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Written Assignment 3

1. As shown on the vertical common-size income statement attached, for the year ending December 2nd 2016, Adobe’s gross margin was 86%, its operating margin was 30%, and its net profit margin was 20%.
2. Adobe’s gross margin of 86% in 2016 is up from its margin of 84% in 2015, and is similar to the 85% seen in 2014. All in all the gross margin seems fairly constant, with minor fluctuations over the past few years.

Adobe’s operating margin has been on a steady incline over the past two years, up from 12% in 2014, to 22% in 2015, and now at 30% in 2016.

In the same way, Adobe’s net profit margin has increased over the past three years, from 6% in 2014, to 13% in 2015, and ow 20% in 2016.

1. Adobe explains their improvement with the following: “For fiscal 2016, we reported strong financial results consistent with the continued execution of our long-term plans for our two strategic growth areas, Digital Media and Digital Marketing, while continuing to market and license a broad portfolio of products and solutions.

In our Digital Media segment, we are a market leader with Adobe Creative Cloud, our subscription-based offering for creating and publishing content and applications. Creative Cloud delivers value through frequent product updates, storage and access to user files stored in the cloud with syncing of files across users' machines, access to marketplace, social and community-based features with our Adobe Stock and Behance services, app creation capabilities and affordable point pricing for cost-sensitive customers.” – Adobe 10-K Page 39 & 40 Item 7

1. In Fiscal 2016, Adobe’s Net Income grew 86%. This is very good, but is less than the 135% it grew in Fiscal 2015.
2. Adobe describes the change in revenue in Fiscal 2016 with: “Revenue from Digital Media increased $845.8 million during fiscal 2016 as compared to fiscal 2015, primarily driven by increases in revenue associated with our creative offerings.” – Adobe 10-K Item 7 Page 43