

3rd Quarterly report for ADBE
Prepared by: Kathy Emmons

Date: November 8, 2021

Percentage change in Sales from year ago quarter _____ 22% _____

Percentage change in Earnings per Share from year ago quarter ___ 27.9% _____

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) _____ up _____

Current PE is __ 54.8 _____.

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

Signature PE = __ 41 _____

Club cost basis for this stock is __ \$484/share. _____ Current price is __ \$666 _____
(from latest valuation)

Current fair value: Morningstar: __ \$610 _____ CFRA: __ 591 (overvalued by 11% _____

My SSG Total Return (High P/E) is __ 15.9% _____ Projected Return with Average
P/E is __ 10.5% _____

What will drive future growth: Increased customer base, 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__