

# ADOBE INC. NDQ-ADBE

RECENT PRICE **603.59** P/E RATIO **46.5** (Trailing: 51.1 Median: 43.0) RELATIVE P/E RATIO **2.66** DIV'D YLD **Nil**

**VALUE LINE**

**TIMELINESS** 3 Lowered 1/19/24  
**SAFETY** 2 Lowered 11/4/22  
**TECHNICAL** 2 Raised 12/15/23  
**BETA** .90 (1.00 = Market)

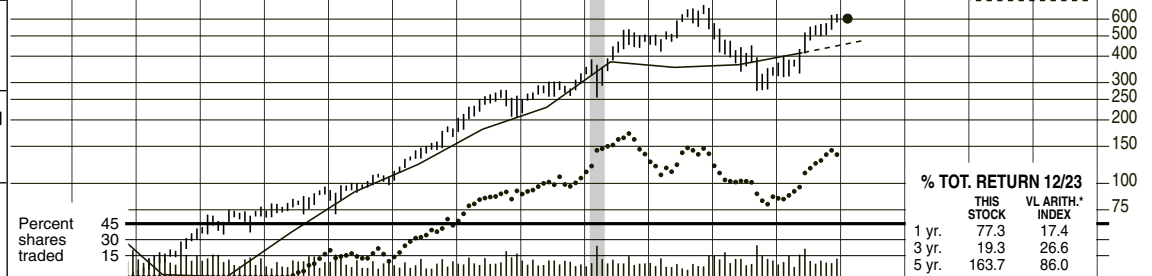
High: 38.3 61.1 77.6 96.4 111.1 186.3 277.6 332.9 536.9 699.5 575.0 633.9  
 Low: 28.0 37.4 57.2 69.0 71.3 102.8 175.3 215.1 255.1 420.8 274.7 318.6

LEGENDS  
 — 30.0 x "Cash Flow" p sh  
 ... Relative Price Strength  
 Options: Yes  
 Shaded area indicates recession

**18-Month Target Price Range**  
 Low-High Midpoint (% to Mid)  
 \$276-\$774 \$525 (-15%)

**2026-28 PROJECTIONS**  
 Price Gain Ann'l Total  
 High 1000 (+65%) 13%  
 Low 740 (+25%) 5%

**Institutional Decisions**  
 10/20/23 20/20/23 30/20/23  
 to Buy 1122 1207 1217  
 to Sell 946 1059 1068  
 Hld's(000) 368657 367146 364558



2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	© VALUE LINE PUB. LLC	26-28	
5.53	6.80	5.64	7.57	8.58	8.91	8.17	8.34	9.63	11.85	14.86	18.52	23.16	26.86	33.23	38.11	42.66	<b>48.00</b>	Revenues per sh <sup>A</sup>	<b>77.25</b>	
1.82	2.17	1.28	2.13	2.24	2.29	1.23	1.17	1.95	3.04	4.11	6.02	7.65	12.56	11.81	12.15	13.85	<b>15.95</b>	"Cash Flow" per sh	<b>25.10</b>	
1.21	1.59	.73	1.47	1.65	1.66	.56	.53	1.24	2.32	3.38	5.20	6.00	10.83	10.02	10.10	11.82	<b>13.60</b>	Earnings per sh <sup>A,B</sup>	<b>20.75</b>	
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.23	.21	.23	.34	.43	.55	.38	.30	.37	.41	.36	.55	.82	.87	.73	.96	.79	<b>1.15</b>	Cap'l Spending per sh	<b>1.75</b>	
8.14	8.38	9.36	10.35	11.77	13.49	13.55	13.62	14.06	15.02	17.22	19.20	21.83	27.69	31.15	30.41	36.30	<b>43.55</b>	Book Value per sh	<b>84.10</b>	
571.41	526.11	522.66	501.90	491.54	494.13	496.26	497.48	497.81	494.25	491.26	487.66	482.34	479.00	475.00	462.00	455.00	<b>448.00</b>	Common Shs Outst'g	<b>440.00</b>	
34.5	23.4	37.2	21.7	18.4	19.2	NMF	NMF	NMF	41.5	40.8	44.2	45.2	37.0	NMF	41.4	37.5		Avg Ann'l P/E Ratio	<b>42.0</b>	
1.83	1.41	2.48	1.38	1.15	1.22	NMF	NMF	NMF	2.18	2.05	2.39	2.41	1.90	NMF	2.39	2.17		Relative P/E Ratio	<b>2.35</b>	
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**CAPITAL STRUCTURE as of 12/1/23**  
 Total Debt \$3634.0 mill. Due in 5 Yrs. \$2350 mill.  
 LT Debt \$3634.0 mill. LT Int. \$120.0 mill.  
 (18% Cap'l)  
 Leases, Uncapitalized Annual rentals \$83.0 mill.

**No Defined Benefit Pension Plan.**

**Pfd Stock None**

**Common Stock** 452,000,000 shs. as of 1/5/24

**MARKET CAP: \$273 billion (Large Cap)**

4055.2	4147.1	4795.5	5854.4	7301.5	9030.0	11171	12868	15785	17606	19409	<b>21500</b>	Revenues (\$mill) <sup>A</sup>	<b>34000</b>
18.3%	17.5%	25.9%	31.2%	34.2%	35.3%	35.8%	38.8%	41.7%	39.5%	38.8%	<b>40.0%</b>	Operating Margin	<b>40.0%</b>
321.2	313.6	339.5	331.5	326.0	346.5	736.7	757.0	788.0	856.0	872.0	<b>980</b>	Depreciation (\$mill)	<b>1800</b>
290.0	268.4	629.6	1168.8	1694.0	2590.8	2951.5	5260.0	4822.0	4756.0	5428.0	<b>6160</b>	Net Profit (\$mill)	<b>9250</b>
18.6%	25.7%	28.0%	18.6%	20.8%	7.3%	7.9%	--	15.5%	20.8%	20.2%	<b>18.0%</b>	Income Tax Rate	<b>22.0%</b>
7.2%	6.5%	13.1%	20.0%	23.2%	28.7%	26.4%	40.9%	30.5%	27.0%	28.0%	<b>28.7%</b>	Net Profit Margin	<b>27.2%</b>
2520.2	2107.9	2608.3	3028.2	3720.3	555.9	d1696	2634.0	1737.0	868.0	2833.0	<b>2800</b>	Working Cap'l (\$mill)	<b>3200</b>
1499.3	911.1	1907.2	1902.1	1881.4	4124.8	988.9	4117.0	4123.0	3629.0	3634.0	<b>4000</b>	Long-Term Debt (\$mill)	<b>4500</b>
6724.6	6775.9	7001.6	7424.8	8459.9	9362.1	10530	13264	14797	14051	16518	<b>19500</b>	Shr. Equity (\$mill)	<b>37000</b>
3.9%	3.9%	7.4%	12.9%	16.7%	19.5%	26.3%	30.6%	25.8%	27.2%	27.2%	<b>26.0%</b>	Return on Total Cap'l	<b>22.0%</b>
4.3%	4.0%	9.0%	15.7%	20.0%	27.7%	28.0%	39.7%	32.6%	33.8%	32.9%	<b>31.5%</b>	Return on Shr. Equity	<b>25.0%</b>
4.3%	4.0%	9.0%	15.7%	20.0%	27.7%	28.0%	39.7%	32.6%	33.8%	32.9%	<b>31.5%</b>	Retained to Com Eq	<b>25.0%</b>
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**CURRENT POSITION** 2021 2022 12/1/23 (\$MILL.)

Cash Asset	3844.0	4236.0	7141.0
Receivables	1878.0	2065.0	2224.0
Inventory (FIFO)	--	--	--
Other	2947.0	2695.0	1719.0
Current Assets	8669.0	8996.0	11084.0
Accts Payable	312.0	379.0	314.0
Debt Due	--	500.0	--
Other	6620.0	7249.0	7937.0
Current Liab.	6932.0	8128.0	8251.0

**BUSINESS:** Adobe Inc. develops various computer software products that enable users to create, transfer, and print electronic documents. In fiscal 2023, the company operated in the following primary business segments: Digital Media, Digital Experience, and Publishing and Advertising. Adobe's leading software products include *Illustrator*, *Photoshop*, *InDesign*, and *Acrobat*. R&D spending accounted for roughly 18.0% of the company's total revenues in fiscal '23. Has about 29,945 employees. Vanguard Group owns approximately 8.5% of stock. Officers & directors own less than 1% (3/23 proxy). Chairman, President, and CEO: Shantanu Narayen. Inc.: DE. Address: 345 Park Avenue, San Jose, CA 95110-2704. Telephone: 408-536-6000. Internet: www.adobe.com.

**ANNUAL RATES** Past Past Est'd '21-'23  
 of change (per sh) 10 Yrs. 5 Yrs. to '26-'28

Revenues	16.0%	20.5%	15.0%
"Cash Flow"	20.5%	23.5%	15.0%
Earnings	23.5%	24.0%	14.5%
Dividends	--	--	<b>Nil</b>
Book Value	9.5%	13.5%	21.0%

**Fiscal Year Ends** **QUARTERLY REVENUES (\$ mill.) <sup>A</sup>** **Full Fiscal Year**

	Feb.Per	May.Per	Aug.Per	Nov.Per	
2020	3091	3128	3225	3424	12868
2021	3905	3835	3935	4110	15785
2022	4262	4386	4433	4525	17606
2023	4655	4816	4890	5048	19409
2024	<b>5100</b>	<b>5300</b>	<b>5500</b>	<b>5600</b>	<b>21500</b>

**Fiscal Year Ends** **EARNINGS PER SHARE <sup>A,B</sup>** **Full Fiscal Year**

	Feb.Per	May.Per	Aug.Per	Nov.Per	
2020	1.96	2.27	1.97	4.64	10.83
2021	2.61	2.32	2.52	2.57	10.02
2022	2.66	2.49	2.42	2.53	10.10
2023	2.71	2.82	3.05	3.23	11.82
2024	<b>3.35</b>	<b>3.35</b>	<b>3.45</b>	<b>3.45</b>	<b>13.60</b>

**Cal-endar** **QUARTERLY DIVIDENDS PAID** **Full Year**

	Mar.31	Jun.30	Sep.30	Dec.31	
2020					
2021					
2022					
2023					
2024					

**NO CASH DIVIDENDS BEING PAID**

**Adobe exited fiscal 2023 on a strong note (year ended December 1st).** For the final quarter of the year, the company delivered both revenues and profits that easily exceeded our expectations. The mainstay Digital Media segment continued to benefit from a large existing customer base and the addition of new users. Adobe's programs are quite popular with professionals and amateurs in numerous areas (graphics, photography, video, animation, etc.) and face limited competition. Elsewhere, the Digital Experience segment continues to gain market share, as enterprise users adopt tools for customer management, marketing, and analytics. **The year-ahead outlook remains supportive.** For the full year fiscal 2024, we think revenues will reach \$21.5 billion, representing an 11% annual advance. Here, product upgrades, and efforts to enhance programs with artificial intelligence capabilities, should engage new users. Meanwhile, earnings should reach \$13.60 per share for 2024. To its credit, Adobe generally does a good job controlling costs and maintaining wide margins. **A major acquisition has been**

**derailed.** In late December, Adobe announced that it was terminating its purchase of Figma. For perspective, the proposed merger was first announced on September 2022, but was met with stiff resistance from regulators, particularly in the U.K. and Europe. As per the terms of the initial agreement, Adobe will have to pay Figma a \$1 billion termination fee. This development is a setback, but Adobe, which spent \$3.5 billion on R&D last year, will find other ways to innovate. **The balance sheet is impressive.** Adobe closed out fiscal 2023 with cash of \$7.1 billion, up from the prior year's figure. Long term debt stood at \$3.6 billion, which is manageable. The company is shareholder friendly. In fiscal 2023, \$4.5 billion was spent on share repurchases, and the buyback plan was recently increased. **These shares have strengthened in price since our November report.** This likely reflects recent equity market gains, and Adobe's outlook. Our projections suggest that this issue holds decent appreciation potential for the next 3 to 5 years. Safety Rank 2: (Above Average). *Adam Rosner* February 2, 2024

(A) Fiscal year ends the Friday closest to November 30th.

(B) Diluted earnings. Excludes net nonrec. (losses)/gains: '05, '06. Egs. may not sum due to rounding. Next earnings report due mid-March.

Company's Financial Strength	A+
Stock's Price Stability	65
Price Growth Persistence	80
Earnings Predictability	75