

# Adobe

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# Outline

- Investment thesis
- Company overview
- Financials
- Total adressable market
- Global operations
- SWOT analysis
- Comparable benchmarking
- DCF valuation
- Conclusion



# **Investment Thesis**



Heightened **risk of data breaches** and **software errors** expose Adobe to such cybersecurity risk as evidenced by historic examples such as the 2013 data leak

Risk of \$20 bn Figma deal being **rejected by government agencies**, excluding the synergy gains Adobe could reap if they merge with this web-first collaborative design platform

Potential decrease in customer retention rate leading to reduced revenue and brand reputation. Adobe is uniquely exposed to such risk given their subscription-based business model

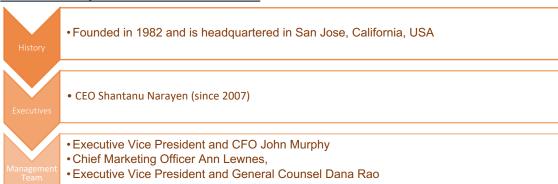
Improve their user experience while bringing down operating costs. In addition, customer behavior insights can be attained

Reduced idiosyncratic risk due to their wide range of offerings and Adobe can also safeguard customer loyalty through their tight product integration

Adobe well positioned to capitalize on the general trend towards digital marketing with a projected yoy growth rate of 17.6%

## **Company Overview-Business Model**

**Business Model: based on subscriptions and selling software licenses and for** its various products and services.



## **Business segments**



#### Creative cloud

 Adobe's Creative Cloud segment provides a suite of products and services that allow creative professionals to design and create digital content, including images, videos, and websites. The products include Photoshop, Illustrator, InDesign, and Premiere Pro, among others.

#### Document cloud

• Adobe's Document Cloud segment provides a suite of products and services that enable users to create, edit, sign, and manage electronic documents. The products include Acrobat DC, Adobe Sign, and Adobe Scan, among others.

#### Experience cloud

 Adobe's Experience Cloud segment provides a suite of products and services that enable enterprises to deliver personalized digital experiences to their customers. The products include Adobe Experience Manager, Adobe Analytics, and Adobe Campaign, among others.

#### Adobe leadership recognition

Digital Experience Platforms		Digital Commerce	Enterprise Marketing Software Suites	Digital Marketin; Analytics		Multichannel Marketing Hubs	Web Co Manage		Personalizati Engines	B2C Digital on Commerce Platforms	Retail Commerce Platform Software	B2C Commerce Suites
741		10	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~		14	141		M	<b>.</b>	1	<b>F</b> A	Ţ.
B2B Commerce Suites		B2B Marketing Automation	DAM for Customer Experience	Web Analytics		Digital Intelligence Platforms	Omni-o DSPs	hannel	Cross Chann Video Ad Platforms	el Digital Experience Platforms	E-signature Software	Mobile Engagement Automation
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Data Mgt Platforms in APAC	Collaborative Work Management Tools	Customer Analytics Technologies	Agile CMS (formerly WCMS)	A	Ad Tech	CMS fo Persua		Adobe Impler Service	mentation	Work/Project + Portfolio Management	Project + Portfolio Management	Data Mgt Platforms
74	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	<b>7</b> 3			,	<b>N</b>	M	<b></b>	741	<b>1</b> 3	14	~ ~
Source: Industry	analyst reports as of Dec	ember 2021		_, _			,		,	, , , , , , , , , , , , , , , , , , ,	, , , , , , , , , , , , , , , , , , ,	
Adobe						28					2021 Adobe. All Rights Reserved.	Adobe Confidential

## **Business Strategy**

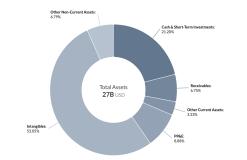
01	Digital Media	<ul> <li>Creative cloud: AI powered</li> <li>Document Cloud: includes product-led growth, improving PDF experience, expanding task-based actions and integrating Adobe Acrobat Sign</li> <li>Strategic partnerships with Microsoft, Workday, ServiceNow, and Notarize will be used to drive enterprise business</li> </ul>
02	Digital Experience	<ul> <li>Data insights and audiences</li> <li>Content and commerce</li> <li>Customer journeys</li> <li>Marketing workflows</li> </ul>
03	Publishing and Advertising	<ul> <li>Serving markets : eLearning solutions, technical document publishing, web conferencing, document and forms platform, web application development, and high-end printing</li> <li>Revenue in legacy Publishing products and services: generated through technology licensing to OEMs.</li> </ul>

• Revenue in Advertising: generated through usage-based offerings.

# Financials

## Balance sheet

26.7B ■ ASSETS	12.5B LIABILITIES		
Current Assets	8.3B		
Cash & Short-Term Investments	5.7B		
Receivables	1.8B		
Other Current Assets	888M		
Non-Current Assets	18.3B		
PP&E	2.4B		
Intangibles	14.1B		
Other Non-Current Assets	1.8B		



## 2023 Q1 results

#### Q1 FY2023 Results

Total Revenue	\$4.66 billion	9% Y/Y grov	/th	th 13% Y/Y growth <sup>1</sup>	
Digital Media segment revenue	\$3.40 billion	9% Y/Y growth		14% Y/Y growth <sup>1</sup>	
Digital Media ARR	\$410 million of net new ARR				
Digital Experience segment revenue	\$1.18 billion	11% Y/Y gro	wth	14% Y/Y growth <sup>1</sup>	
Digital Experience subscription revenue	\$1.04 billion	12% Y/Y gro	wth	14% Y/Y growth <sup>1</sup>	
Earnings per share	GAAP: \$2.71		Non-GAAP: \$3.80		

- Generated \$1.69 billion of cash flows from operations
- Repurchased approximately 5.0 million shares
- Remaining Performance Obligations (RPO) exiting the quarter were \$15.21 billion

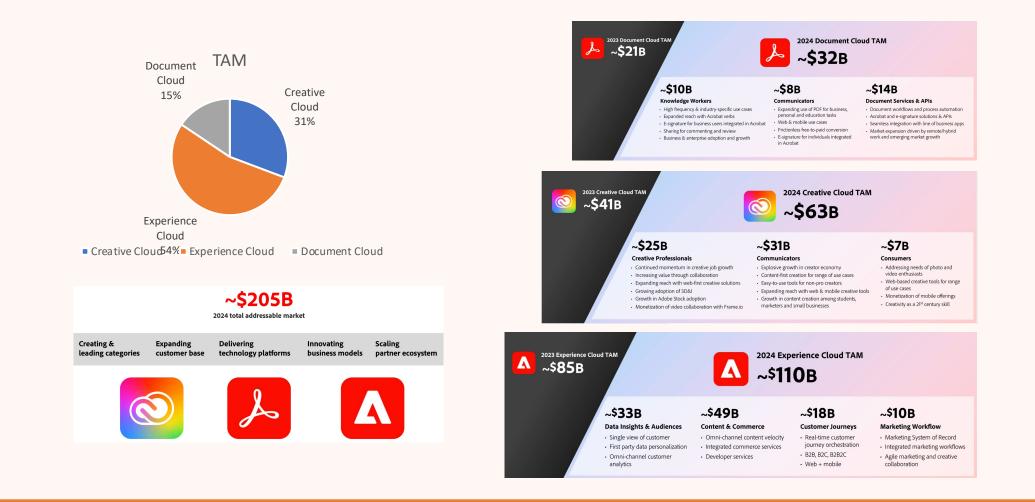
### Trend



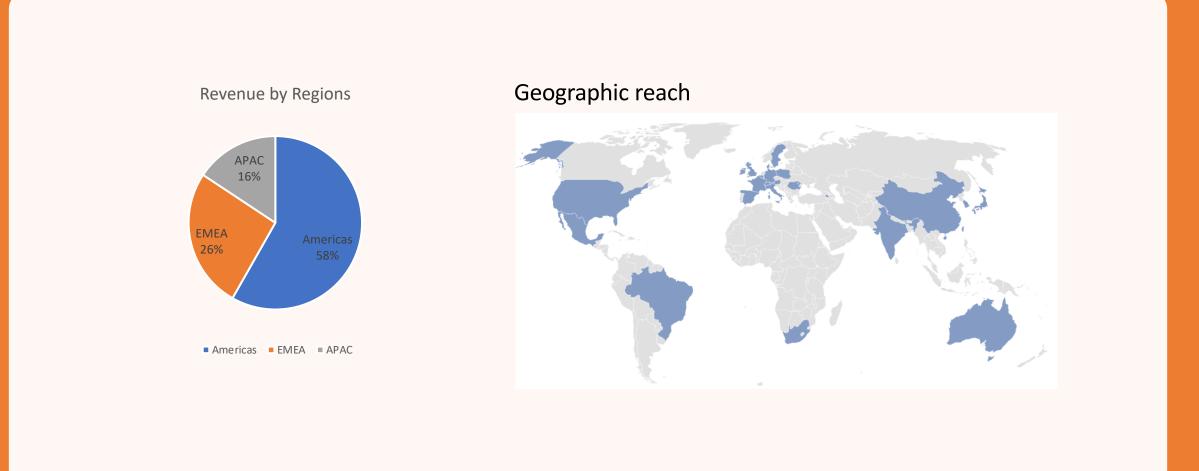
## Efficiency



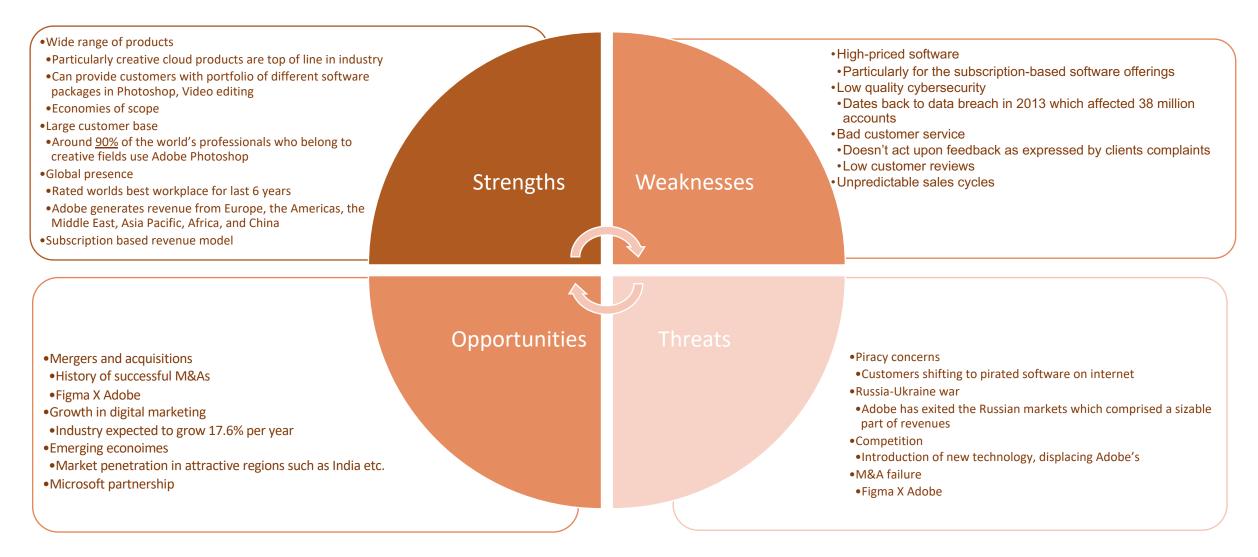
# Total addressable market



# Global operations



# SWOT



# Comparable benchmarking

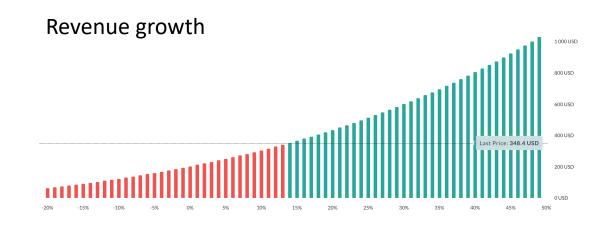
	Market Cap	P/E	D/E	EV/EBITDA	ROE	Operating margin	Beta
Adobe	170.37bn	35.77	29.04	24.00	33.86%	33.91%	1.31
SAP	159.33bn	84.95	21.49	25.49	2.56%	15.35%	1.00
Autodesk	42.48bn	52.32	232.84	36.91	82.55%	20.50%	1.53
Oracle	261.80bn	32.00	-69.84	18.90	-262.40%	29.16%	1.00
Intuit Inc.	119.98bn	62.44	48.46	35.52	12.38%	19.94%	1.18
Salesforce	198.37bn	944.62	25.5	35.43	0.36%	5.93%	1.24

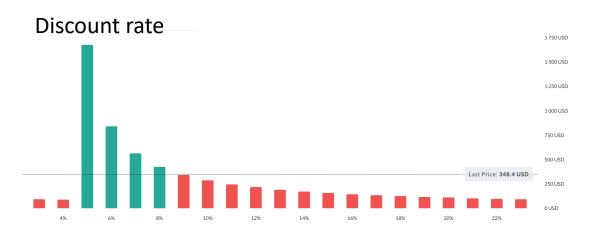
# DCF valuation summary

## Summary table

	Worst case	Base case	Best case
WACC	11%	9%	8.2%
Long-term growth rate	3%	4%	5%
Equity Value	108bn	161bn	234.275bn
Shares outstanding	458 M	458 M	458 M
Equity value per share	227.8	344.84	510.21
Current share price	347.68	347.68	347.68

## Sensitivity tables





Adobe

# Conclusion

Entry/Exit strategy

- Take profit at \$394.35
- Stop loss at \$315.45



[1] Adobe's Q1 2022 earnings report may have influenced its stock price. Positive earnings and revenue growth could have boosted investor confidence and driven up the stock price, while negative results could have had the opposite effect.
[2] Figma acquisition announcement, investors perceived that Adobe overpaid at \$400 million, equating to 50 times revenue
[3] Launch of the new versions of Photoshop and Acrobat boosted the price and in the wake of generative AI models more attention is put on key application providers of such technology