

Adobe 1Q profit, sales drop, squeezed by downturn

17 March 2009



In this Sept. 16, 2008 file photo, Adobe's Photoshop Elements and Premiere are seen on display at a Best Buy store in Mountain View, Calif., Tuesday, Sept. 16, 2008. Adobe Systems Inc., the company behind the popular Photoshop software, posted a decline in its fiscal first-quarter profit and sales Tuesday, March 17, 2009, squeezed by the economic downturn. (AP Photo/Paul Sakuma, file)

(AP) -- Adobe Systems Inc., the company behind the popular Photoshop software, posted a decline in fiscal first-quarter profit and sales Tuesday, squeezed by the economic downturn.

However, adjusted earnings slightly exceeded Wall Street's expectations, and the company's forecast for the current quarter was in line with analysts' estimates.

San Jose, Calif.-based Adobe had already warned this month of revenue falling below its previous targets. The recession has slowed sales of Creative Suite 4, the latest version of the software package that brings in the majority of Adobe's revenue. The product launched last fall, coinciding with the worsening economic turmoil.

For the December-February period, Adobe earned \$156.4 million, or 30 cents per share, down 29 percent from \$219.4 million, or 38 cents per share,

a year earlier.

Excluding one-time items such as stock-options expenses, restructuring charges and investment losses, adjusted earnings totaled 45 cents a share in the latest quarter, beating average analysts' estimates by a penny.

Revenue declined 12 percent to \$786.4 million, roughly in line with analysts' estimates of \$784.2 million, according to a survey by Thomson Reuters.

"While the economy had a clear impact on overall product demand, we were able to proactively align our expenses with our revenue," said Mark Garrett, chief financial officer, on a conference call with analysts.

Adobe, which said in December it is cutting 600 jobs or 8 percent of its work force, trimmed its operating expenses by 6 percent during the first quarter, to \$501.1 million.

Edward Jones analyst Andy Miedler said that while the economy has "clearly taken a toll" on Adobe's revenue, the company is doing a good job managing its expenses and its overall business, which is helping profits.

"They are investing where they need to but also making the cuts where they need to," said Miedler, who rates Adobe shares at "Buy."

Shantanu Narayen, Adobe's president and chief executive, said the Flash platform is among the areas the company continues to invest in, as use of the product grows beyond PCs to mobile devices, set-top boxes and gaming consoles.

The company's Creative business, along with Acrobat, continues to represent growth opportunities for Adobe even in the current economy, he added.

Adobe forecast second-quarter earnings of 20 cents to 27 cents per share, or, excluding one-time items, a profit of 31 cents to 38 cents per share. Wall Street's expectations for a profit of 35 cents per share, excluding items, is within that range.

The company expects revenue between \$675 million and \$725 million for the quarter, also bracketing analysts' average forecast of \$694.4 million.

"We believe the major market trends driving our business remain intact, and we will continue to focus on innovation and investing in new growth businesses," Narayen said in a statement.

Adobe's shares climbed 27 cents to \$19.40 in after-hours electronic trading, having earlier closed up 68 cents, or 3.7 percent, at \$19.13 amid a broader market rally.

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