41.7	35.1	13.1	11.1	9.3	14%
Atlassian	TEAM US	161.7	45.4	33.2	28.8	6.5	5.5	4.6	18%
Security									
CrowdStrike	CRWD US	519.5	137.9	139.9	108.1	26.5	21.7	17.8	6%
ZScaler	ZS US	243.3	76.3	63.8	54.3	11.2	9.4	7.9	6%
Fortinet	FTNT US	81.6	30.3	27.8	25.1	8.5	7.7	7.0	7%
Palo Alto Network	PANW US	193.0	58.9	50.0	44.5	12.0	10.6	9.4	11%
ERP									

SAP	SAP US	245.9	35.6	29.0	24.8	8.2	7.4	6.5	NA
Oracle	ORCL US	223.0	37.3	32.7	27.9	10.9	8.7	5.8	7%
<b>Collaboration</b>									
Twilio	TWLO US	135.0	28.1	24.8	21.5	3.8	3.5	3.3	14%
Ring Central	RNG US	30.8	7.1	6.5	5.9	1.6	1.5	1.5	8%
Zoom	ZM US	88.1	16.2	14.5	14.5	4.0	3.9	3.7	5%
<b>Average</b>			<b>42.6</b>	<b>37.7</b>	<b>31.7</b>	<b>8.6</b>	<b>7.4</b>	<b>6.3</b>	

Source: Bloomberg, CMBIGM

Note: data are as of 10 Dec 2025

## Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 01 Dec (US\$ mn)						
Revenue	19,409	21,505	23,769	26,012	28,331	30,664
Cost of goods sold	2,354	2,358	2,551	2,809	3,035	3,261
Gross profit	17,055	19,147	21,218	23,203	25,296	27,403
Operating expenses	10,405	12,406	12,512	13,854	14,787	15,710
Selling expense	5,351	5,764	6,488	7,179	7,649	8,126
Admin expense	1,413	1,529	1,573	1,691	1,814	1,934
R&D expense	3,473	3,944	4,294	4,812	5,136	5,448
Others	168	1,169	157	172	187	203
Operating profit	6,650	6,741	8,706	9,349	10,509	11,692
Other income	262	359	291	130	142	1
Net Interest income/(expense)	(113)	(169)	(263)	(312)	(283)	(2)
Pre-tax profit	6,799	6,931	8,734	9,167	10,368	11,691
Income tax	1,371	1,371	1,604	1,879	2,074	2,338
After tax profit	5,428	5,560	7,130	7,287	8,294	9,353
Net profit	5,428	5,560	7,130	7,287	8,294	9,353
Adjusted net profit	7,377	8,281	8,941	9,423	10,609	11,847

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 01 Dec (US\$ mn)						
Current assets	11,084	11,232	10,163	8,650	9,333	12,274
Cash & equivalents	7,141	7,613	5,431	3,878	4,382	7,160
Account receivables	2,224	2,072	2,344	2,309	2,414	2,508
Prepayment	1,018	1,274	1,224	1,299	1,373	1,441
Other current assets	701	273	1,164	1,164	1,164	1,164
Non-current assets	18,695	18,998	19,333	19,620	19,927	20,253
PP&E	2,030	1,936	1,873	2,160	2,467	2,793
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	28,270	29,260	32,526
Current liabilities	8,251	10,521	10,200	11,220	12,094	12,964
Account payables	314	361	417	445	467	487
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	7,687	8,372	9,061
Accrued expenses	1,942	2,336	2,648	2,858	3,026	3,186
Non-current liabilities	5,010	5,604	7,673	7,665	7,675	7,686
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	117	127	138
Other non-current liabilities	890	994	977	977	977	977
Total liabilities	13,261	16,125	17,873	18,885	19,770	20,650
Share capital	0	0	0	0	0	0
Capital surplus	11,586	13,419	15,361	17,390	19,600	21,992
Retained earnings	33,061	38,269	45,109	52,396	60,690	70,043
Other reserves	(28,129)	(37,583)	(48,847)	(60,401)	(70,800)	(80,158)
Total shareholders equity	16,518	14,105	11,623	9,385	9,491	11,876
Total equity and liabilities	29,779	30,230	29,496	28,270	29,260	32,526

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
<b>YE 01 Dec (US\$ mn)</b>						
<b>Operating</b>						
Profit before taxation	6,799	6,931	8,734	9,167	10,368	11,691
Depreciation & amortization	872	857	210	233	259	288
Tax paid	1,371	1,371	1,604	1,879	2,074	2,338
Change in working capital	(355)	144	718	972	706	718
Others	(1,385)	(1,247)	(1,235)	(1,729)	(1,937)	(2,285)
<b>Net cash from operations</b>	<b>7,302</b>	<b>8,056</b>	<b>10,031</b>	<b>10,521</b>	<b>11,469</b>	<b>12,750</b>
<b>Investing</b>						
Capital expenditure	(360)	(183)	(475)	(520)	(567)	(613)
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
<b>Net cash from investing</b>	<b>776</b>	<b>149</b>	<b>(1,187)</b>	<b>(520)</b>	<b>(567)</b>	<b>(613)</b>
<b>Financing</b>						
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
<b>Net cash from financing</b>	<b>(5,182)</b>	<b>(7,724)</b>	<b>(11,060)</b>	<b>(11,554)</b>	<b>(10,399)</b>	<b>(9,359)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	4,236	7,141	7,613	5,431	3,878	4,382
Exchange difference	9	(9)	34	0	0	0
<b>Cash at the end of the year</b>	<b>7,141</b>	<b>7,613</b>	<b>5,431</b>	<b>3,878</b>	<b>4,382</b>	<b>7,160</b>
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
<b>YE 01 Dec</b>						
Revenue	10.2%	10.8%	10.5%	9.4%	8.9%	8.2%
Gross profit	10.5%	12.3%	10.8%	9.4%	9.0%	8.3%
Operating profit	9.1%	1.4%	29.1%	7.4%	12.4%	11.3%
Net profit	14.1%	2.4%	28.2%	2.2%	13.8%	12.8%
Adj. net profit	14.2%	12.3%	8.0%	5.4%	12.6%	11.7%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
<b>YE 01 Dec</b>						
Gross profit margin	87.9%	89.0%	89.3%	89.2%	89.3%	89.4%
Operating margin	34.3%	31.3%	36.6%	35.9%	37.1%	38.1%
Adj. net profit margin	38.0%	38.5%	37.6%	36.2%	37.4%	38.6%
Return on equity (ROE)	35.5%	36.3%	55.4%	69.4%	87.9%	87.5%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
<b>YE 01 Dec</b>						
Current ratio (x)	1.3	1.1	1.0	0.8	0.8	0.9
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
<b>YE 01 Dec</b>						
P/E	29.5	28.2	20.9	19.4	17.0	15.1
P/E (diluted)	29.6	28.4	21.0	19.4	17.0	15.1
P/B	9.7	11.1	12.8	15.0	14.9	11.9

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

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