Adobe Inc.

Recommendation	**Price**	**12-Mo. Target Price**	**Report Currency**	**Investment Style**
BUY ★★★★★	USD 458.19 (as of market close Apr 01, 2022)	USD 595.00	USD	Large-Cap Growth

Equity Analyst John Freeman

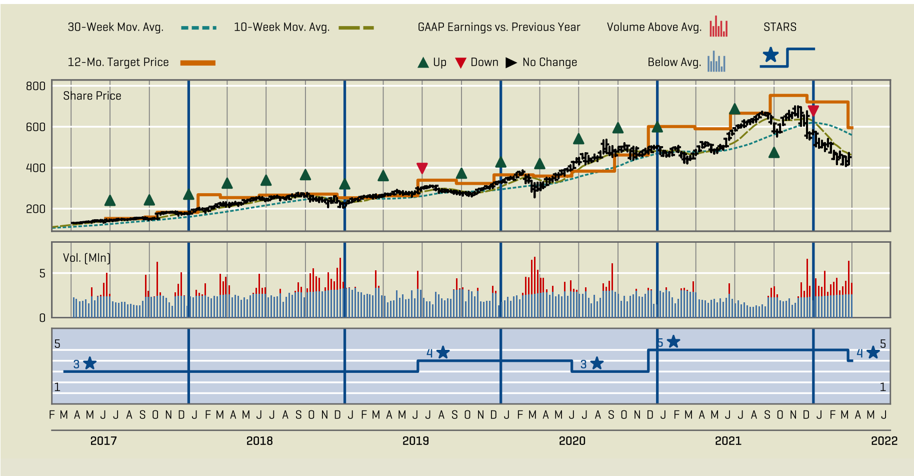
GICS Sector Information Technology
Sub-Industry Application Software

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 699.54 - 407.94**	Oper.EPS2022**E**	**USD 13.77**	Market Capitalization[B]	**USD 216.49**	Beta	**N/A**
Trailing 12-Month EPS	**N/A**	Oper.EPS2023**E**	**USD 16.22**	Yield [%]	**N/A**	3-yr Proj. EPS CAGR[%]	**15**
Trailing 12-Month P/E	**NM**	P/E on Oper.EPS2022**E**	**33.27**	Dividend Rate/Share	**N/A**	SPGMI's Quality Ranking	**B**
USD 10K Invested 5 Yrs Ago	**35,210.0**	Common Shares Outstg.[M]	**472.00**	Trailing 12-Month Dividend	**N/A**	Institutional Ownership [%]	**84.0**

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 **John Freeman** on Mar 23, 2022 01:56 PM ET, when the stock traded at **USD 421.32**.

Highlights

- We project a 3-year revenue CAGR of 14%, including the recent Workfront acquisition that likely boosts annual growth by ~1% through '23. We see multiple growth drivers: 1) enduring tailwind from the shift to subscriptions, though likely played out by '23; 2) higher monetization of non-paying users because of the tethered cloud model and down-market adoption of Creative Cloud with more affordable app bundles; 3) growing up/cross-sell opportunities – e.g., collaboration tools for creative projects; and 4) continued 25%+ growth in Document Cloud benefitting from a pandemic-accelerated wave of transactions completed remotely online using e-signatures.
- Gross margin for Creative and Document are 90%+ vs. mid-sixties for Experience Cloud, 25% of revenue in '21 (Nov. FY end). So, margins should expand given that Creative and Document are growing faster than Experience. Given the considerable operating leverage inherent in the "tethered cloud" model, we forecast operating margin to hit 51% in '24 vs. 46% in '21.
- Our EPS forecasts are: $13.77 for '22, $16.22 for '23, and $18.81 for '24, with higher earnings driven mostly by revenue growth and partially by margin expansion.

Investment Rationale/Risk

- Our Buy rating reflects strong fundamentals despite some recent setbacks: 1) dominant position in content creation apps protected by formidable and enduring competitive advantages, projected to grow 15%+ annually even beyond '23 with multiple drivers (global growth of creative pros, monetization of unauthorized users, more cross/up-sell opportunities); 2) increasing contribution from Document Cloud, +33% Y/Y in H1 '21 to ~13% of revenue, with gross margin in the 90's vs. slower growing Experience with gross margin in the mid-60's; 3) an outstanding management team, demonstrated since 2014 by their operational execution during the shift to its "tethered cloud" model, ADBE's now widely admired corporate culture, and solid M&A core competence; 4) substantial inherent operating leverage, likely expanding operating margin well into the mid-50's even after '23, in our view.
- Risks include the possibility of a high-profile 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 $595 target is the product of our EPS forecast for '23 of $16.22 and a 36.7x P/E (4-year mean).

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
2024	--	--	--	--	**E** 23,674
2023	**E** 4,915	**E** 5,119	**E** 5,288	**E** 5,599	**E** 20,821
2022	**E** 4,415	**E** 4,415	**E** 4,591	**E** 4,807	**E** 18,074
2021	--	3,835	3,935	4,110	15,785
2020	3,091	3,128	3,225	3,424	12,868
2019	2,601	2,744	2,834	2,992	11,171

Earnings Per Share (USD)

	1Q	2Q	3Q	4Q	Year
2024	**E** 4.65	**E** 4.57	**E** 4.68	**E** 4.91	**E** 18.81
2023	**E** 4.00	**E** 3.82	**E** 4.02	**E** 4.39	**E** 16.22
2022	**E** 3.62	**E** 3.41	**E** 3.53	**E** 3.56	**E** 13.77
2021	--	3.03	2.52	2.57	10.02
2020	1.96	2.27	1.97	4.64	10.83
2019	1.36	1.29	1.61	1.74	6.00

Fiscal Year ended Nov 30. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

No cash dividends have been paid in the last year.

Adobe Inc.

Business Summary Mar 23, 2022

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 estimates at 49 million globally, growing 11%/year since 2015. 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, especially now that 4 billion people can digitally capture as many photos or as much video as they wish, whenever they want using their smartphone.

COMPANY HISTORY. In 1982, John Warnock and Charles Geschke left Xerox PARC to start Adobe out of the Warnock's garage in Los Altos, CA. 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 3rd 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 '85 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 this lead in the late '80s by adding the core apps of its Creative Suite bundle, now Creative Cloud: Photoshop, Illustrator, and PageMaker by Aldus, which ADBE acquired in '94, then replaced with InDesign. In '93, 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., and targeting the automation of document-based processes and has benefited considerably from the need to complete transactions remotely with e-signatures.

CORPORATE STRATEGY. Since taking over as Adobe's third CEO in 2007, Shantanu Narayan has launched two transformative initiatives. The first was an M&A-driven expansion into digital marketing apps that began with its 2009, $1.8B acquisition of Omniture, a leader in apps for managing marketing campaigns and analyzing website traffic. In 2011, ADBE completed six small deals for $325M, followed by progressively larger deals adding to what is now called "Experience Cloud": Efficient Frontier in 2012 for $400M, ad purchase automation; Neolane in 2013 for $620M, marketing campaign optimization, strong in Europe; TubeMogul in 2016 for $540M, online video ad measurement; Magento in 2018 for $1.7B, e-commerce operations; Marketo in 2018 for $4.7B, marketing-to-sales lead generation; and Workfront in 2020 for $1.5B, collaboration within marketing campaigns.

The second was shifting ADBE from a traditional model selling licenses, upgrades, and support to a "tethered cloud" model for app delivery and subscription billing. We use the term "tethered cloud" because many of ADBE's apps such as Photoshop, Illustrator, and Premiere are very processor and memory intensive and perform much better if run locally on a PC/Mac/iPad. They are "tethered" to ADBE via messaging and regular updates, enabling much better visibility into app usage. It massively automates billing and payment processing, smooths out lumpy revenue streams, and reduces piracy. It also creates a much more direct customer relationship, enabling ADBE to give discounts to specific customers, roll-out "limited time" offers, and cutting out much of its legacy distribution and recouping much of the reseller mark-up. Some customers grumbled at first but most now praise the automated updates and security patches, freemium cloud-based back-up, integrated online support, among other features.

FINANCIAL TRENDS. As ADBE began shifting to a subscription-based model, it hit an initial "subscription shift headwind" limited growth from '11 through '15. The headwind occurs because a traditional Creative Suite license sale was more than twice the revenue from the 1st 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 ~3x more than a new Creative Suite license sale (including annual support at 20% of the license sale with ~1/3 customer uptake) and ~5x vs. upgrades and support revenue from existing customers. When subscription revenue jumped from 50% of total in '14 to 67% in '15, total revenue growth accelerated from 2% in '14 to 16% in '15, then grew 20%+ Y/Y until '20 when Covid-19 dropped it to 16%. In H1 '21, revenue growth came right back to 24%, and, given a lingering subscription shift tailwind and other drivers, we expect 15% annual growth through '26.

This headwind-tailwind dynamic plays out for profitability too, though with some lag. The initial headwind drove operating margin into the teens before recovering to 26% in '16. Since then, operating margin has risen consistently, even during the pandemic, hitting 40% in '19, 43% in '20, and 46% in H1 '21. As its tethered cloud model continues to scale, we expect operating margin to push past 50% by '23, a level traditional software businesses rarely attain.

Corporate information

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Officers

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

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

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

Chairman & CEO
S. Narayen

Chairman & CEO
S. Narayen

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

Board Members

A. L. Banse
D. A. Ricks
D. L. Rosensweig
D. Pandey
F. A. Calderoni
J. E. Warnock
K. K. Oberg
L. B. Desmond
M. B. Biggs
M. Boulden
P. N. Allaway
S. A. Neumann
S. Narayen

Domicile
Delaware

Founded
1982

Employees
25,988

Stockholders
940

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 345.69**	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that ADBE is overvalued by USD 112.50 or 24.55%
Volatility		LOW | **AVERAGE** | HIGH
Technical Evaluation	**NEUTRAL**	Since June, 2021, the technical indicators for ADBE have been NEUTRAL"
Insider Activity		**UNFAVORABLE** | NEUTRAL | FAVORABLE

Expanded Ratio Analysis

	2021	2020	2019	2018
Price/Sales	18.79	18.00	13.62	13.83
Price/EBITDA	46.50	48.17	37.80	39.20
Price/Pretax Income	51.98	55.46	47.48	44.70
P/E Ratio	61.53	44.05	51.59	48.25
Avg. Diluted Shares Outstg. (M)	481.00	485.50	491.60	497.80

Figures based on fiscal year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years
Net Income	NM	23.00	32.77
Sales	22.67	20.46	21.94
Ratio Analysis (Annual Avg.)			
Net Margin (%)	30.55	32.61	29.95
% LT Debt to Capitalization	23.50	18.64	20.95
Return on Equity (%)	34.37	36.08	31.73

Company Financials Fiscal year ending Nov 30

Per Share Data (USD)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Tangible Book Value	0.65	2.43	-3.90	-6.74	4.59	3.25	2.26	3.18	2.72	4.02
Free Cash Flow	14.42	11.04	8.28	7.67	5.54	4.01	2.58	2.29	1.92	2.48
Earnings	10.02	10.83	6.00	5.20	3.38	2.32	1.24	0.53	0.56	1.66
Earnings (Normalized)	7.39	5.36	4.01	3.52	2.66	1.78	1.05	0.46	0.47	1.37
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	699.54	536.88	313.11	277.61	186.27	111.09	92.57	74.69	57.99	34.81
Prices: Low	420.78	255.13	204.95	165.68	98.00	71.27	68.98	53.93	33.78	26.25
P/E Ratio: High	69.80	49.60	52.20	53.40	55.10	47.90	74.70	NM	NM	21.00
P/E Ratio: Low	42.00	23.60	34.20	31.90	29.00	30.70	55.60	NM	60.30	15.80
Income Statement Analysis (Million USD)										
Revenue	15,785	12,868	11,171	9,030	7,302	5,854	4,796	4,147	4,055	4,404
Operating Income	5,802	4,237	3,268	2,840	2,168	1,494	903.00	433.00	449.00	1,177
Depreciation + Amortization	576.00	571.00	757.00	346.00	326.00	332.00	339.00	314.00	321.00	300.00
Interest Expense	113.00	116.00	157.00	89.00	74.00	70.00	64.00	60.00	68.00	67.00
Pretax Income	5,705	4,176	3,205	2,794	2,138	1,435	874.00	361.00	356.00	1,119
Effective Tax Rate	15.50	-26.00	7.90	7.30	20.80	18.60	28.00	25.70	18.60	25.60
Net Income	4,822	5,260	2,951	2,591	1,694	1,169	630.00	268.00	290.00	833.00
Net Income (Normalized)	3,556	2,601	1,971	1,751	1,331	896.80	530.30	235.10	239.80	689.70
Balance Sheet and Other Financial Data (Million USD)										
Cash	5,798	5,992	4,177	3,229	5,820	4,761	3,988	3,739	3,174	3,538
Current Assets	8,669	8,146	6,495	4,857	7,248	5,840	4,822	4,602	4,046	4,397
Total Assets	27,241	24,284	20,762	18,769	14,536	12,697	11,727	10,786	10,380	10,040
Current Liabilities	6,932	5,512	8,191	4,301	3,527	2,812	2,214	2,494	1,526	1,272
Long Term Debt	4,123	4,117	989.00	4,135	1,882	1,892	1,907	911.00	1,499	1,495
Total Capital	19,470	17,972	14,668	13,497	10,342	9,317	8,909	8,290	8,239	8,173
Capital Expenditures	348.00	419.00	395.00	267.00	178.00	204.00	185.00	148.00	188.00	271.00
Cash from Operations	7,230	5,727	4,422	4,029	2,913	2,200	1,470	1,287	1,152	1,500
Current Ratio	1.25	1.48	0.79	1.13	2.05	2.08	2.18	1.85	2.65	3.46
% Long Term Debt of Capitalization	23.50	25.70	6.70	30.60	18.20	20.30	21.40	11.00	18.20	18.30
% Net Income of Revenue	30.50	40.90	26.40	28.70	23.20	20.00	13.10	6.50	7.20	18.90
% Return on Assets	14.08	11.76	10.33	10.66	9.95	7.64	5.01	2.55	2.75	7.73
% Return on Equity	34.40	44.20	29.70	29.10	21.30	16.20	9.10	4.00	4.30	13.40

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, as we also have for the S&P 500 Systems Software sub-industry. In an increasingly "cloud world," the distinction between application and systems software becomes fuzzier and less relevant from an investor's perspective, as the client-server era's clear demarcations dissolve into an increasingly distributed and functionally federated micro-services architecture. Not to mention the fact that Microsoft and Oracle, which together make up 95% of the S&P 500 System Software sub-industry by market cap, generate less than 50% of their revenue from what would be considered "systems software." Together, their application revenue would make them the largest application software company in the world.

Now including results from 4Q21, TTM revenue for the S&P 500 Software Industry constituents was $459B, +19.9% Y/Y, accelerating from 19.2% growth in 3Q21 and 17.5% Y/Y growth in 2Q. Software industry growth has been accelerating since 2H20 as many enterprises delayed projects and cut spending due to the initial uncertainty at the start of the Covid-19 pandemic. We continue to forecast S&P 500 Software Industry revenue for 2022 to grow 16% Y/Y, primarily driven by cloud migration and Covid-19-related digital transformation projects and partially hindered by declining revenue from sales of legacy client-server software licenses and maintenance and support, decelerating only modestly to 14% in 2023.

Compared to the S&P 500 Software Industry, the larger overall global software industry, which grew 2.3% Y/Y in 2020 to $571B, contains many smaller, niche-oriented, or country-specific vendors more dependent on legacy maintenance revenue from client-server era (and even from lingering mainframe software). We project the overall global software industry to grow 10.7% in 2021 to $632B (IDC's numbers for 2021 are expected to be published later in 2022) and 9.1% in 2022 to $690. In August 2020, we formalized CFRA's "Four Key Trends in Enterprise Software," which we see as crucial to understanding the software industry and distilling investment-relevant insights as it evolves: Cloud Migration, Digital Transformation, The Rise of Meta-software, and Artificial Intelligence (AI). While the lingo has changed, the investment-relevant impact of these trends has been building for over a decade, though, in our view, only cloud migration is now hitting "peak impact." Similar to the financial crisis of 2008, Covid-19's impact on the overall economy, especially on energy, travel, restaurants, and many brick-and-mortar retailers, led to a dip in IT spending growth in 2020. Yet, like 2008, Covid-19 has accelerated these trends as enterprises reacted with aggressive cost-cutting and streamlining for greater operational agility. On top of that, the massive surge in remote workers and the sudden need to serve customers while minimizing physical contact catalyzed cloud adoption and investment in digital transformation, a.k.a. substituting software for labor and capital in the means of production (e.g., Uber's software substitutes for taxi dispatch systems and dispatchers).

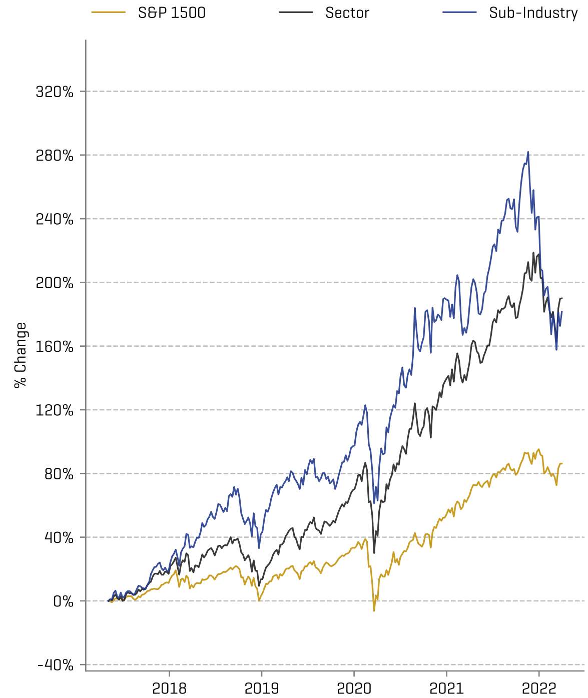
Despite the sharp tech sell-off in the first week of 2022, the S&P 500 Application Software sub-industry is still up 1.3% TTM, although the overall S&P 500 is up 14.8% TTM. At a P/E of 65.0x vs. the overall S&P 500 P/E of 22.3x, the relative and absolute valuations for this sub-industry are historically quite high.

/ John Freeman

Industry Performance

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

Based on S&P 1500 Indexes
Five-Year market price performance through Apr 02, 2022



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 (%)
Atlassian Corporation Plc	**TEAM**	**NasdaqGS**	**USD**	**305.75**	**77,504.0**	**-1.1**	**37.1**	**NM**	**N/A**	**N/A**	**-362.6**	**88.4**
Autodesk, Inc.	ADSK	NasdaqGS	USD	213.04	46,295.0	-1.6	-25.0	95.0	128.80	N/A	54.8	67.1
Cadence Design Systems, Inc.	CDNS	NasdaqGS	USD	165.63	46,107.0	5.2	17.1	66.0	87.39	N/A	26.6	14.1
Constellation Software Inc.	CSU	TSX	CAD	2,175.63	57,692.0	27.8	52.1	119.0	1,172.48	0.2	13.1	38.0
Datadog, Inc.	DDOG	NasdaqGS	USD	153.50	48,185.0	-6.7	76.0	NM	N/A	N/A	-2.1	42.6
Intuit Inc.	INTU	NasdaqGS	USD	483.93	136,861.0	-0.4	22.4	62.0	395.05	0.6	17.8	31.4
SAP SE	SAP	NYSE	USD	110.63	129,275.0	-2.3	-12.0	22.0	N/A	1.5	15.1	19.9
Synopsys, Inc.	SNPS	NasdaqGS	USD	334.98	51,285.0	6.2	31.8	58.0	276.84	N/A	17.7	8.4
Workday, Inc.	WDAY	NasdaqGS	USD	237.93	59,720.0	-4.2	-6.7	2071.0	N/A	N/A	0.8	12.0
salesforce.com, inc.	CRM	NYSE	USD	212.25	210,128.0	0.9	-3.0	143.0	138.25	N/A	2.9	18.7

*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 23, 2022
01:53 PM ET... CFRA Lowers Rating on Shares of Adobe, Inc. to Buy from Strong Buy (ADBE 421.32****):
We lower our target by $126 to $595 due to: 1) the second weak quarter in a row, as revenue grew just 9% Y/Y, though we acknowledge the difficult Y/Y comparison, compounded by this Feb-Q being a week shorter than last year's as well as some purchase hesitation likely due to the war in Ukraine; 2) unchanged FY22 guidance, implying Y/Y growth of 13% for revenue and 10% for EPS; and 3) shares being down 26% year-to-date – we still see an attractive entry point for those with a long-term horizon, but the magnitude of the recent growth deceleration is a concern and the hit to investor confidence likely keeps the upside limited for a few quarters. Yet, a bright spot was Document Cloud grew 37% Y/Y to 13% of total revenue. Our $595 target is a product of our EPS forecast for '23 of $16.22, down $0.98, and a 36.7x P/E (4-year mean). 1Q revenue of $4.26b, +9% Y/Y, beat consensus by $24m; EPS of $3.37 grew 7% Y/Y, beating by $0.03. We also lower our EPS forecasts for '22 by $0.78 to 13.77 and for '24 by $1.40 to $18.81. / John Freeman

December 17, 2021
04:59 PM ET... CFRA Maintains Strong Buy Rating on Shares of Adobe, Inc. (ADBE 556.64*****):
We lower our target by $32 to $721 due to: 1. fairly weak FY 4Q21 (Nov-Q) results, especially on EPS, just hitting consensus but coming in $0.05 below our forecast, and tepid guidance for FY 22, though management tends to be particularly conservative when giving initial guidance for an upcoming year; 2. with shares down 18% since Nov. 29, we see an attractive entry point for the dominant leader in apps to produce creative visual content, a segment very much on "the right side of Moore's Law" and benefiting from multiple trends – e.g., the global rise of creative professionals, the digitization and automation of document-based processes, and the shift of ad spend to online/mobile, still only ~60% complete. Our $721 target is a product of our EPS forecast for '23 of $17.20, now $1.21 lower, and a 41.9x P/E (two-year mean). 4Q revenue of $4.11b, +20% Y/Y, beat consensus by $20m; EPS of $3.20 was up $0.39 Y/Y, matching consensus. We lower our EPS forecast for '22 by $0.63 to 14.55 and initiate '24 at $20.21. / John Freeman

September 22, 2021
01:59 PM ET... CFRA Maintains Strong Buy Rating on Shares of Adobe, Inc. (ADBE 625.32*****):
We raise our target by $87 to $753 after another strong quarter in FY 3Q '21 (Nov.), with each segment performing well. Creative reported revenue of 2.37B (60% of total) growing 21% Y/Y vs. 24% in 2Q, a slightly faster deceleration than expected, though still likely to grow 20%+ Y/Y through '22, in our view. Document revenue was up 31% Y/Y to $493M (13% of total) as enterprises continue to use ADBE's solutions to digitize forms and automate document-based workflows. Experience grew 26% Y/Y, a 5% acceleration vs. 2Q, to $985M (25% of total) driven by the continued comeback of overall ad spend and faster migration from traditional media to digital/software-driven ad campaigns. Our $753 target is a product of our EPS forecast for '23 of $18.41, rolled forward from FY 22 and now $0.15 higher, and a 40.9x P/E (2-year mean). 3Q revenue of $3.94B grew 22% Y/Y, beating consensus by $39M, while EPS of $3.11, +21% Y/Y, beat by $0.09. Our EPS forecasts for '21 and '22 remain unchanged at $12.54 and $15.18, respectively. / John Freeman

June 21, 2021
01:11 PM ET... CFRA Maintains Strong Buy on Shares of Adobe, Inc. (ADBE 567.83*****):
We maintain our Strong Buy and raise our target by $76 to $666, following an impressive FY Q2 '21 (Nov.) with strength in each category of cloud offerings: Creative, revenue was up 24% Y/Y to $2.38B, 63% of total, and, in our view, likely to continue at 20%+ Y/Y through '22, driven by the global growth of creative professionals and ongoing conversion to subscriptions of non-paying users of its legacy apps; Document, +30% Y/Y to $469M, 13% of total, riding the pandemic-related wave of remote transactions using e-signatures; Experience, +21% Y/Y to $938M, 24% of total, reflecting a comeback in overall advertising. Our $666 target is a product of our $15.18 EPS forecast for '22, up $0.39, and a 43.9x P/E (one-year mean). Q2 revenue of $3.84B grew 23% Y/Y, beating consensus by $106M; EPS of $3.03, +24% Y/Y, beat by $0.21. We raise our EPS forecasts for '21 by $0.34 to $12.54 and for '23 by $0.15 to $18.26. Unlike Q1's disappointing guidance, management guided '21 Y/Y revenue growth 2% higher to 22%. / John Freeman

March 30, 2021
04:37 PM ET... CFRA Maintains Strong Buy Rating on Shares of Adobe, Inc. (ADBE 464.44*****):
We maintain our Strong Buy but trim our target by $11 to $590 based on strong FY Q1 '21 (Nov.) results on both the top and bottom lines, with strength in each of its "clouds" -- Creative, up 31% Y/Y to 2.38B (63% of total); Document, up an impressive 37% to $480M (13%) on a surge in remote collaboration around digital documents and e-signatures; Experience, up 24% Y/Y (19% organic, recently acquired Workflow added $38M) to $480M (25%), also reflecting the comeback in overall advertising and the release of ad spend pent-up by the pandemic. Our $590 target is the product of our $14.79 EPS forecast for '22, now $0.09 lower, and a 39.9x multiple (1-year mean). Q1 revenue of $3.91B was up 26% Y/Y, beating consensus by $141M; EPS of $3.14 grew 38% Y/Y and beat by $0.35. We raise our EPS forecast for '21 by $0.11 to $12.20 but cut '23 by $0.15 to $18.11. New FY 21 guidance at 20% Y/Y growth disappointed investors and seems too cautious, in our view, given 25% organic growth in 1Q with 90% of revenue now recurring. / John Freeman

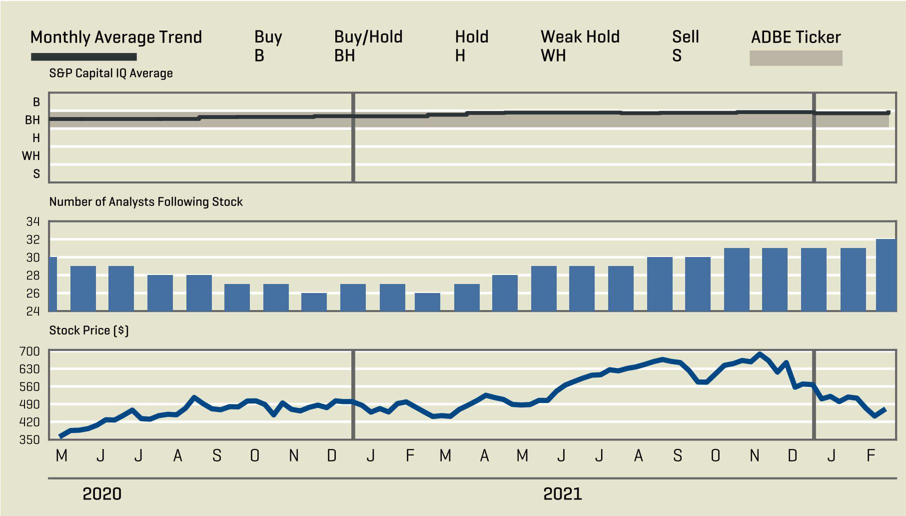
December 11, 2020
02:13 PM ET... CFRA Upgrades Shares of Adobe, Inc. To Strong Buy From Hold (ADBE 474.05*****):
We raise our rating to Strong Buy from Hold and our target to $601 from $462 due to: 1) overly negative investor reaction post-earnings that presents a tactical buying opportunity for long duration 15%+ annual growth, exceptional leadership, solid competitive advantages, and significant unrealized operating leverage; 2) our 19% 3-yr. revenue CAGR forecast, raised from 16%, vs. consensus at 14%; 3) stronger Covid-19 resilience than we expected for the ad-driven Experience Cloud business, +10% Y/Y (24% of Q4 total); 4) the Workfront acquisition, attractively priced and likely to add materially to Experience Cloud growth. Our $601 target is the product of our $14.88 EPS forecast for '22, up from $14.13, and a 40.4x multiple (1-yr. mean – we removed the 5% discount as Covid-19's impact on Experience Cloud was less than expected). Q4 revenue of $3.42B, +14% Y/Y, beat consensus by $59M; EPS of $2.81, +23% Y/Y, beat by $0.15. We also raise our EPS forecast for '21 by $0.29 to $12.09 and initiate '23 at $18.26. / John Freeman

September 23, 2020
01:39 PM ET... CFRA Maintains Hold Rating on Shares of Adobe, Inc. (ADBE 486.78***):
We maintain our Hold but raise our target price to $462 from $383 as ADBE represents a balance, in our view, between: 1) excellent long-term growth prospects driven by powerful secular trends, strong competitive advantages, exceptional leadership, and a residual cloud-shift tailwind; and 2) the likelihood that Covid-19 and its negative impact on consumer discretionary spending continues well into 2021, suppressing growth for ADBE's ad-driven Experience Cloud segment (25% of FY 3Q 20 revenue, +2% YoY) and stretched valuation, in our view, with forward P/S and P/E ratios +33% YTD, limiting the 1-year upside for the shares. Our $462 target is a product of our '22 EPS forecast of $14.13 and a 32.7x multiple (2-year mean, less 5% due to Covid-19's impact on Experience Cloud). ADBE's FY Q3 21 revenue of $3.23B, +14% YoY, beat consensus by $65M; EPS of $2.57 grew 25% YoY and beat by $0.16. Our now higher EPS forecasts are $10.03 for '20 (vs. $9.82), $11.80 for '21 (vs. $11.74), and $14.13 (vs. $13.99). / 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.

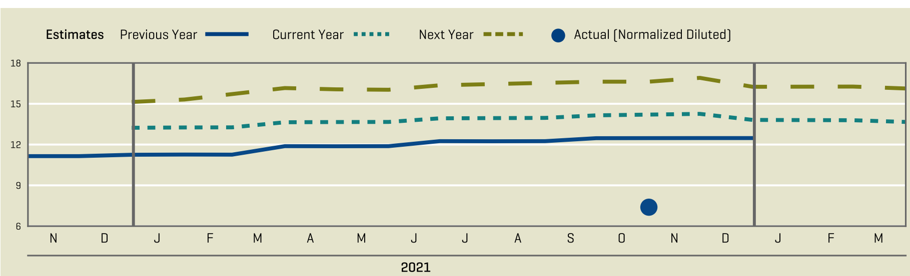
Adobe Inc.

Analysts Recommendations



	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	18	56	18	17
Buy/Hold	9	28	9	8
Hold	5	16	5	6
Weak hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	32	100	32	31

Wall Street Consensus Estimates



Fiscal Year	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2023	16.13	17.77	15.51	28	28.41
2022	13.66	14.32	13.43	28	33.53
2023 vs. 2022	**▲ 18%**	**▲ 24%**	**▲ 15%**	**N/A%**	**▼ -15%**
Q2'23	3.89	4.26	3.77	19	117.82
Q2'22	3.31	3.41	3.24	25	138.36
Q2'23 vs. Q2'22	**▲ 17%**	**▲ 25%**	**▲ 16%**	**▼ -24%**	**▼ -15%**

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 2022, analysts estimate that ADBE will earn USD 13.66. For fiscal year 2023, analysts estimate that ADBE's earnings per share will grow by 18.01% to USD 16.13.

Adobe Inc.

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, including Fair Value.

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 February 08, 2022

Ranking	North America	Europe	Asia	Global
Buy	43.8%	46.2%	40.0%	43.4%
Hold	50.0%	47.4%	55.7%	50.7%
Sell	6.2%	6.4%	4.3%	5.9%
Total	100.0%	100.0%	100.0%	100.0%

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Adobe Inc.

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