

Adobe (ADBE US)

3QFY25 results review: better-than-expected AI monetization

Adobe reported 3QFY25 results: total revenue was up by 11% YoY to US\$5.99bn, and non-GAAP net income increased by 8% YoY to US\$2.25bn, both largely in line with consensus estimates. AI product momentum was better than expectation, with AI-influenced ARR surpassing US\$5bn and AI-first ARR exceeding US\$250mn year-end target one quarter ahead. Given the solid momentum of AI solutions and strong go-to-market execution, the company raises FY25 total revenue guidance to US\$23.65-23.70bn (previous: US\$23.50-23.60bn) and digital media ending ARR growth to +11.3% YoY (previous: +11.0% YoY). We raise our FY25-27E total revenue forecast by 0-1% to factor in the better-than-expected AI product performance. We roll over our valuation window to FY26E, and maintain our target price of US\$590.0 based on 25x FY26E non-GAAP PE (previous: US\$590.0 based on 30x FY25E PE). Maintain BUY.

■ **Strong Digital Media business fuelled by AI-infused and AI-first solutions.** Digital Media revenue increased by 12% YoY to US\$4.46bn in 3QFY25, with ARR up by 12% YoY to US\$18.59bn. The Business Professionals & Consumers Group delivered a solid performance, mainly driven by strong adoption of Acrobat AI Assistant and product innovation. Ending units for Acrobat AI Assistant grew by 40% QoQ, and Acrobat Mobile ending ARR grew by over 30% YoY in 3QFY25. The Creative Professionals & Creators Group was also strong, as the company continued to integrate AI into its flagship applications. Firefly app MAU grew by 30% QoQ, with the consumption of Firefly services up by 32% QoQ in 3QFY25. Firefly app is well-positioned to attract next-generation creators, with first-time Adobe subscribers through this app up by 20% QoQ in 3QFY25.

■ **Digital Experience business achieved solid growth.** Digital Experience subscription revenue grew by 11% YoY to US\$1.37bn in 3QFY25, fuelled by over 40% YoY growth of AEP and Apps ending ARR, strong adoption of AEM and solid demand for GenStudio. The AEP AI Assistant adoption was strong, with c.70% of eligible AEP customers using this function. The company plans to launch the LLM Optimizer, which will help brands improve visibility and user acquisition across various LLM platforms.

■ **AI monetization ahead of expectation.** Adobe's AI-influenced ending ARR surpassed US\$5bn in 3QFY25 (incl. Creative Cloud Pro and Acrobat), and management expects it to further rise as a percent of total ARR, as the company continues to integrate AI into its offerings. AI-first ARR exceeded year-end target of US\$250mn in 3QFY25 (incl. Firefly, Acrobat AI Assistant and GenStudio for Performance Marketing), driven by the strong AI product adoption. Through integrating both first-party and third-party AI models into creators' workflows, Adobe is positioned to become the operating system for creative work in the AI era.

Earnings Summary

(YE 01 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	19,409	21,505	23,679	25,786	27,951
YoY growth (%)	10.2	10.8	10.1	8.9	8.4
Adjusted net profit (US\$ mn)	7,377.0	8,281.0	8,893.7	9,841.7	10,939.2
EPS (Adjusted) (US\$)	15.70	18.12	19.90	23.05	26.23
Consensus EPS (US\$)	15.70	na	20.59	22.94	25.65
P/S (x)	7.7	7.0	6.3	5.8	5.4
P/E (x)	30.4	28.8	22.2	19.1	16.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$590.00
 Up/Downside 68.3%
 Current Price US\$350.55

Software & IT Services

Saiyi HE, CFA
 (852) 3916 1739
 hesaiyi@cmbi.com.hk

Wentao LU, CFA
 luwentao@cmbi.com.hk

Ye TAO, CFA
 franktao@cmbi.com.hk

Joanna Ma
 (852) 3761 8838
 joannama@cmbi.com.hk

Stock Data

Mkt Cap (US\$ mn)	149,684.9
Avg 3 mths t/o (US\$ mn)	597.6
52w High/Low (US\$)	552.96/333.65
Total Issued Shares (mn)	427.0

Source: FactSet

Shareholding Structure

The Vanguard Group	9.3%
BlackRock	8.7%

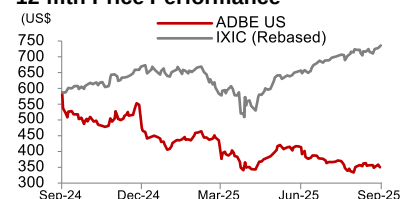
Source: Company data

Share Performance

	Absolute	Relative
1-mth	3.6%	1.9%
3-mth	-15.3%	-24.4%
6-mth	-20.1%	-36.0%

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	23.7	25.8	28.0	23.6	25.6	27.7	0.4%	0.7%	0.9%
Gross profit	21.1	23.1	25.0	21.1	22.9	24.8	0.4%	0.7%	1.0%
Non-GAAP OP	10.9	12.1	13.3	10.9	11.9	13.1	0.1%	1.6%	1.9%
Non-GAAP NP	8.9	9.8	10.9	8.8	9.6	10.7	1.1%	2.5%	2.3%
Non-GAAP EPS (US\$)	20.8	23.6	26.2	20.6	23.0	25.6	1.3%	2.7%	2.5%
Gross margin	89.3%	89.5%	89.5%	89.3%	89.4%	89.5%	0.0 ppt	0.1 ppt	0.1 ppt
Non-GAAP OPM	46.0%	47.0%	47.7%	46.1%	46.6%	47.2%	-0.1 ppt	0.5 ppt	0.5 ppt
Non-GAAP NPM	37.6%	38.2%	39.1%	37.3%	37.5%	38.6%	0.3 ppt	0.7 ppt	0.5 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	23.7	25.8	28.0	23.6	25.8	28.2	0.4%	-0.1%	-0.8%
Gross profit	21.1	23.1	25.0	21.2	23.2	25.3	-0.3%	-0.5%	-1.0%
Non-GAAP OP	10.9	12.1	13.3	10.9	11.9	13.1	0.3%	1.9%	1.9%
Non-GAAP NP	8.9	9.8	10.9	8.9	9.6	10.5	0.5%	2.2%	3.9%
Non-GAAP EPS (US\$)	20.8	23.6	26.2	20.6	22.9	25.6	1.2%	2.9%	2.3%
Gross margin	89.3%	89.5%	89.5%	89.9%	89.8%	89.8%	-0.6 ppt	-0.3 ppt	-0.2 ppt
Non-GAAP OPM	46.0%	47.0%	47.7%	46.0%	46.1%	46.4%	0.0 ppt	0.9 ppt	1.3 ppt
Non-GAAP NPM	37.6%	38.2%	39.1%	37.5%	37.3%	37.4%	0.0 ppt	0.9 ppt	1.8 ppt

Source: Bloomberg, CMBIGM estimates

Valuation

We value Adobe at US\$246bn (US\$590.0 per share) based on 25x 2026E P/E. Our target P/E is at a discount to the sector average (40x), 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	9,842
Target 2026E PE	25.0
Target equity valuation	246,043
Valuation per share (USD)	590.0

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	246.3	24.5	21.7	19.4	5.6	5.2	4.7	16%
HubSpot	HUBS US	496.8	52.2	43.5	35.5	8.1	6.9	6.0	20%
Five9	FIVN US	26.1	9.0	8.3	7.4	2.0	1.8	1.6	14%
ITSM									
ServiceNow	NOW US	938.3	55.3	47.1	39.2	14.5	12.3	10.3	20%
Atlassian	TEAM US	176.7	49.6	41.5	34.3	7.2	6.1	5.1	22%
Security									
CrowdStrike	CRWD US	433.4	115.0	118.3	91.2	22.0	18.0	14.8	17%
ZScaler	ZS US	286.7	89.9	78.2	64.4	13.3	11.1	9.3	14%
Fortinet	FTNT US	80.9	32.1	29.0	26.1	8.7	7.8	7.0	11%
Palo Alto Network	PANW US	198.3	60.6	52.0	46.1	11.9	10.4	9.3	16%
ERP									

SAP	SAP US	258.2	37.0	30.9	24.5	8.6	7.7	6.8	NA
Oracle	ORCL US	307.9	51.4	45.2	38.0	14.5	11.9	8.4	13%
Collaboration									
Twilio	TWLO US	102.6	22.5	19.8	16.8	2.9	2.7	2.5	18%
Ring Central	RNG US	31.3	7.3	6.6	6.1	1.7	1.6	1.5	12%
Zoom	ZM US	84.8	15.6	14.4	14.3	3.8	3.7	3.6	6%
Average			44.4	39.7	33.1	8.9	7.7	6.5	

Source: Bloomberg, CMBIGM

Note: data as of 11 Sep 2025

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 01 Dec (US\$ mn)						
Revenue	17,606	19,409	21,505	23,679	25,786	27,951
Cost of goods sold	2,165	2,354	2,358	2,531	2,710	2,923
Gross profit	15,441	17,055	19,147	21,148	23,076	25,028
Operating expenses	9,343	10,405	12,406	12,526	13,421	14,392
Selling expense	4,968	5,351	5,764	6,464	6,859	7,407
Admin expense	1,219	1,413	1,529	1,634	1,753	1,872
R&D expense	2,987	3,473	3,944	4,262	4,629	4,917
Others	169	168	1,169	166	181	196
Operating profit	6,098	6,650	6,741	8,622	9,654	10,636
Other income	22	262	359	308	258	280
Net Interest income/(expense)	(112)	(113)	(169)	(237)	(258)	(280)
Pre-tax profit	6,008	6,799	6,931	8,693	9,654	10,636
Income tax	1,252	1,371	1,371	1,626	1,805	1,989
After tax profit	4,756	5,428	5,560	7,067	7,849	8,647
Net profit	4,756	5,428	5,560	7,067	7,849	8,647
Adjusted net profit	6,457	7,377	8,281	8,894	9,842	10,939

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 01 Dec (US\$ mn)						
Current assets	8,996	11,084	11,232	11,668	12,822	24,112
Cash & equivalents	4,236	7,141	7,613	7,844	8,822	19,945
Account receivables	2,065	2,224	2,072	2,190	2,290	2,383
Prepayment	835	1,018	1,274	1,361	1,437	1,511
Other current assets	1,860	701	273	273	273	273
Non-current assets	18,169	18,695	18,998	19,262	19,545	19,845
PP&E	1,908	2,030	1,936	2,200	2,483	2,783
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	30,930	32,366	43,956
Current liabilities	8,128	8,251	10,521	11,373	11,975	12,616
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	6,997	7,620	8,260
Accrued expenses	1,790	1,942	2,336	2,307	2,272	2,255
Non-current liabilities	4,986	5,010	5,604	5,583	5,592	5,602
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	107	116	126
Other non-current liabilities	823	890	994	994	994	994
Total liabilities	13,114	13,261	16,125	16,955	17,567	18,218
Share capital	0	0	0	0	0	0
Capital surplus	9,868	11,586	13,419	15,361	17,475	19,767
Retained earnings	28,026	33,061	38,269	45,336	53,185	61,832
Other reserves	(23,843)	(28,129)	(37,583)	(46,722)	(55,861)	(55,861)
Total shareholders equity	14,051	16,518	14,105	13,975	14,799	25,738
Total equity and liabilities	27,165	29,779	30,230	30,930	32,366	43,956

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 01 Dec (US\$ mn)						
Operating						
Profit before taxation	6,008	6,799	6,931	8,693	9,654	10,636
Depreciation & amortization	856	872	857	210	233	259
Tax paid	1,252	1,371	1,371	1,626	1,805	1,989
Change in working capital	336	(355)	144	626	436	484
Others	(614)	(1,385)	(1,247)	(1,309)	(1,496)	(1,686)
Net cash from operations	7,838	7,302	8,056	9,844	10,632	11,682
Investing						
Capital expenditure	(442)	(360)	(183)	(474)	(516)	(559)
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	(474)	(516)	(559)
Financing						
Net borrowings	0	(500)	1,997	0	0	0
Share repurchases	(7,068)	(4,989)	(9,139)	(9,139)	(9,139)	0
Others	243	307	(582)	0	0	0
Net cash from financing	(6,825)	(5,182)	(7,724)	(9,139)	(9,139)	0
Net change in cash						
Cash at the beginning of the year	3,843	4,235	7,140	7,612	7,844	8,821
Exchange difference	(51)	9	(9)	0	0	0
Cash at the end of the year	4,235	7,140	7,612	7,844	8,821	19,944
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 01 Dec						
Revenue	11.5%	10.2%	10.8%	10.1%	8.9%	8.4%
Gross profit	10.9%	10.5%	12.3%	10.4%	9.1%	8.5%
Operating profit	5.1%	9.1%	1.4%	27.9%	12.0%	10.2%
Net profit	(1.4%)	14.1%	2.4%	27.1%	11.1%	10.2%
Adj. net profit	7.6%	14.2%	12.3%	7.4%	10.7%	11.2%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 01 Dec						
Gross profit margin	87.7%	87.9%	89.0%	89.3%	89.5%	89.5%
Operating margin	34.6%	34.3%	31.3%	36.4%	37.4%	38.1%
Adj. net profit margin	36.7%	38.0%	38.5%	37.6%	38.2%	39.1%
Return on equity (ROE)	33.0%	35.5%	36.3%	50.3%	54.6%	42.7%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 01 Dec						
Current ratio (x)	1.1	1.3	1.1	1.0	1.1	1.9
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	35.2	30.4	28.8	22.2	19.1	16.9
P/E (diluted)	35.5	30.4	28.9	22.3	19.1	16.9
P/B	11.9	10.0	11.4	11.2	10.1	5.7

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

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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