CFRA

Adobe Inc.

Recommendation	Price	12-Mo. Target Price	Report Currency	Investment Style
BUY ★★★★☆	USD 504.60 (as of market close Mar 28, 2024)	USD 630.00	USD	Large-Cap Growth

Equity Analyst Angelo Zino, CFA

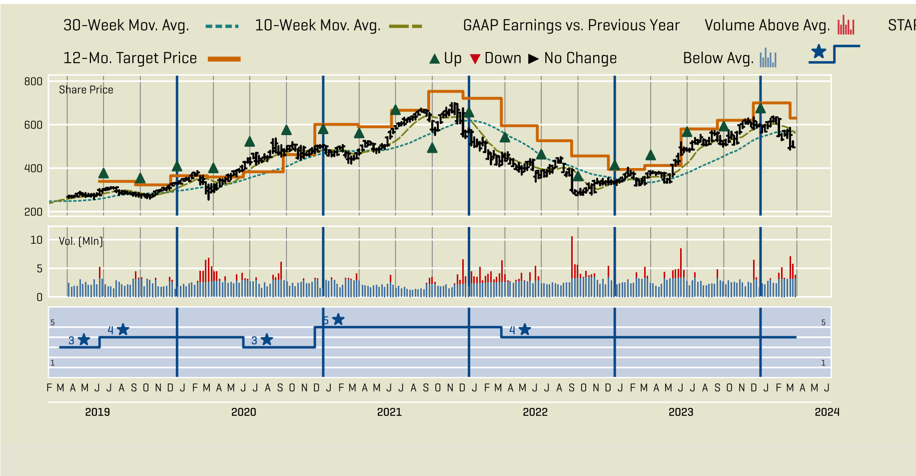
GICS Sector Information Technology
Sub-Industry Application Software

Summary Adobe is a provider of software applications used for creative content creation and one of the leading providers of marketing automation and e-commerce applications.

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	**USD 638.25 - 331.89**	Oper.EPS2024**E**	**USD 18.00**	Market Capitalization[B]	**USD 226.06**	Beta	**1.29**
Trailing 12-Month EPS	**USD 16.76**	Oper.EPS2025**E**	**USD 20.74**	Yield [%]	**N/A**	3-yr Proj. EPS CAGR[%]	**14**
Trailing 12-Month P/E	**30.11**	P/E on Oper.EPS2024**E**	**28.03**	Dividend Rate/Share	**N/A**	SPGMI's Quality Ranking	**B+**
USD 10K Invested 5 Yrs Ago	**19,235.0**	Common Shares Outstg.[M]	**453.00**	Trailing 12-Month Dividend	**N/A**	Institutional Ownership [%]	**85.0**

Price Performance



Source: CFRA, S&P Global Market Intelligence
Past performance is not an indication of future performance and should not be relied upon as such.
Analysis prepared by **Angelo Zino, CFA** on Mar 15, 2024 10:21 AM ET, when the stock traded at **USD 490.50**.

Highlights

- We project sales to grow 11% in FY 24 (Nov.) and 12% in FY 25 (+10% in FY 23). Sales are being led by demand across Creative Cloud (+11% in Nov-Q; 59% of sales), Document Cloud (+18%; 14%), and Experience Cloud (+10%; 27%). We positively view ADBE's GenAI roadmap and potential monetization efforts, with Firefly attracting significant interest across platforms (e.g., Photoshop, Illustrator), with over 6.5B assets created. We also like growing interest/pipeline for ADBE's GenStudio. Despite increasing competition, we think greater AI imaging/video offerings lowers the content creation barriers, and thus will raise the need for greater enterprise led editing/publishing tools.
- We forecast an adjusted EBITDA margin in the high-40% range through FY 25 on greater operating leverage, specifically from ADBE's higher margin Creative and Document businesses. Margins are likely to be hurt by higher AI costs.
- Net cash stands at $3.2B while we see rising FCF (+$8B in FY 24 and $10B in FY 25). We positively view accelerating RPO growth (+16%), the $25B buyback announced in March (10% of market cap), and net new Creative ARR growth of 20% (ex. impact of prior pricing increases that will roll off later this year).

Investment Rationale/Risk

- Our Buy recommendation reflects our view of potential AI monetization opportunities and valuation. We see potential for ARR growth to accelerate in the next nine months as ADBE looks to monetize new AI offerings (e.g., AI Assistant in Acrobat and Reader, ramping Firefly and Express largely still in beta). Although we are wary about competitive pressures (e.g., Sora OpenAI), ADBE is working on its own offerings and view video as an accelerant for editing applications. ADBE will also benefit from its large installed base, partnerships, and vast array of offerings. In addition to higher pricing within subscriptions, leveraging new generative AI credits will support greater access/user adoption and ultimately accelerate subscription sales.
- Risks to our rating and target price include a hack or data theft or, over time, share loss and pricing pressure from cheaper or free alternatives to Creative Cloud, especially apps optimized for touch screens and mobile devices.
- Our 12-month target price of $630 is based on P/E of 30x our CY 25 EPS estimate, above peers but well below historical averages. This compares to the three- and five-year historical forward averages of 38.9x and 36.5x, respectively.

Analyst's Risk Assessment

LOW | **MEDIUM** | HIGH

Our risk assessment reflects the rapidly changing nature of application software and the relatively higher risk from disruptive new entrants, offset by our view of the company's strong market position, formidable competitive moat, solid balance sheet, and management team that has an impressive history of making the right strategic decisions and executing consistently in line with those decisions.

Revenue/Earnings Data

Revenue (Million USD)

	1Q	2Q	3Q	4Q	Year
2025	**E** 5,732	**E** 5,898	**E** 6,027	**E** 6,225	**E** 23,882
2024	5,182	**E** 5,286	**E** 5,398	**E** 5,585	**E** 21,451
2023	4,655	4,816	4,890	5,048	19,409
2022	4,262	4,386	4,433	4,525	17,606
2021	3,905	3,835	3,935	4,110	15,785
2020	3,091	3,128	3,225	3,424	12,868

Earnings Per Share (USD)

	1Q	2Q	3Q	4Q	Year
2025	**E** 4.96	**E** 5.12	**E** 5.26	**E** 5.41	**E** 20.74
2024	4.48	**E** 4.38	**E** 4.49	**E** 4.65	**E** 18.00
2023	3.80	3.91	4.10	4.27	16.07
2022	3.37	3.35	3.40	3.60	13.71
2021	3.14	3.03	3.11	3.20	12.48
2020	2.27	2.45	2.57	2.81	10.10

Fiscal Year ended Nov 30. EPS Estimates based on CFRA's Operating Earnings; historical earnings are adjusted. In periods where a different currency has been reported, this has been adjusted to match the current quoted currency.

Dividend Data

No cash dividends have been paid in the last year.

Adobe Inc.

Business Summary Mar 15, 2024

CORPORATE OVERVIEW. Adobe (ADBE) is the largest provider of applications used to produce visual content, best known for its Creative Cloud apps, Photoshop (#1 in photo editing, raster graphics), Illustrator (#1 in drawing, vector graphics), InDesign (#1 in page layout), and Premiere Pro (#1 in video editing). Its apps are used by graphic designers, photographers, publishers, video producers, animators, and other creative professionals. ADBE's apps are also used by students, hobbyists, and part-time artists. Pro or not, today's creatives are rapidly replacing or fortifying physical media artistic expression with digital media. From simple photo filters to full-blown 3D animation, this surge in digital media is a trend with lots of room to run, in our view.

The company focuses its strategic investments in two areas of growth: Digital Media and Digital Experience.

Digital Media: The company provides products, services, and solutions that enable individuals, teams, businesses, and enterprises to create, publish, and promote their content anywhere, and accelerate their productivity by transforming how they view, share, engage with, and collaborate on documents and content creation. ADBE's Digital Media segment is centered around Adobe Creative Cloud and Adobe Document Cloud, which include Adobe Express, Adobe Firefly, Photoshop, Illustrator, Lightroom, Premiere Pro, Acrobat, Acrobat Sign, and many more products, offering a variety of tools for creative professionals (like photographers, video editors, and game developers), communicators, and other consumers.

Digital Experience: ADBE provides an integrated platform and set of products, services, and solutions through Adobe Experience Cloud that enable businesses to create, manage, execute, measure, monetize, and optimize customer experiences spanning from analytics to commerce. The company's customers include marketers, advertisers, agencies, publishers, merchandisers, merchants, web analysts, data scientists, developers, and executives across the C-suite. The foundation of the company's offering is Adobe Experience Platform, which provides businesses and brands with an open and extensible system for customer experience management that transforms customer data into robust customer profiles that update in real time and use insights to deliver personalized digital experiences.

The company offers a comprehensive suite of products, services, and solutions to its customers and users in its Digital Media business and Digital Experience business. In addition, its Adobe GenStudio solution bundles together certain Digital Media and Digital Experience products across Creative Cloud and Adobe Experience Cloud, allowing businesses to simplify their content supply chain process with generative AI capabilities and intelligent automation.

IMPACT OF MAJOR DEVELOPMENTS. On September 15, 2022, ADBE entered into a definitive agreement to acquire Figma for approximately $20B, comprised of approximately half cash and half stock. Figma is a privately held company that provides a web-first collaborative product design platform. ADBE paid a $1B break-up fee in December 2023 given inability to obtain the necessary regulatory approvals.

COMPANY HISTORY. In 1982, John Warnock and Charles Geschke left Xerox PARC to start Adobe out of the Warnock's garage in Los Altos, California. Its first product was PostScript, a Page Description Language (PDL) allowing any application to print to any printer and have the output match the screen image, a feature known as "WYSIWYG," for "what you see is what you get." While this seems trivial today, PostScript solved a key compatibility issue for PC and Mac users simply trying to print documents. PostScript opened the door for third-party printers to enter the market and laid the foundation for the rise of desktop publishing, a frequent justification for purchasing Macs and, a little later, Wintel PCs. Success was catalyzed by a 1985 deal to license PostScript to Apple for five years. Apple built PostScript into all Macs and a new line of printers, cementing an early lead in desktop publishing for both companies.

ADBE capitalized on this lead in the late 1980s by adding the core apps of its Creative Suite bundle, now Creative Cloud: Photoshop, Illustrator, and PageMaker by Aldus, which ADBE acquired in 1994, then replaced with InDesign. In 1993, ADBE extended PostScript to include all printable aspects of a document (i.e., text, fonts, vector graphics, and raster images) in a single file for a consistent printed output independent of app, operating system, or printer, establishing the widely used Portable Document Format or "PDF" format. Acrobat, the app creating and viewing PDFs, was never a big revenue contributor, but, as the PDF standard has incorporated more interactive elements, ADBE launched a bundle of Acrobat and related apps as Document Cloud in 2015, with digital signatures, encryption, access control, annotations, etc., targeting the automation of document-based processes, and has benefited considerably from the need to complete transactions remotely with e-signatures.

FINANCIAL TRENDS. As ADBE began shifting to a subscription-based model, it hit an initial "subscription shift headwind" limited growth from 2011 to 2015. The headwind occurred because a traditional Creative Suite license sale was more than twice the revenue from the first year of a Creative Cloud subscription. When subscriptions exceed 50% of total revenue, the headwind becomes a tailwind because, over the six years between major version upgrades, a Creative Cloud subscription brings in about 3x more than a new Creative Suite license sale (including annual support at 20% of the license sale with about one-third of customer uptake) and roughly 5x vs. upgrades and support revenue from existing customers. When subscription revenue jumped from 50% of the total in FY 2014 to 67% in FY 2015, total revenue growth accelerated from 2% in FY 2014 to 16% in FY 2015, then grew 20%+ Y/Y until FY 2020 when Covid-19 dropped it to 16%. In FY 2021, revenue growth came right back to 23%, then fell to 12% in FY 2022 as the subscription shift tailwind faded, economic growth slowed, and the dollar strengthened. Revenue growth decelerated again to 10% in FY 2023.

Corporate information

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Website
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Officers

Chairman & CEO
S. Narayen

Senior VP, Chief Accounting Officer & Corporate Controller
M. S. Garfield

CFO and Executive VP of Finance, Technology Services & Operations
D. J. Durn

Executive VP, General Counsel, Chief Trust Officer & Corporate Secretary
D. Rao

Board Members

A. L. Banse	L. B. Desmond
C. R. Amon	M. B. Biggs
D. A. Ricks	M. Boulden
D. L. Rosensweig	P. N. Allaway
D. Pandey	S. A. Neumann
F. A. Calderoni	S. Narayen
K. K. Oberg	

Domicile
Delaware

Founded
1982

Employees
29,945

Stockholders
905

Auditor
KPMG LLP - Klynveld Peat Marwick Goerdeler

Adobe Inc.

Quantitative Evaluations

Fair Value Rank

1	2	3	4	5

LOWEST — HIGHEST

Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation — **USD 473.93** — Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that ADBE is overvalued by USD 30.67 or 6.08%

Volatility — LOW | AVERAGE | HIGH

Technical Evaluation — **BULLISH** — Since November, 2023, the technical indicators for ADBE have been BULLISH"

Insider Activity — UNFAVORABLE | NEUTRAL | FAVORABLE

Expanded Ratio Analysis

	2023	2022	2021	2020
Price/Sales	14.49	9.13	18.79	18.00
Price/EBITDA	38.69	23.95	46.50	48.17
Price/Pretax Income	41.36	26.77	51.98	55.46
P/E Ratio	38.11	24.91	49.40	47.23
Avg. Diluted Shares Outstg. (M)	459.10	470.90	481.00	485.50

Figures based on fiscal year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years
Net Income	14.13	1.05	15.94
Sales	10.24	14.68	16.54
Ratio Analysis (Annual Avg.)			
Net Margin (%)	27.97	28.51	30.56
% LT Debt to Capitalization	17.64	19.41	17.58
Return on Equity (%)	35.51	34.28	35.35

Company Financials Fiscal year ending Nov 30

Per Share Data (USD)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Tangible Book Value	5.77	-0.40	0.65	2.43	-3.90	-6.74	4.59	3.25	2.26	3.18
Free Cash Flow	15.19	15.75	14.42	11.04	8.28	7.67	5.54	4.01	2.58	2.29
Earnings	11.82	10.10	10.02	10.83	6.00	5.20	3.38	2.32	1.24	0.53
Earnings (Normalized)	16.07	13.71	12.48	10.10	6.76	6.76	4.31	3.01	2.08	1.29
Dividends	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Payout Ratio (%)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Prices: High	628.60	675.21	699.54	536.88	313.11	277.61	186.27	111.09	92.57	74.69
Prices: Low	318.60	274.73	420.78	255.13	204.95	165.68	98.00	71.27	68.98	53.93
P/E Ratio: High	39.10	49.20	56.10	53.20	46.30	41.10	43.20	36.90	44.50	57.90
P/E Ratio: Low	19.80	20.00	33.70	25.30	30.30	24.50	22.70	23.70	33.20	41.80
Income Statement Analysis (Million USD)										
Revenue	19,409	17,606	15,785	12,868	11,171	9,030	7,302	5,854	4,796	4,147
Operating Income	6,650	6,098	5,802	4,237	3,268	2,840	2,168	1,494	903.00	433.00
Depreciation + Amortization	618.00	618.00	576.00	571.00	757.00	346.00	326.00	332.00	339.00	314.00
Interest Expense	113.00	112.00	113.00	116.00	157.00	89.00	74.00	70.00	64.00	60.00
Pretax Income	6,799	6,008	5,705	4,176	3,205	2,794	2,138	1,435	874.00	361.00
Effective Tax Rate	20.20	20.80	15.50	-26.00	7.90	7.30	20.80	18.60	28.00	25.70
Net Income	5,428	4,756	4,822	5,260	2,951	2,591	1,694	1,169	630.00	268.00
Net Income (Normalized)	4,244	3,767	3,556	2,602	1,971	1,751	1,331	896.80	530.30	235.10
Balance Sheet and Other Financial Data (Million USD)										
Cash	7,842	6,096	5,798	5,992	4,177	3,229	5,820	4,761	3,988	3,739
Current Assets	11,084	8,996	8,669	8,146	6,495	4,857	7,248	5,840	4,822	4,602
Total Assets	29,779	27,165	27,241	24,284	20,762	18,769	14,536	12,697	11,727	10,786
Current Liabilities	8,251	8,128	6,932	5,512	8,191	4,301	3,527	2,812	2,214	2,494
Long Term Debt	3,634	3,629	4,123	4,117	989.00	4,135	1,882	1,892	1,907	911.00
Total Capital	20,598	18,684	19,470	17,972	14,668	13,497	10,342	9,317	8,909	8,290
Capital Expenditures	360.00	442.00	348.00	419.00	395.00	267.00	178.00	204.00	185.00	148.00
Cash from Operations	7,302	7,838	7,230	5,727	4,422	4,029	2,913	2,200	1,470	1,287
Current Ratio	1.34	1.11	1.25	1.48	0.79	1.13	2.05	2.08	2.18	1.85
% Long Term Debt of Capitalization	17.60	19.40	21.20	22.90	6.70	30.60	18.20	20.30	21.40	11.00
% Net Income of Revenue	28.00	27.00	30.50	40.90	26.40	28.70	23.20	20.00	13.10	6.50
% Return on Assets	14.60	14.01	14.08	11.76	10.33	10.66	9.95	7.64	5.01	2.55
% Return on Equity	35.50	33.00	34.40	44.20	29.70	29.10	21.30	16.20	9.10	4.00

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Adobe Inc.

Sub-Industry Outlook

CFRA has a positive fundamental outlook for the S&P 500 Application Software sub-industry, driven by secular digital transformation and cloud migration, as growing IT budgets, easing optimization and cost containment measures, and IT modernization projects support our outlook for higher software spending. Moderating inflation has also been encouraging, and the Federal Reserve indicated that it would begin trimming interest rates in 2024, giving businesses some relief from the pressures experienced over the last year, which should support investments in IT initiatives in 2024.

IT budgets are set to increase in 2024, rising 8% Y/Y, led by Software's growth of nearly 14%. Faced with tighter expense controls in 2023 and pauses in digital transformation projects, many organizations have built up a backlog, which we anticipate will resume in 2024, given their strategic importance for growth. Certain aspects of expense trimming are also starting to ease. In the latest quarterly conference calls, major cloud providers and software vendors highlighted that cloud usage optimization behavior, more pronounced in the earlier part of 2023, was showing signs of stabilization. Looking ahead, while companies will still exercise caution over discretionary spending, we believe that it will be at lower levels of intensity.

Enhancing productivity, operational efficiency, security, and profitability remain as business imperatives in 2024, given the still tough macroeconomic environment. We think hiring will be modest following a "year of efficiency" to significantly trim and scale back the workforce. As a result, organizations will likely leverage software to drive productivity through the use of automation, integrated platform solutions, and multi-functional tools. Industry-specific SaaS adoption is also growing as applications and functionality mature, and benefits outweigh costs of running workflows in the cloud. We believe SaaS adoption is supportive of these goals, and the application software industry will be a beneficiary of higher demand. Spending on SaaS is expected to rise 19% in 2024, lifted by continuing cloud migration initiatives and productivity pursuits.

Generative AI adoption will be a key area to watch in 2024, as software vendors move from launching these tools to monetization and ramping up orders. Leading vendors such as Salesforce and Adobe unveiled generative-AI based solutions in 2023 and whether vendors can materially drive up subscription revenues from these tools will be a metric to monitor in the quarters ahead.

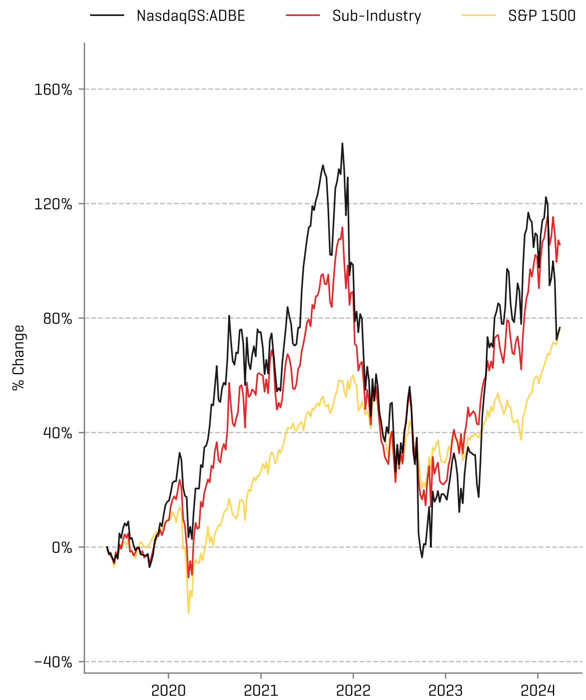
Consensus estimates for the software industry align with what we believe are the drivers for growth in the near term. Software companies in the S&P 500 are expected to grow revenue at 13% in 2024, accelerating slightly from 12.7% in 2022. We think organizations will still exercise caution in discretionary spending to a small degree, and hiring is likely to be modest. At the same time, investments in AI-enabled tools and infrastructure could slow earnings growth, while also facing tougher growth comparisons from 2023.

/ Janice Quek

Industry Performance

GICS Sector: **Information Technology**
Sub-Industry: **Application Software**

Based on S&P 1500 Indexes
Five-Year market price performance through Mar 30, 2024



NOTE: A sector chart appears when the sub-industry does not have sufficient historical index data.

All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: CFRA, S&P Global Market Intelligence

Sub-Industry: Application Software Peer Group*: Application Software

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. (M)	30-Day Price Chg. (%)	1-Year Price Chg. (%)	P/E Ratio	Fair Value Calc.	Yield (%)	Return on Equity (%)	LTD to Cap (%)
Adobe Inc.	**ADBE**	**NasdaqGS**	**USD**	**504.60**	**226,061.0**	**-8.7**	**33.1**	**30.0**	**473.93**	**N/A**	**32.4**	**10.9**
Autodesk, Inc.	ADSK	NasdaqGS	USD	260.42	55,708.0	1.4	30.8	34.0	198.10	N/A	60.4	51.0
Cadence Design Systems, Inc.	CDNS	NasdaqGS	USD	311.28	84,855.0	3.8	51.1	60.0	226.68	N/A	33.9	7.1
Constellation Software Inc.	CSU	TSX	CAD	3,700.00	78,511.0	33.2	106.4	56.0	1,698.87	0.1	3.2	39.8
Intuit Inc.	INTU	NasdaqGS	USD	650.00	181,986.0	-2.9	50.0	41.0	531.80	0.6	16.9	25.4
Palantir Technologies Inc.	PLTR	NYSE	USD	23.01	50,915.0	-6.2	179.9	256.0	14.68	N/A	7.0	N/A
Roper Technologies, Inc.	ROP	NasdaqGS	USD	560.84	60,022.0	2.5	29.1	34.0	N/A	0.5	8.2	24.3
SAP SE	SAP	NYSE	USD	195.03	226,999.0	3.1	56.9	40.0	N/A	0.8	8.3	11.5
Salesforce, Inc.	CRM	NYSE	USD	301.18	292,145.0	0.6	53.2	37.0	235.34	0.5	7.0	11.5
Synopsys, Inc.	SNPS	NasdaqGS	USD	571.50	87,179.0	-0.4	52.4	47.0	492.52	N/A	22.5	0.2
Workday, Inc.	WDAY	NasdaqGS	USD	272.75	72,006.0	-7.6	37.6	47.0	N/A	N/A	20.2	26.2

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.
NA-Not Available; NM-Not Meaningful.
Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

Analyst Research Notes and other Company News

March 15, 2024
07:12 AM ET... CFRA Reiterates Buy Rating on Shares of Adobe, Inc. (ADBE 507.95****):
We reduce our 12-month target to $630 from $700, on P/E of 30x our CY 25 EPS view, below historical. We keep our FY 24 (Nov.) EPS estimate at $18.00 and FY 25 at $20.74. ADBE posts Feb-Q EPS of $4.48 vs. $3.80, beating the $4.38 consensus. Sales rose 11% on growth in Creative Cloud (+11%), Document Cloud (+18%), and Digital Experience (+10%). We like accelerating RPO growth (+16%), a newly announced buyback of $25B (10% of market cap), and net new Creative ARR growth of 20% (ex. impact of prior pricing increases that will roll off). Despite below consensus guide, we see potential for ARR growth to accelerate in the next nine months as ADBE looks to monetize new AI offerings (e.g., AI Assistant in Acrobat/Reader). While we note increasing competitive pressures (e.g., Sora OpenAI), ADBE is working on its own offerings while we view video as an accelerant for its editing tools. ADBE will also benefit from its large installed base, partnerships, and vast capabilities from ideation/editing/processing/publishing. / Angelo Zino, CFA

December 18, 2023
09:36 AM ET... CFRA Maintains Buy Opinion on Shares of Adobe Inc. (ADBE 593.80****):
ADBE terminated its intent to acquire Figma, citing that there is no clear path to receive regulatory approval from the European Commission and the U.K. Competition and Markets Authority (CMA). We're by no means surprised by the decision as we thought the regulatory hurdles across the globe were too steep to overcome; we note that the termination includes a $1B fee that ADBE will pay. Still, this provides clarity on the subject matter with the deal being stuck in limbo for the last 15 months (valued at $20B half cash/stock). Despite hopes that the M&A landscape could be improving, with completed mega deals of Microsoft/Activision and Broadcom/VMware, we think regulators continue to scrutinize Tech deals, especially as we progress into a more AI-driven environment. Europe and the U.K. CMA have been among the most vocal to raise concerns about Tech deals, but so has the U.S. (hence, major tech companies focusing on partnerships instead) while geopolitical pressures could weigh on China approvals in some cases. / Angelo Zino, CFA

December 14, 2023
12:07 AM ET... CFRA Reiterates Buy Rating on Shares of Adobe, Inc. (ADBE 624.26****):
We increase our 12-month target to $700 from $620, on P/E of about 33x our CY 25 EPS estimate, above peers but below historical averages. We tweak our FY 24 (Nov.) EPS estimate to $18.00 from $17.97 and keep FY 25 at $20.74. ADBE posts Nov-Q EPS of $4.27 vs. $3.60, beating the $4.14 consensus. Sales rose 13%, slightly above forecast, led by greater momentum across Creative Cloud (+12%), Document Cloud (+16%) and Experience Cloud (+10%). We are encouraged by a growing interest/pipeline for ADBE's GenStudio while subscription demand across all segments remains strong. Despite FY 24 revenue guide slightly below guidance (EPS in-line), we think ADBE is being conservative and remain optimistic about its GenAI roadmap, with Firefly attracting interest across platforms (e.g., Photoshop and Illustrator) and given already 4.5-billion-plus AI images. Net cash stands at $4.2B while rising FCF ($9B in FY 24 and $10B in FY 25) supports buybacks but we see increasing risk of the Figma deal closing (break-up fee is $1B). / Angelo Zino, CFA

September 15, 2023
12:25 AM ET... CFRA Reiterates Buy Rating on Shares of Adobe, Inc. (ADBE 552.16****):
We increase our 12-month target price to $620 from $580, on a P/E of about 30x our CY 25 EPS estimate, above peers but below historical averages. We raise our FY 23 (Nov.) EPS estimate to $15.90 from $15.75, keep FY 24 at $17.97 and FY 25 at $20.74. ADBE posts Aug-Q EPS of $4.09 vs. $3.40, beating the $3.98 consensus. Sales grew 10% (+13% constant currency), near expectations, led by higher demand across most segments and all geographic regions. We like recent momentum from ABDE's generative AI platform, FireFly, which has created over 2B images in six months (up from 0.5B cited back in June) and plans to start AI monetization efforts through integration across Adobe Creative Cloud (e.g., Photoshop and Illustrator), Adobe Express and Adobe Experience Cloud. In addition to higher pricing, we think leveraging generative AI credits will support greater access/user adoption and help accelerate subscription growth. Net cash of $3.9B and improving FCF ($8.8B seen in FY 24 and +$10B in FY 25) support our valuation. / Angelo Zino, CFA

June 16, 2023
12:54 AM ET... CFRA Reiterates Buy Rating on Shares of Adobe, Inc. (ADBE 490.91****):
We boost our 12-month target to $580 from $412, on P/E of 32x our CY 24 EPS estimate of $18.12, above peers but below historical averages. We raise our FY 23 (Nov.) EPS estimate to $15.75 from $15.64, keep FY 24 at $17.97 and FY 25 at $20.74. ADBE posts May-Q EPS of $3.91 vs. $3.35, beating the $3.79 consensus. Sales grew 10% (+13% constant currency), led by higher demand across Creative Cloud (+9%), Document Cloud (+11%), and Experience Cloud (+12%), with strength in Digital Media ($470M net new ARR). We positively view ADBE's generative AI roadmap, with Firefly attracting significant interest across platforms (e.g., Photoshop, Illustrator) and as 0.5 billion assets were created in beta (more than 80x anticipated). Early success shows greater potential for AI monetization, as Firefly is pushed as both a standalone freemium offering for consumers and a separate enterprise offering. Generative AI will drive higher ARPUs and retention, in our view. Net cash stands at about $3B with annual FCF of about +$8B. / Angelo Zino, CFA

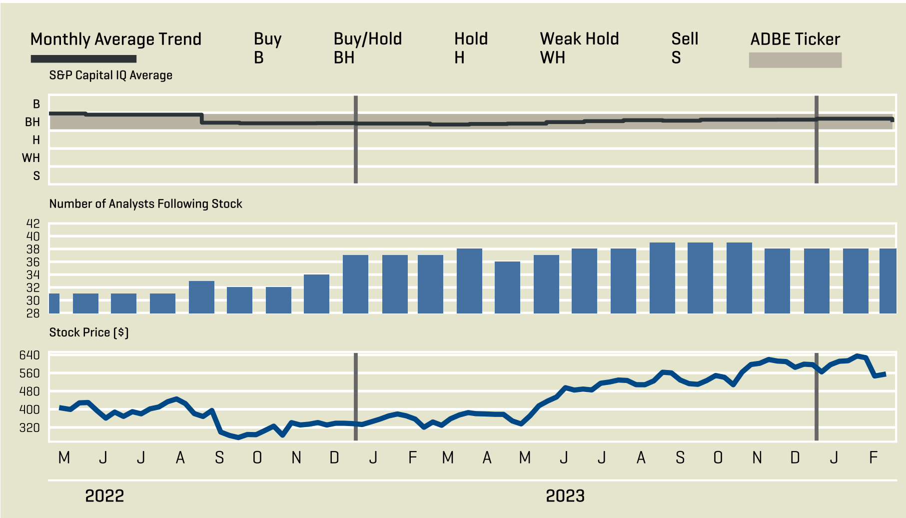
March 17, 2023
09:57 AM ET... CFRA Reiterates Buy Rating on Shares of Adobe, Inc. (ADBE 353.29****):
We raise our target by $18 to $412 due to: 1) solid FY 1Q23 (Feb-Q) results with roughly in-line Y/Y revenue growth of 9% (13% in constant currency), although still a significant deceleration from the mid-teens growth of FY 1H22; 2) reiterated revenue guidance for '23, but raised EPS guidance, +$0.10 to $4.40, implying 12% Y/Y growth; 3) attractive valuation for long-term investors with a forward P/E at 22.2x vs. a three-year mean of 36.6x. Our target is a product of our EPS forecast for '24 of $17.97, now $0.12 higher, and a 22.9x P/E (one-year mean, less 8%, reflecting higher risk from the Figma acquisition and the negative balance sheet impact). 1Q revenue of $4.66b, +9% Y/Y, beat consensus by $30m; EPS of $3.80 grew 13% Y/Y and beat by $0.11. We also up our EPS forecasts for '23 by $0.07 to $15.64 and for '25 by $0.11 to $20.74. The pending $20b acquisition of Figma, a cloud-based provider of design collaboration apps, holds significant upside potential, but is also expensive and under regulatory scrutiny. / John Freeman

December 16, 2022
05:03 PM ET... CFRA Maintains Buy Rating on Shares of Adobe, Inc. (ADBE 338.54****):
We cut our target by $62 to $394 due to: 1) tepid FY 4Q22 results, in our view, especially for revenue (+10% Y/Y), a deceleration from 12% in 3Q and 14% in 2Q, albeit higher in constant currency; 2) reiterated '23 guidance; 3) attractive valuation for long-term investors with a fwd. P/E at 24.0x vs. a 3-year mean of 37.6x. Our target is a product of our EPS forecast for '24 of $17.85, now $0.19 lower, and a 22.1x P/E (6-month mean, less 8%, reflecting higher execution/distraction risk from the Figma acquisition and the negative balance sheet impact). 4Q revenue of $4.53b (+10% Y/Y) missed consensus by $3m; EPS of $3.60 grew 13% Y/Y and beat by $0.10. We also cut our EPS forecast for '23 by $0.25 to $15.57 and initiate '25 at $20.63. The $20b acquisition of Figma, an innovative cloud-based provider of design collaboration apps, holds significant upside potential, but is also expensive, given only ~$400m in Figma ARR for '22. The deal also gained regulatory scrutiny as a potential distraction for leadership. / John Freeman

Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

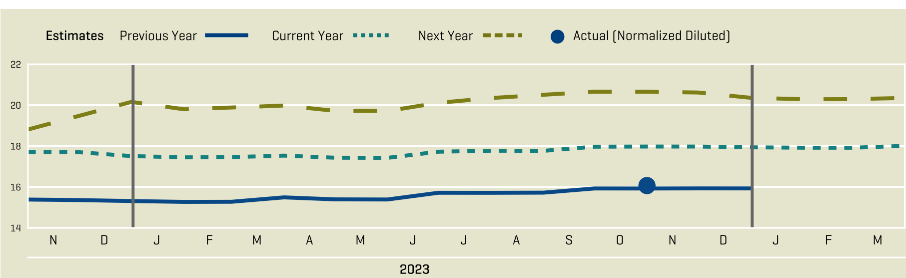
Adobe Inc.

Analysts Recommendations



	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	18	47	19	18
Buy/Hold	8	21	7	7
Hold	8	21	9	10
Weak hold	2	5	2	2
Sell	1	3	0	0
No Opinion	1	3	1	1
Total	38	100	38	38

Wall Street Consensus Estimates



Fiscal Year	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2025	20.35	21.91	19.74	35	24.79
2024	18.01	18.83	17.77	32	28.02
2025 vs. 2024	▲ 13%	▲ 16%	▲ 11%	▲ 9%	▼ -12%
Q2'25	4.96	5.05	4.85	19	101.78
Q2'24	4.39	4.55	4.35	30	114.93
Q2'25 vs. Q2'24	▲ 13%	▲ 11%	▲ 12%	▼ -37%	▼ -11%

Forecasts are not reliable indicator of future performance.
Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

Wall Street Consensus Opinion

Buy/Hold

Wall Street Consensus vs. Performance

For fiscal year 2024, analysts estimate that ADBE will earn USD 18.01. For fiscal year 2025, analysts estimate that ADBE's earnings per share will grow by 13.0% to USD 20.35.

Glossary

STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (MSCI AC Asia Pacific Index, MSCI AC Europe Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to help investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and S&P Capital IQ Earnings & Dividend Rankings stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A	Above	C	Lowest
B+	Average	D	In Reorganization
NC	Not Ranked		

EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Abbreviations Used in Equity Research Reports

CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model
EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value
PEG Ratio - P/E-to-Growth Ratio
PV - Present Value
R&D - Research & Development
ROCE - Return on Capital Employed
ROE Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ **5-STARS (Strong Buy):**
Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy):**
Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months.

★★★☆☆ **3-STARS (Hold):**
Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months.

★★☆☆☆ **2-STARS (Sell):**
Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months.

★☆☆☆☆ **1-STAR (Strong Sell):**
Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the MSCI AC Europe Index and the MSCI AC Asia Pacific Index, respectively.

Adobe Inc.

Disclosures

Stocks are ranked in accordance with the following ranking methodologies:

STARS Stock Reports:
Qualitative STARS rankings are determined and assigned by equity analysts. For reports containing STARS rankings refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

Quantitative Stock Reports:
Quantitative rankings are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative rankings refer to the Glossary section seof the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of December 31, 2023

Ranking	North America	Europe	Asia	Global
Buy	39.1%	34.9%	41.7%	38.8%
Hold	52.9%	50.5%	52.0%	52.2%
Sell	8.0%	14.6%	6.3%	8.9%
Total	100.0%	100.0%	100.0%	100.0%

Analyst Certification:

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