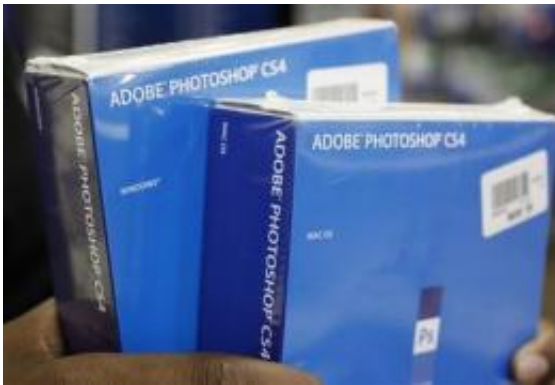


# Adobe Systems posts 4Q loss but says demand rising

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A salesperson holds copies of Adobe Photoshop CS4 for Mac OS and Windows at Micro Center computer store in Santa Clara, Calif., Tuesday, Dec. 15, 2009. Adobe, the maker of Photoshop and Flash software, is reporting a net loss for its fiscal fourth quarter, weighed by charges. (AP Photo/Paul Sakuma)

(AP) -- Adobe Systems Inc. said Tuesday that although it booked a loss in the fiscal fourth quarter, consumer demand improved and allowed the maker of Photoshop and Flash software to post an optimistic outlook for the current period.

The recession has dampened demand for Creative Suite 4, the latest version of the software package targeting professional designers and developers that brings in the bulk of Adobe's revenue. It happened to launch in the fall of 2008, right as the financial meltdown hit.

But the company said Tuesday it saw demand pick up in the fourth quarter, especially in its final month. Chief Financial Officer Mark Garrett said this November uptick - across many of the company's product lines, mainly in North America and Europe - was more than what the company had expected. Even so, CS4 will likely end up with sales about 20 percent below its predecessor.

Adobe on Tuesday reported a loss of \$32 million, or 6 cents per share, for the three months that ended Nov. 27, compared with a profit of \$245.9 million, or 46 cents per share, in the same period a year earlier.

Stripping out special items such as restructuring charges and an income tax adjustment related to its October acquisition of Omniture Inc., Adobe earned 39 cents per share, surpassing Wall Street analysts' expectations.

The quarter's revenue fell 17 percent to \$757.3 million, but still topped the \$752.5 million expected by analysts polled by Thomson Reuters.

Adobe CEO Shantanu Narayen said he expects Creative Suite 5, which will launch sometime in the current fiscal year, to be a "must-have upgrade" for customers. Creative Suite includes many of Adobe's applications, including Photoshop, Illustrator, Flash and the Web design software Dreamweaver.

Because of the timing of CS4's launch, many customers put off buying the costly package, opting to save money and wait for the next version. Garrett said this group represents pent-up demand, not only because it's difficult to be two versions behind in software but also because many companies will be upgrading their computers and operating systems next year. This benefits Adobe because software upgrades generally follow hardware upgrades.

Adobe hasn't said when CS5 will come out, though Sasa Zorovic, an analyst with Janney Capital Markets, expects it to launch in May.

For the current quarter, Adobe is forecasting a profit of 34 cents to 39 cents per share, excluding items, on sales of \$800 million to \$850 million. Analysts are predicting earnings of 37 cents per share on revenue of \$798.9 million, on average.

Adobe's first-quarter revenue forecast includes about \$78 million to \$83 million from Omniture, the Web analytics software maker it acquired for \$1.8 billion in October. Omniture expands the company's product offerings because it provides a way for businesses to measure the effectiveness of the Web content they create using Adobe's software.

For the full year, the company earned \$386.5 million, down 56 percent from a year earlier. Revenue fell 18 percent, to \$2.95 billion. Over the past year, Adobe reduced its work force by about 1,300, though it gained some from the Omniture acquisition.

Adobe's shares fluctuated in after-hours trading as investors digested the news. The stock climbed 6 cents to \$36.42 in extended trading after closing up 58 cents at \$36.36.

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