

Adobe Inc.

ADBE

Bloomberg
ReutersADBE.US
ADBE.NLB

Adobe's guidance below expectations due to concerns over AI rivalry led to stock decline.

Earnings Result

By combining the Q1 outperformance with the mixed guidance outlook highlighting the Creative business concerns, this headline provides a succinct yet comprehensive summary of Adobe's reported results and future expectations, encapsulating both the company's solid quarterly achievements and the potential challenges it may face in its core creative software segment going forward. The headline deftly captures the contrast between Adobe's better-than-expected revenue and earnings in the recent quarter, driven by strong performance across its business segments, and the tempered outlook for its recurring creative revenue, which is a key driver of growth and an area of increasing competition from AI-based tools and services.

Earnings Surpass Forecasts

The company reported earnings per share (EPS) of \$4.48 for the quarter, reflecting a year-over-year increase compared to the \$3.80 EPS recorded in the corresponding quarter last year. The consensus estimate among analysts for the company's EPS was \$4.38. Therefore, the company's actual EPS surpassed the expected figure, resulting in a positive earnings surprise of 2.28%.

Robust Revenue Growth Across All Segments

The company's revenue for the quarter exceeded analysts' expectations of \$5.18 billion. The reported revenue figure demonstrated an 11.3% increase compared to the same period in the previous year, highlighting robust year-over-year growth in the company's top line. In 1Q24, Digital Media segment revenue grew by 12% year-over-year, with Creative revenue growing by 11% and Document Cloud revenue growing by 18%. In the Digital Experience segment, revenue grew by 10% year-over-year. These growth rates indicate positive performance and customer adoption in both segments.

Balance sheet and cashflow

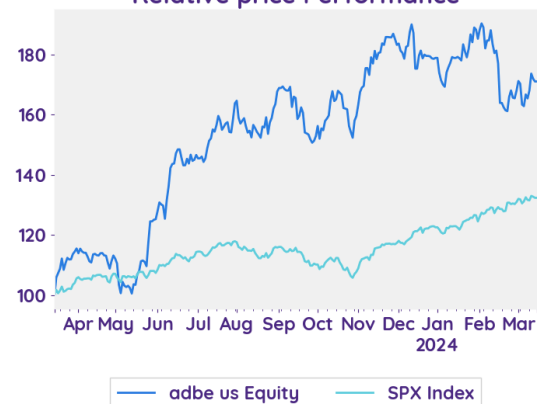
In 1Q24, the company's balance sheet shows a decrease in cash and cash equivalents from \$7,141 million to \$6,254 million. The company also has short-term investments of \$566 million. The balance sheet also indicates that the company has property and equipment valued at \$1,988 million and goodwill of \$12,803 million. The cash flow statement shows net cash provided by operating activities of \$1,174 million, with adjustments for depreciation, stock-based compensation, and changes in deferred revenue. The company also had net cash used for financing activities of \$2,128 million, including repurchases of common stock and repayment of debt.

Lackluster Outlook Overshadows Strong Performance

The company forecasted revenue between \$5.25 billion and \$5.3 billion for the upcoming period, slightly below the \$5.31 billion analyst consensus. Its earnings guidance of up to \$4.40 per share excluding items exceeded analysts' \$4.38 estimate. However, the company's expected \$440 million in new recurring creative revenue fell short of the \$459 million analyst expectation.

REVENUE - %CHG YOY	1Q23	2Q23	3Q23	4Q23	1Q24
Digital Media	9.2%	9.7%	11.2%	12.6%	12.4%
Digital Experience	11.3%	11.6%	9.7%	10.1%	9.6%
Publishing & Advertising	-11.6%	-8.8%	-17.3%	-12.0%	-8.3%

Relative price Performance



SENTIMENT	2Q23	3Q23	4Q23	1Q24
net profit	Positive	Positive	Positive	Positive
margin	Neutral	Neutral	Neutral	Neutral
revenue	Positive	Positive	Positive	Positive

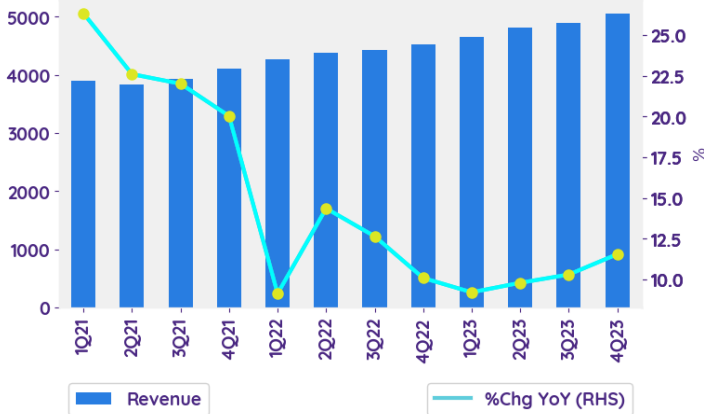
STOCK DATA	
Market Cap (USD Million)	257.84
Beta	1.70
Last close	570.45
12-m Low / High	328.2 / 638.3
Target price	650.00
Return Potential	13.9 %
% of Buy / Sell rating	74.0 % / 5.0 %

VALUATION DATA	12M FORWARD	5-YR AVERAGE
P/E	31.00	48.46
P/B	13.30	15.86
P/S	12.00	14.69
EV/EBITDA	24.22	28.83
Dividend Yield	0.0 %	

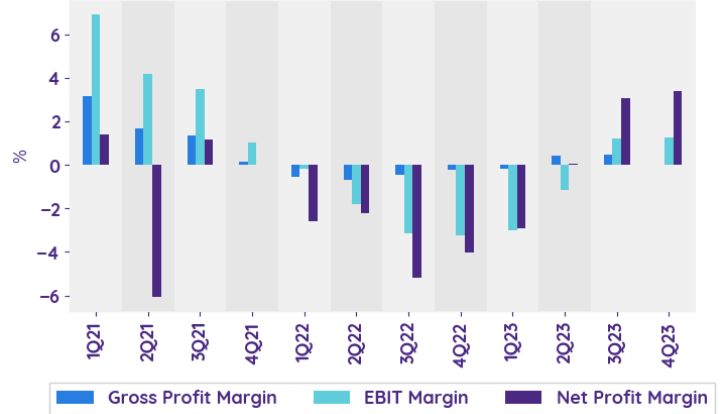
Adobe Inc.

Adobe Inc. develops, markets, and supports computer software products and technologies. The Company's products allow users to express and use information across all print and electronic media. Adobe offers a line of application software products, type products, and content for creating, distributing, and managing information. Adobe serves customers worldwide.

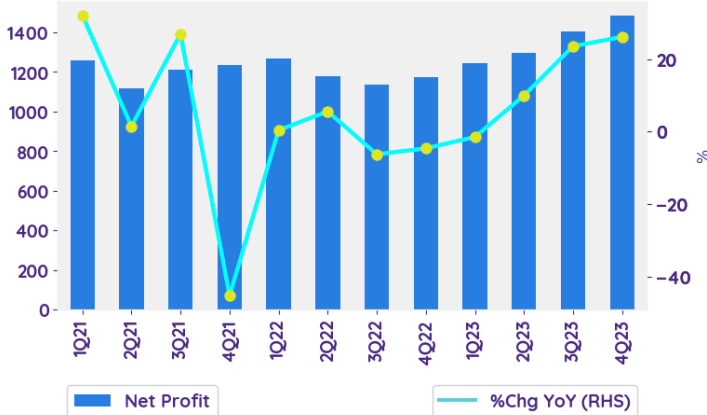
Quarterly Revenue Trend



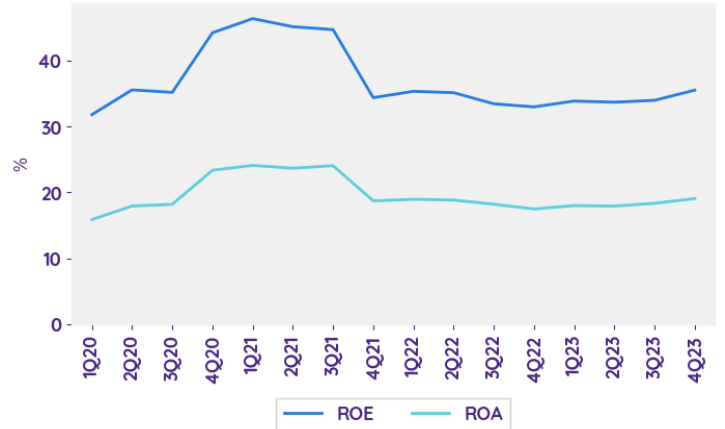
Quarterly Margin Expansion Trend



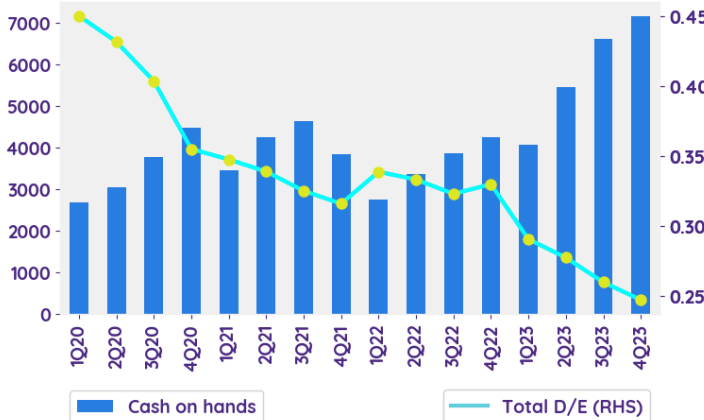
Quarterly Net Profit Growth Trend



Quarterly ROE and ROA Trend



Quarterly Liquidity and Leverage



Quarterly Cash Flows Trend

