

Adobe (ADBE US)

Inline 3QFY26 results; focus on user acquisition to drive long-term growth

Adobe reported inline 3QFY26 results: total revenue grew by 13% YoY to US\$6.76bn, and non-GAAP net income was up by 8% YoY to US\$2.42bn, both in line with Visible Alpha consensus. Total ARR increased by 11% YoY to US\$27.5bn in 3QFY26, driven by solid user and engagement growth. The company slightly raised FY26 total revenue forecast by c.US\$50mn to US\$26.576-26.626bn (+11.8%-12.0% YoY), while maintaining FY26E ending ARR growth guidance unchanged at +10.2% YoY. The company continues to prioritize customer acquisition to fuel long-term growth, with over 20% YoY growth of total MAUs to over 1bn in 3QFY26. AI-first ARR increased by more than 150% YoY to US\$650mn in 3QFY26. We keep our FY26-28E earnings forecasts largely unchanged and maintain our target price of US\$300.0 based on 12x FY26E non-GAAP PE. Maintain BUY on positive AI product momentum and attractive valuation.

- **Focus on user acquisition to drive long-term growth.** Creative & marketing professionals subscription revenue increased by 13% YoY to US\$4.65bn in 3QFY26, mainly driven by the strong growth of MAUs and AI usage. No. of creative freemium MAUs was up by over 70% YoY to more than 100mn in 3QFY26. Looking ahead, the company will continue to focus on expanding user base through a freemium strategy to drive long-term growth. Business professionals & consumers subscription revenue was up by 16% YoY to US\$1.91bn in 3QFY26, with double-digit ending ARR YoY growth across all geographies. Total MAUs of Acrobat and Express increased by over 25% YoY to more than 900mn. The company also recorded strong performance in SMB segment across inside sales and the reseller channel.
- **Strong AI product adoption.** Adobe's AI-first ending ARR surpassed US\$650mn in 3QFY26, up by over 150% YoY. AI offerings across business lines all achieved solid performance: 1) Acrobat AI Assistant MAUs doubled QoQ, and the company also saw strong enterprise adoption of Acrobat AI capabilities among ETLA customers; 2) AI credit consumption accelerated QoQ across Creative Cloud and the Firefly, with Firefly ending ARR up by 40% QoQ; 3) the company also recorded ending ARR growth of over 20% YoY for each of AEM & agentic web apps, Adobe GenStudio and AEP & apps.
- **Margin under short-term pressure.** Non-GAAP OPM was down by 2ppt YoY to 44% in 3QFY26, mainly due to the increase in R&D investment and the acquisition of Semrush (SEMR US, NR). The company currently trades at 10x FY26E non-GAAP PE, a 40% discount to the 2-year average PE (17x), offering ample safety margin, in our view. The company announced Anil Chakravarthy, the president of Adobe's Customer Experience Orchestration business, to become Adobe's next president and CEO effective Dec 1.

Earnings Summary

(YE 01 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US\$ mn)	21,505	23,769	26,606	29,318	32,106
YoY growth (%)	10.8	10.5	11.9	10.2	9.5
Adjusted net profit (US\$ mn)	8,281.0	8,941.0	9,792.5	10,901.8	12,215.3
EPS (Adjusted) (US\$)	18.53	20.98	24.48	27.87	32.03
Consensus EPS (US\$)	18.53	20.98	24.39	27.47	30.82
P/S (x)	4.6	4.2	3.7	3.4	3.1
P/E (x)	20.0	14.9	13.7	11.8	10.2

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$300.00
 Up/Downside 20.6%
 Current Price US\$248.83

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Stock Data

Mkt Cap (US\$ mn)	99,532.0
Avg 3 mths t/o (US\$ mn)	517.7
52w High/Low (US\$)	367.46/193.41
Total Issued Shares (mn)	400.0

Source: FactSet

Shareholding Structure

BlackRock	9.4%
Vanguard	7.6%

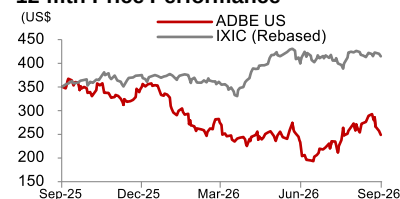
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-5.6%	-4.3%
3-mth	13.7%	12.5%
6-mth	-9.1%	-20.8%

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	26.6	29.3	32.1	0.1%	0.1%	0.1%
Gross profit	23.8	26.2	28.7	23.8	26.2	28.7	0.1%	0.1%	0.1%
Non-GAAP OP	12.0	13.3	14.9	12.0	13.4	15.0	0.1%	-0.7%	-0.7%
Non-GAAP NP	9.8	10.9	12.2	9.7	10.9	12.2	0.7%	0.0%	0.0%
Non-GAAP EPS (US\$)	24.5	27.9	32.0	24.4	27.9	32.0	0.4%	0.0%	0.0%
Gross margin	89.5%	89.5%	89.5%	89.5%	89.5%	89.5%	0.0 ppt	0.0 ppt	0.0 ppt
Non-GAAP OPM	45.0%	45.4%	46.4%	45.0%	45.8%	46.8%	0.0 ppt	-0.4 ppt	-0.4 ppt
Non-GAAP NPM	36.8%	37.2%	38.0%	36.6%	37.2%	38.1%	0.2 ppt	0.0 ppt	0.0 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	26.6	28.9	31.4	0.2%	1.4%	2.2%
Gross profit	23.8	26.2	28.7	23.7	25.8	28.0	0.5%	1.8%	2.6%
Non-GAAP OP	12.0	13.3	14.9	11.9	13.0	14.0	0.3%	2.8%	6.2%
Non-GAAP NP	9.8	10.9	12.2	9.7	10.5	11.4	0.5%	3.3%	6.8%
Non-GAAP EPS (US\$)	24.5	27.9	32.0	24.4	27.5	30.8	0.4%	1.4%	3.9%
Gross margin	89.5%	89.5%	89.5%	89.2%	89.1%	89.1%	0.3 ppt	0.4 ppt	0.4 ppt
Non-GAAP OPM	45.0%	45.4%	46.4%	45.0%	44.8%	44.7%	0.0 ppt	0.6 ppt	1.7 ppt
Non-GAAP NPM	36.8%	37.2%	38.0%	36.7%	36.5%	36.4%	0.1 ppt	0.7 ppt	1.6 ppt

Source: Visible Alpha, CMBIGM estimates

Valuation

We value Adobe at US\$120.0bn (US\$300.0 per share) based on 12x 2026E P/E. Our target P/E is at a discount to the sector average (25x), 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		9,792
Target 2026E PE (x)		12
Target equity valuation		119,958
Valuation per share (USD)		300.0

Source: Company data, CMBIGM estimates

Figure 4: SaaS: valuation comparison

Company	Ticker	Price (LC)	2026E	P/E (x) 2027E	2028E	2026E	P/S (x) 2027E	2028E	EPS CAGR 25-28E
CRM									
Salesforce	CRM US	243.0	14.5	15.1	13.1	7.8	7.2	6.5	14%
HubSpot	HUBS US	223.6	16.9	13.3	11.1	13.8	11.3	9.7	28%
ITSM									
ServiceNow	NOW US	131.2	32.2	26.2	21.7	21.9	17.7	14.6	20%
Atlassian	TEAM US	179.6	31.7	29.7	24.5	13.8	11.4	9.4	15%
Communication									
Twilio	TWLO US	231.1	39.0	34.2	29.5	23.0	19.7	17.0	17%
Zoom	ZM US	95.5	15.6	15.1	14.3	12.3	11.8	11.3	4%
Average			25.0	22.3	19.0	15.4	13.2	11.4	

Source: Bloomberg, CMBIGM. Data are as of 10 Sep 2026

Risks

Heightening competitive pressure from AI labs; tightening enterprise IT budgets; AI investment impacts margin.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 01 Dec (US\$ mn)						
Revenue	19,409	21,505	23,769	26,606	29,318	32,106
Cost of goods sold	2,354	2,358	2,551	2,794	3,078	3,371
Gross profit	17,055	19,147	21,218	23,813	26,240	28,734
Operating expenses	10,405	12,406	12,512	14,410	15,562	16,730
Selling expense	5,351	5,764	6,488	7,343	7,916	8,508
Admin expense	1,413	1,529	1,573	1,995	2,166	2,336
R&D expense	3,473	3,944	4,294	4,896	5,287	5,673
Others	168	1,169	157	176	194	212
Operating profit	6,650	6,741	8,706	9,403	10,678	12,005
Other income	262	359	291	234	235	225
Net Interest income/(expense)	(113)	(169)	(263)	(261)	(293)	(321)
Pre-tax profit	6,799	6,931	8,734	9,376	10,619	11,908
Income tax	1,371	1,371	1,604	2,110	2,336	2,560
After tax profit	5,428	5,560	7,130	7,266	8,283	9,348
Net profit	5,428	5,560	7,130	7,266	8,283	9,348
Adjusted net profit	7,377	8,281	8,941	9,792	10,902	12,215

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 01 Dec (US\$ mn)						
Current assets	11,084	11,232	10,163	8,903	9,907	13,234
Cash & equivalents	7,141	7,613	5,431	4,049	4,825	7,935
Account receivables	2,224	2,072	2,344	2,361	2,498	2,626
Prepayment	1,018	1,274	1,224	1,329	1,421	1,509
Other current assets	701	273	1,164	1,164	1,164	1,164
Non-current assets	18,695	18,998	19,333	19,632	19,958	20,311
PP&E	2,030	1,936	1,873	2,172	2,498	2,851
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	28,535	29,865	33,545
Current liabilities	8,251	10,521	10,200	11,377	12,436	13,514
Account payables	314	361	417	443	473	503
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	7,862	8,664	9,487
Accrued expenses	1,942	2,336	2,648	2,842	3,069	3,293
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	19,045	20,116	21,206
Share capital	0	0	0	0	0	0
Capital surplus	11,586	13,419	15,361	17,516	19,891	22,491
Retained earnings	33,061	38,269	45,109	52,375	60,658	70,006
Other reserves	(28,129)	(37,583)	(48,847)	(60,401)	(70,800)	(80,158)
Total shareholders equity	16,518	14,105	11,623	9,490	9,750	12,339
Total equity and liabilities	29,779	30,230	29,496	28,535	29,865	33,545

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 01 Dec (US\$ mn)						
Operating						
Profit before taxation	6,799	6,931	8,734	9,376	10,619	11,908
Depreciation & amortization	872	857	210	233	260	289
Tax paid	1,371	1,371	1,604	2,110	2,336	2,560
Change in working capital	(355)	144	718	1,049	843	874
Others	(1,385)	(1,247)	(1,235)	(2,064)	(2,298)	(2,520)
Net cash from operations	7,302	8,056	10,031	10,704	11,760	13,112
Investing						
Capital expenditure	(360)	(183)	(475)	(532)	(586)	(642)
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)	(642)
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	4,049	4,825
Exchange difference	9	(9)	34	0	0	0
Cash at the end of the year	7,141	7,613	5,431	4,049	4,825	7,935
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 01 Dec						
Revenue	10.2%	10.8%	10.5%	11.9%	10.2%	9.5%
Gross profit	10.5%	12.3%	10.8%	12.2%	10.2%	9.5%
Operating profit	9.1%	1.4%	29.1%	8.0%	13.6%	12.4%
Net profit	14.1%	2.4%	28.2%	1.9%	14.0%	12.9%
Adj. net profit	14.2%	12.3%	8.0%	9.5%	11.3%	12.0%
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%	36.4%	37.4%
Adj. net profit margin	38.0%	38.5%	37.6%	36.8%	37.2%	38.0%
Return on equity (ROE)	35.5%	36.3%	55.4%	68.8%	86.1%	84.6%
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	20.9	20.0	14.9	13.7	11.8	10.2
P/E (diluted)	21.0	20.1	14.9	13.7	11.8	10.2
P/B	6.9	7.9	9.1	10.5	10.0	7.7

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

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