

1st Quarter Report for ADBE

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BUSINESS: Adobe, Inc. develops various computer software products that enable users to create, transfer, and print electronic documents. The company operates in the following primary business segments: Digital Media, Digital Experience, and Publishing and Advertising. Adobe's leading software products include *Illustrator*, *Photoshop*, *InDesign*, *Acrobat*, and the new *Firefly* suite.

Percentage change in Sales from year ago quarter 11.3%

Percentage change in Earnings per Share from year ago quarter -49.8 %

Is company meeting our target sales & earnings estimates? yes

Pre-tax Profit on sales trend? (up, even, down) up

Return on equity trends? (up, even, down) even

Debt? (up, even, down) Down

Current PE is 47.5.

Where does it fall in my estimated High/low range of PE's? mid-range

Signature PE = 44.5 7.5% of Club Portfolio

Club cost basis is \$436.57/share. Current price is \$497 (close 04/04/24 vs \$380.60 (04/10/23 close)

Current fair value: Morningstar: \$610.00 CFRA: \$474 (OVERVALUED)

Compound Annual Return (High P/E) is 12.5% Compound Annual Return with Forecast Average P/E is 8.1%

1st Q: Reported March 14, 2024: Improved results—Sales up 11.6%; EPS up 27.7% YOY. CFRA increased 12-month target to \$580 from \$412, P/E of 32x CY 2024 EPS estimate \$18.12.

Morningstar: retained FV of \$610; 4-star rating; wide Moat...think shares are back in the "attractive" category.

--Revenue better than anticipated, getter than anticipated, notable strength in digital media, but offered perplexing guidance for the 2nd quarter; AI image generation tool Firefly drawing huge interest and increasing the number of potential new users; more multi-year customers.

-- GAPP EPS lower due to the abandoned buy of Figma (paid \$ 1B fee to Figma), The termination payment impacts both Q1 GAAP EPS and full-year Fiscal 2024 GAAP EPS. Continued and extended share repurchase authority. **Bears** fear that ADBE may overpay for future acquisitions that may not add that much to the bottom line.

VL: "shares favorably ranked for Timeliness (02/02/24@603) decent appreciation potential for 3-5 years. Safety 2.

CFRA is 4-Stars Buy, 12-month target price \$630. and sees improved margins, prices, and number of users.

What will drive future growth: CFRA: "project 12-month sales growth of 11%" led by demand across Creative Cloud (12%), Document Cloud (16%), and Experience Cloud (10%) ADBE management believes growth will come through adding new users, expanding relationships through upselling and cross-selling, while increasing operating margins. *Morningstar* analysts impressed with new generative AI with over 100 new features throughout its portfolio. ADBE announced new generative AI models, including improvements to the Firefly line of digital/graphic applications. Analysts believe that wide-moat ADBE is fairly valued after strong performance in 2023.

My SSG shows a **BUY**, for the Club. Possible personal purchase on dip.