

# Adobe Inc.

## Annual Report 2024

### Executive Summary

Adobe Inc. delivered strong financial performance in fiscal year 2024, with total revenue reaching \$188.5 million, representing a 23% year-over-year increase from \$153.3 million in 2023. This growth was driven primarily by our Enterprise Solutions division and expanding international footprint.

Net income for the year was \$24.1 million, up from \$18.2 million in the prior year. Operating margins improved to 15.8%, compared to 14.1% in 2023, reflecting operational efficiencies and economies of scale.

The company added 847 new enterprise clients during the year, bringing total active accounts to 3,420. Customer retention rate remained strong at 92%.

### Quarterly Revenue Summary

Q1 2024: \$42.3M (+4.2% QoQ, +19.8% YoY)

Q2 2024: \$45.1M (+6.6% QoQ, +21.4% YoY)

Q3 2024: \$48.7M (+8.0% QoQ, +24.1% YoY)

Q4 2024: \$52.4M (+7.6% QoQ, +26.3% YoY)

FY 2024 Total: \$188.5M (+23.0% YoY)

Revenue growth accelerated through the year, with Q3 and Q4 showing the strongest quarter-over-quarter gains. Enterprise Solutions contributed 62% of total revenue (\$116.9M), SMB Products contributed 28% (\$52.8M), and Professional Services accounted for 10% (\$18.8M).

### Revenue by Segment

Enterprise Solutions: \$116.9M (FY23: \$89.4M, +30.8%)

SMB Products: \$52.8M (FY23: \$46.2M, +14.3%)

Professional Services: \$18.8M (FY23: \$17.7M, +6.2%)

Total: \$188.5M (FY23: \$153.3M, +23.0%)

### Profitability

Gross Margin: 71.2% (FY23: 69.8%, +1.4pp)

Operating Margin: 15.8% (FY23: 14.1%, +1.7pp)

Net Margin: 12.8% (FY23: 11.9%, +0.9pp)

EBITDA: \$38.4M (FY23: \$29.8M, +28.9%)

### Department Performance -- Engineering

The Engineering department delivered 94% of planned features on schedule, maintaining high velocity with a team of 312 engineers. Key achievements include the launch of the AI Analytics platform (March) and the Cloud Migration toolkit (August).

Technical debt reduction continued, with 3 legacy services modernized to microservices architecture. Engineering headcount grew by 18%.

## **Department Performance -- Sales**

Sales exceeded annual targets with 112% quota attainment. The sales team closed 847 new enterprise deals, with an average deal size of \$138K, up from \$120K in 2023. Sales pipeline entering 2025: \$312M.

Key wins: three Fortune 500 companies in Q3, contributing \$18.4M in new ARR.

## **Department Performance -- Marketing**

Marketing performance was mixed. While brand awareness metrics improved (website traffic up 45%, social media engagement up 67%), lead generation fell short of targets. Marketing-qualified leads (MQLs) reached only 72% of the annual target, impacting the sales pipeline for the second half of the year.

Digital advertising ROI declined from 4.2x to 3.1x due to increased competition in paid search. Content marketing showed promise with organic traffic growing 38% YoY.

The marketing team is restructuring its demand generation strategy for 2025, with increased focus on account-based marketing (ABM) and partnership channels.

## **Department Performance -- Customer Support**

Customer Support faced significant challenges in 2024. The overall CSAT score declined to 68%, down from 82% in 2023. Average ticket resolution time increased from 4.2 hours to 7.8 hours, driven by:

- 34% increase in ticket volume following the expanded product suite
- Staffing shortages due to 28% turnover in the support team
- Knowledge base gaps for newly launched products

Escalation rates increased to 15% (from 8% in 2023). The department hired 45 new support agents in Q4 and is investing in AI-assisted support tooling for 2025.

## **Department Performance -- Human Resources**

HR metrics showed concerning trends. Employee turnover reached 23%, significantly above the 15% industry benchmark and our internal target. Engineering and Customer Support teams were most affected.

Employee engagement scores averaged 3.2/5.0 across the organization, down from 3.6/5.0 in 2023. Exit interviews identified compensation competitiveness and career development as primary drivers of attrition.

Positive: Adobe Academy launched; DEI program expanded diverse representation in leadership to 34%.

## **Department Performance -- Operations**

Operations maintained strong performance with 91% operational efficiency. Infrastructure uptime was 99.94%, deployment frequency increased to 47 releases/month (from 32 in 2023).

Cost optimization delivered \$4.2M in annualized savings through cloud infrastructure right-sizing and vendor contract renegotiations.

## **Risk Factors**

1. Client Concentration Risk: Top 3 clients account for 35% of revenue (\$66.0M). Loss of any major client would significantly impact financial results.

2. Cybersecurity: Vulnerability discovered in authentication module during Q3 audit. Patched within 48 hours. Comprehensive security overhaul planned for Q1 2025.
3. Supply Chain: Hardware delivery delays affected 12% of on-premise deployments in Q3-Q4. Cloud-first architecture shift expected to reduce dependency.
4. Regulatory Compliance: GDPR amendments and US state privacy laws require significant changes by Q2 2025. Estimated compliance cost: \$3.8M.
5. Talent Retention: High turnover (Engineering 19%, Customer Support 28%) poses risk to continuity and institutional knowledge.
6. Market Competition: Two competitors launched AI analytics products in Q3 2024, intensifying competition in core market segment.

## Outlook for 2025

Management targets 18-22% revenue growth for FY 2025, with projected total revenue of \$222-\$230M.

Key growth drivers:

- International expansion into EU markets (projected \$15M incremental revenue)
- AI Analytics platform GA (projected \$20M in year-one revenue)
- Enterprise account expansion through ABM-focused marketing

Capital expenditure planned at \$28M: R&D (60%), infrastructure (25%), office expansion (15%).