



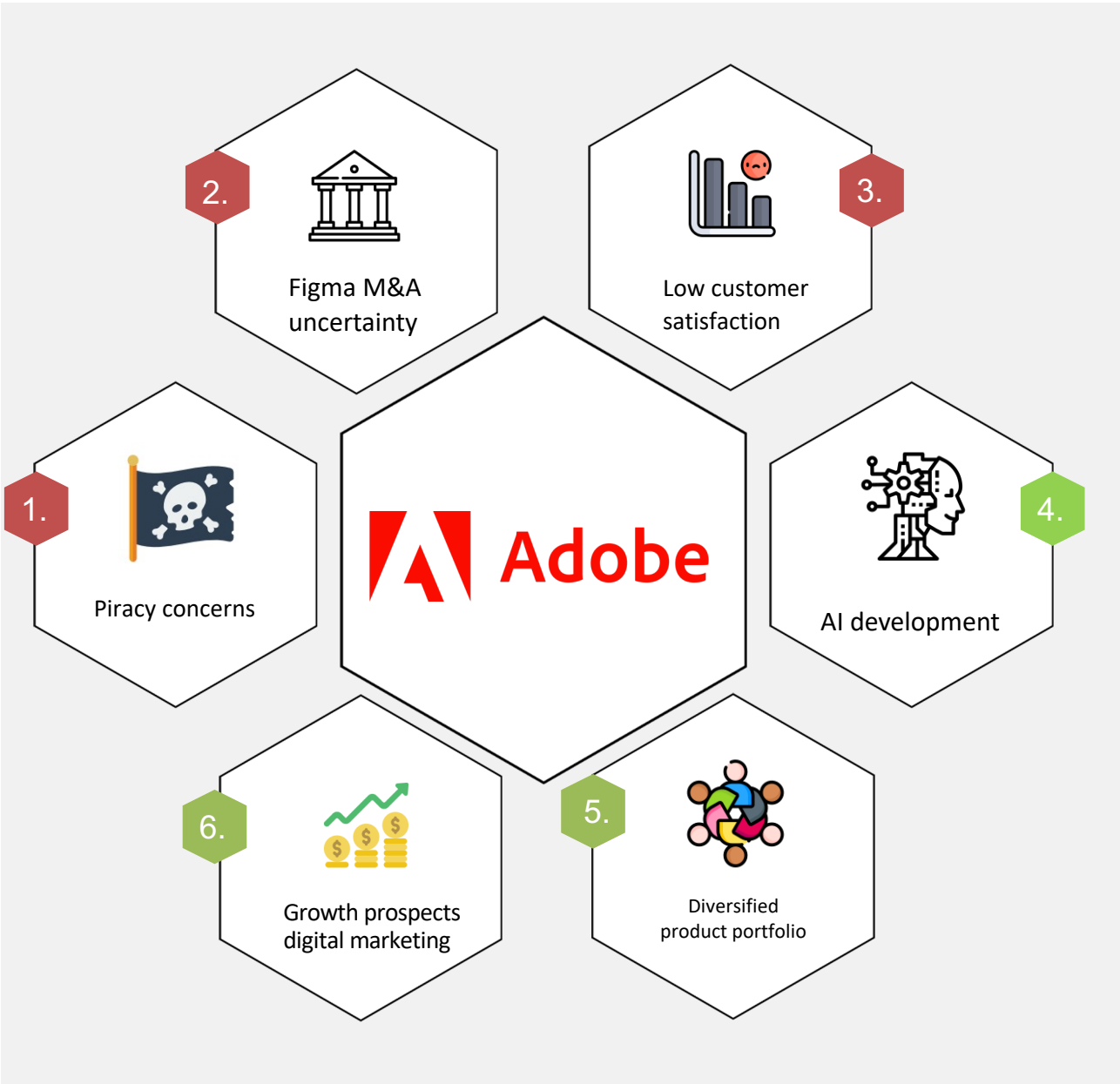
By Patrick Hanley and Clarina Hsu

Outline

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



Investment Thesis



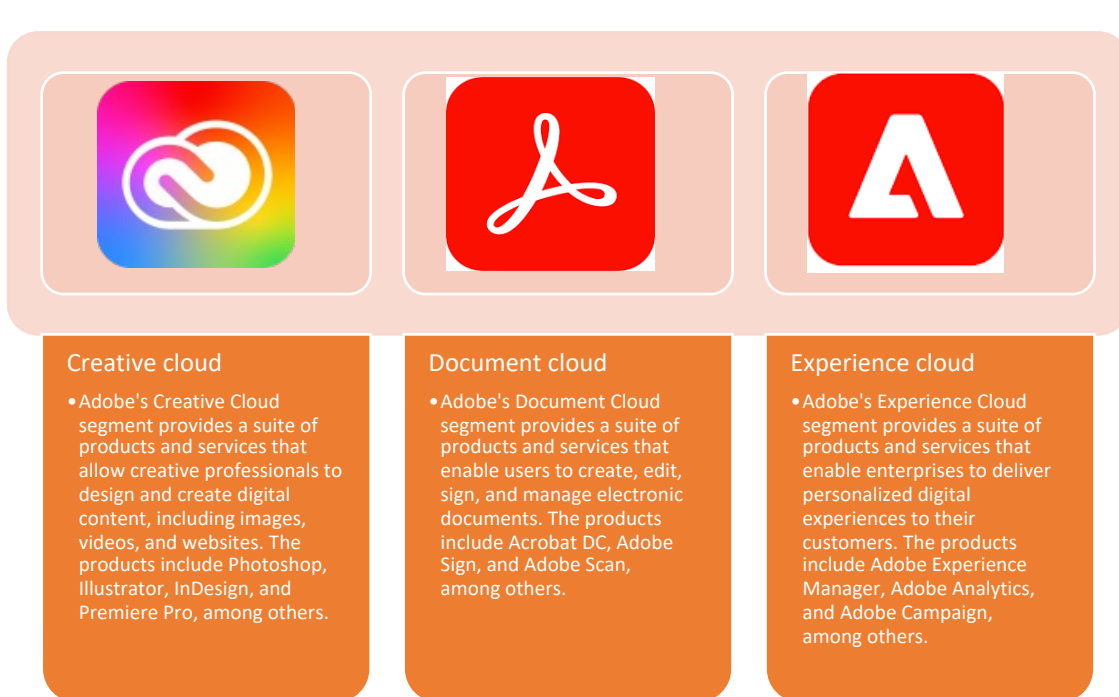
- 1** Heightened **risk of data breaches** and **software errors** expose Adobe to such cybersecurity risk as evidenced by historic examples such as the 2013 data leak
- 2** Risk of \$20 bn Figma deal being **rejected by government agencies**, excluding the synergy gains Adobe could reap if they merge with this web-first collaborative design platform
- 3** 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
- 4** Improve their user experience while bringing down operating costs. In addition, customer behavior insights can be attained
- 5** Reduced idiosyncratic risk due to their wide range of offerings and Adobe can also safeguard customer loyalty through their tight product integration
- 6** 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

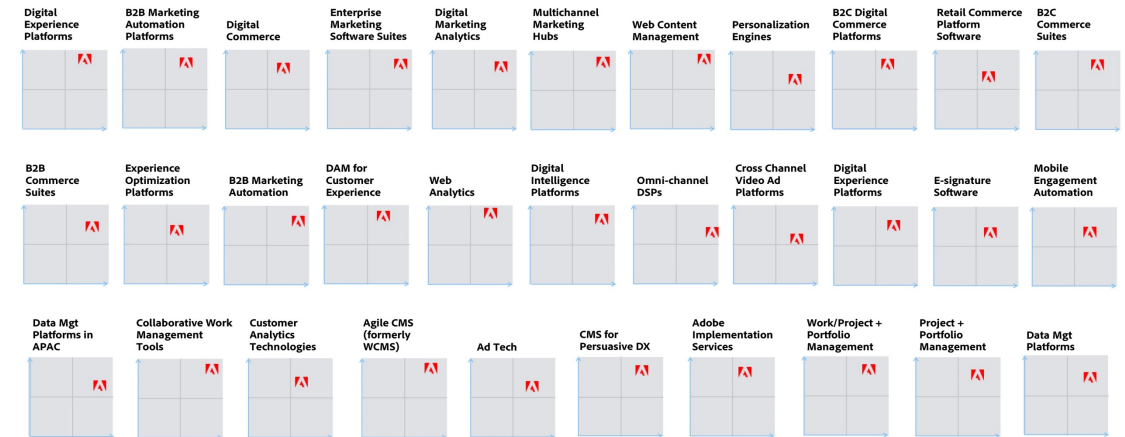
Business Model: based on subscriptions and selling software licenses and for its various products and services.



Business segments



Adobe leadership recognition



Source: Industry analyst reports as of December 2021



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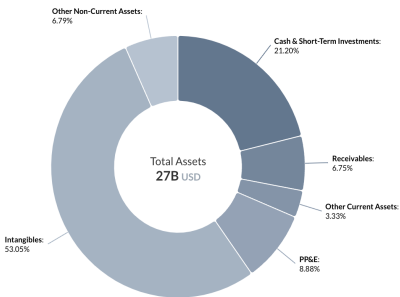
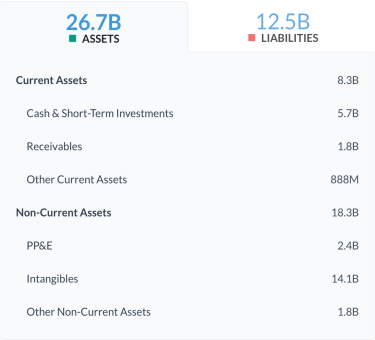
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Business Strategy



Financials

Balance sheet



2023 Q1 results

Q1 FY2023 Results

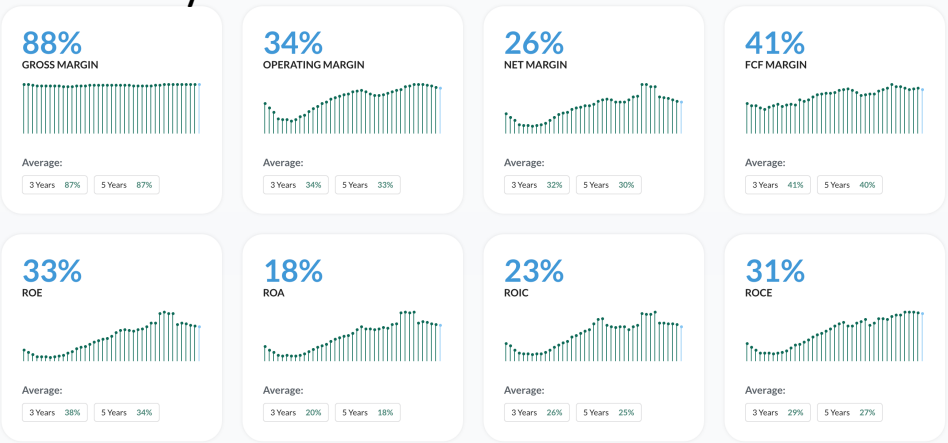
Total Revenue	\$4.66 billion	9% Y/Y growth	13% Y/Y growth ¹
Digital Media segment revenue	\$3.40 billion	9% Y/Y growth	14% Y/Y growth ¹
Digital Media ARR	\$410 million of net new ARR		
Digital Experience segment revenue	\$1.18 billion	11% Y/Y growth	14% Y/Y growth ¹
Digital Experience subscription revenue	\$1.04 billion	12% Y/Y growth	14% Y/Y growth ¹
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

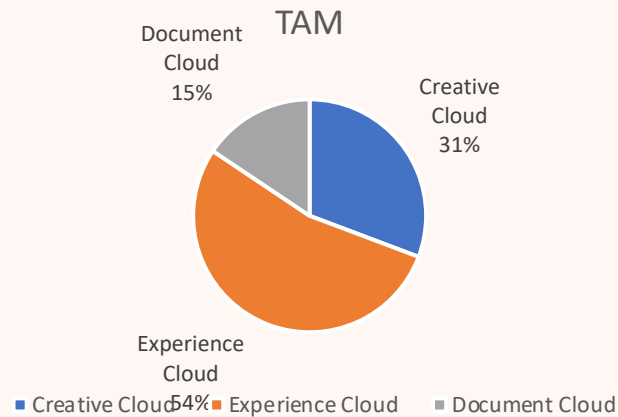
Trend



Efficiency

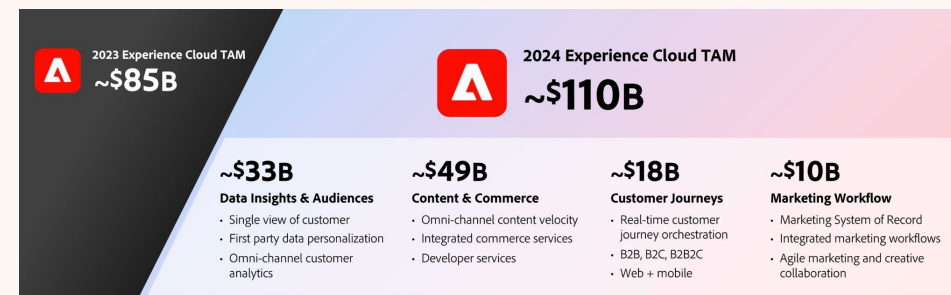
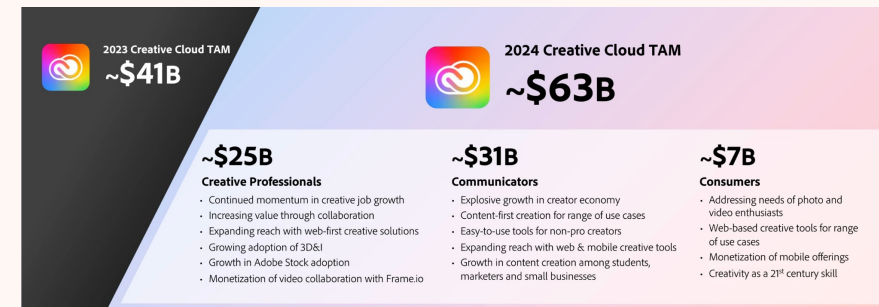
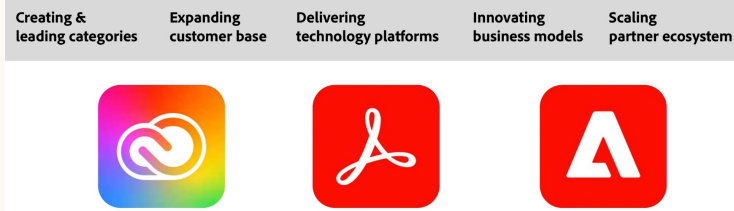


Total addressable market



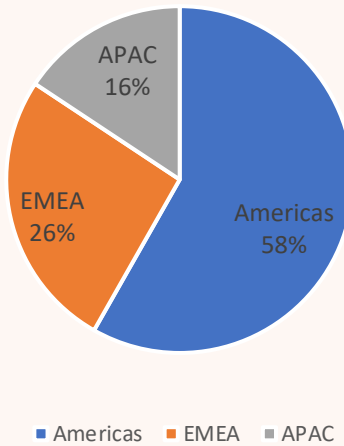
~\$205B

2024 total addressable market

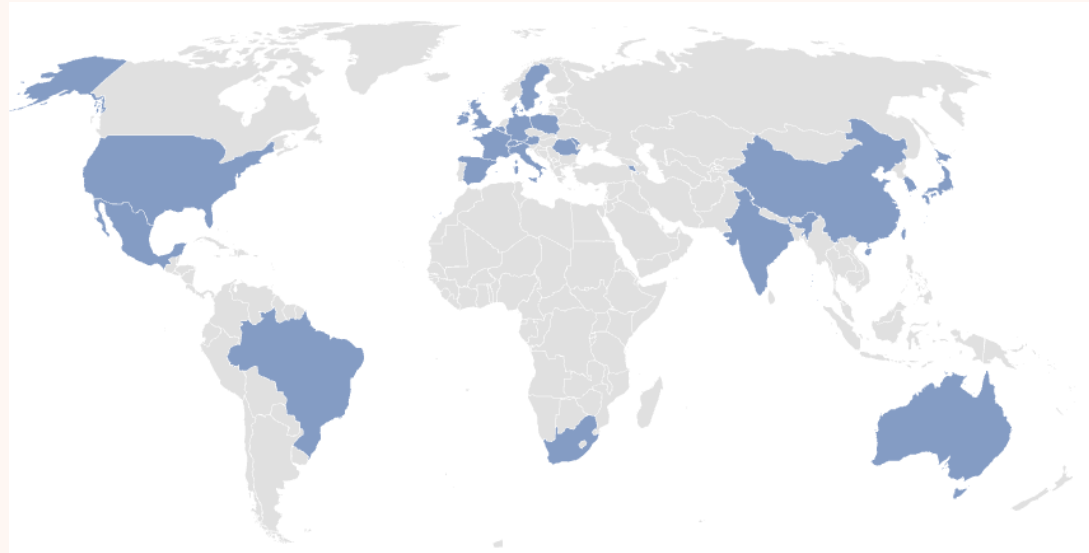


Global operations

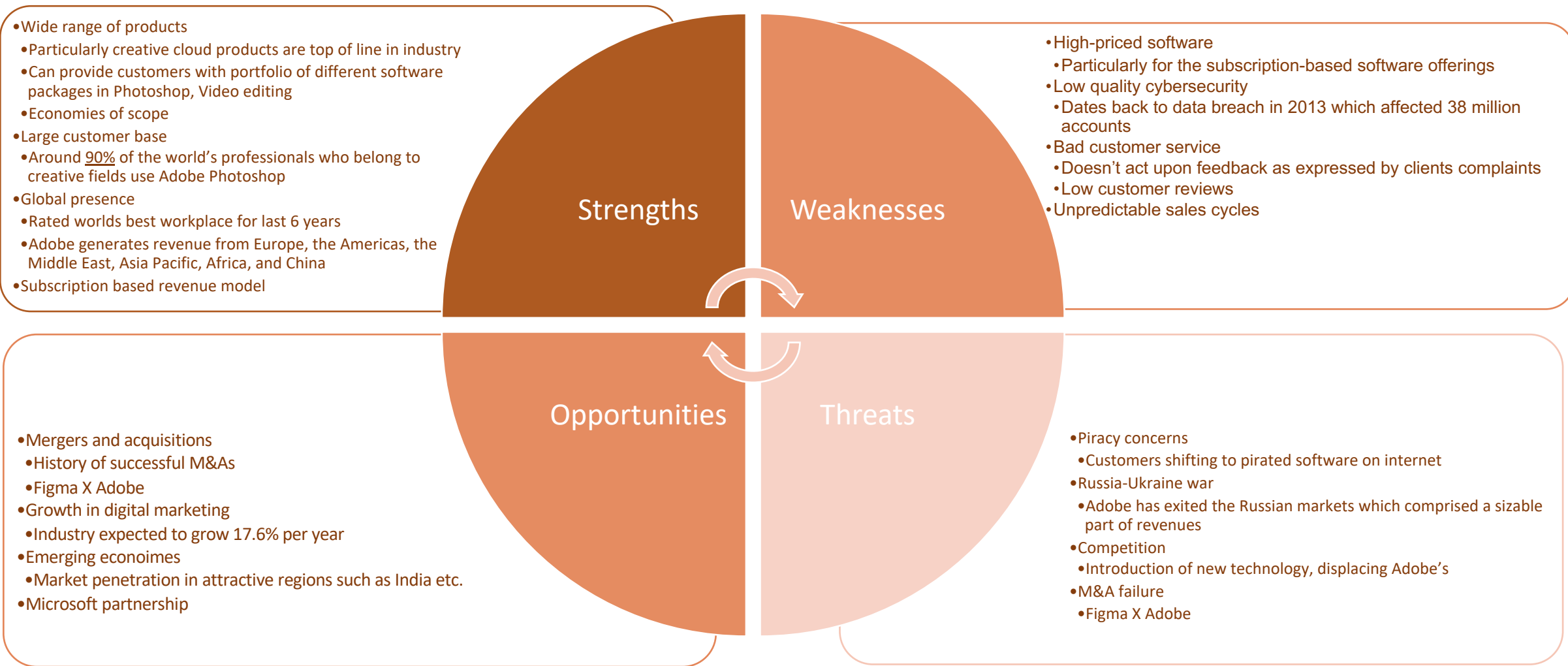
Revenue by Regions



Geographic reach



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

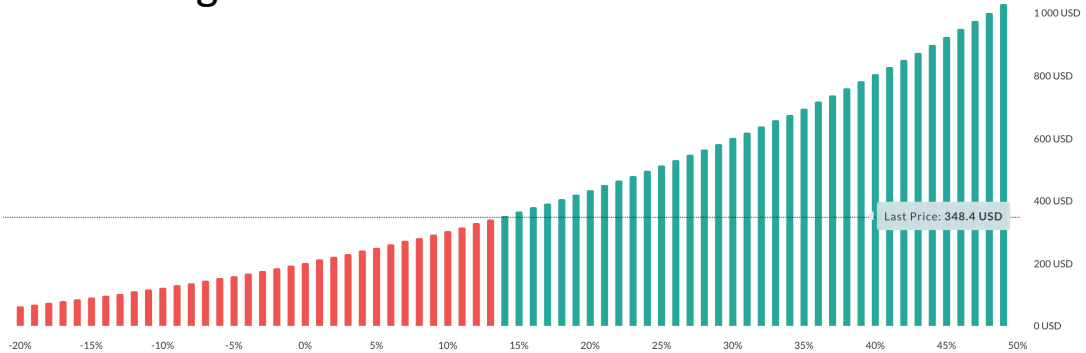
DCF valuation summary

Summary table

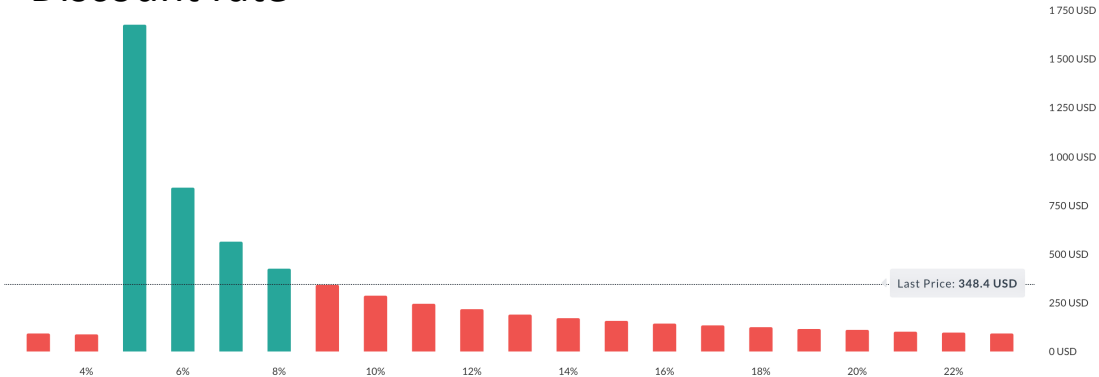
	Worst case	Base case	Best case
WACC	11%	9%	8.2%
Long-term growth rate	3%	4%	5%
Equity Value	108bn	161bn	234.275bn
Shares outstanding	458 M	458 M	458 M
Equity value per share	227.8	344.84	510.21
Current share price	347.68	347.68	347.68

Sensitivity tables

Revenue growth



Discount rate



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