

4th Quarterly report for ADBE
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Percentage change in Sales from year ago quarter 9.1%

Percentage change in Earnings per Share from year ago quarter 1.9%

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) up

Debt? (up, even, down) Down

Current PE is 44.2.

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

Signature PE = 44

Club cost basis is \$484.50/share. Current price is \$426.77 (04/012/22 close)

Current fair value: Morningstar: \$615 CFRA: \$345.69—4-Star Buy

My SSG Total Return (High P/E) is 16.5% Projected Return with Average P/E is 12.2%

1st Q: Improved results. Warnings about negative impact from eliminating business in Russia and concerns about business in Ukraine.

1st Quarter has improved results including revenue upside, light guidance. Foreign exchange headwind to growth. Bears fear that ADBE may overpay for future acquisitions that may not add that much to the bottom line.

My SSG shows a BUY, supported by A STRONG BUY by CFRA and the "Below Fair Value" rating by Morningstar.

What will drive future growth: Increased customer base, product upgrades, increased subscription price, acquisitions of complimentary businesses. Adobe has added products and features to drive the most comprehensive portfolio of tools used in print, digital, and video content creation. It has transitioned to the SaaS (Software as a Service) model, e.g. software as a subscription rather than an acquisition.

The *Document Cloud* is driven by one of Adobe's first products, Acrobat, and the ubiquitous PDF file format created by the company, and is now a \$2.0 billion business. The rise of smartphones and tablets, coupled with bring-your-own-device and a mobile workforce have made a file format that is usable on any screen more relevant than ever.

Adobe believes it is attacking an addressable market greater than \$147 billion. The company is introducing and leveraging features across its various cloud offerings (like Sensei artificial intelligence) to drive a more cohesive experience, win new clients, upsell users to higher price point solutions, and cross sell digital media offerings.

Shift to subscriptions eliminates piracy and makes revenue recurring, while removing the high up-front price for customers. Growth has accelerated and margins are expanding from the initial conversion inflection.

Adobe is extending its empire in the creative world from content creation to marketing services more broadly through the expansion of its digital experience segment. This segment should drive growth in the coming years.

Of the Business segments (Digital Media, Digital Experience, and Publishing) Digital Media represents about 70% of revenue. This segment contains Creative Cloud (59% of revenue) and Document Cloud (11% of revenue). Creative Cloud is the stronger revenue grower. Creative Cloud is composed of the iconic products Photoshop Elements and Premiere Elements. Document Cloud consists of the Acrobat family.

Recommend: Buy More _____, Hold ___X_____, Challenge with a better investment_____,
Sell_____