

Div %	Div \$	Current Price	Current Multiple	Market Cap	Beta
NA	NA	\$458.08	42.30	\$219.7B	1.0

Analyst Report: Adobe, Inc

TICKER: ADBE

EXECUTIVE SUMMARY

Adobe Inc., formerly Adobe Systems Incorporated, is a software company. The Company offers products and services used by professionals, marketers, knowledge workers, application developers, enterprises and consumers for creating, managing, measuring, optimizing and engaging with compelling content and experiences. It operates through three segments: Digital Media, Digital Experience and Publishing. Its Digital Media segment provides tools and solutions that enable individuals, small and medium businesses and enterprises to create, publish, promote and monetize their digital content. Its Digital Experience segment provides solutions and services for how digital advertising and marketing are created, managed, executed, measured and optimized. Its Publishing segment addresses market opportunities ranging from the diverse authoring and publishing needs of technical and business publishing to its legacy type and original equipment manufacturer printing businesses.

Metric	InSight Score (out of 5)
Solvency Debt Service and Income	
Corporate Efficacy Return on Equity, Historic Growth	
Growth Revenue Growth, Cash Flow	
Return of Capital Dividend Growth, Buybacks	
Total Return Aggregate vs. Current P/E	

COMPANY HIGHLIGHTS

We are inspired by the growth at Adobe, and encouraged by their reaction in the COVID pandemic. Growing in the lower segments is terrific and enterprise level products maintained a steady growth. They are a benefactor of two major trends in the work from home space and content creation.

InSight wants to see 3-year revenue CAGR get to 19-20%. But we think the acquisition Workfront fits well in the overall growth strategy. Additionally the shift to cloud and hosted software has straightened out the recurring cash flow and we prefer to see revenue posted this way. We like the Adobe prospects in the Digital Right Management space - we see DRM at a long run core enterprise requirement for the growing demand and usage of content globally. Adobe's growth in this sector we see as synchronous with the expansion of content creation and consumption.

- The shift to cloud is a fantastic tailwind; we prefer the recurring revenue model and its unfolding well across the Adobe suite; greater upsell/cross-sell opportunities are creating knock on sales
- The new pricing model is monetization segments of non-paying users due to the tethered cloud model;
- Achieving a greater down-market adoption of its now more affordable, subscription-based Creative Cloud, 61% of total Q4 '20 (Oct.) revenue, up an impressive 20% Y/Y; and
- Document Cloud is +22% Y/Y and 12% of total revenue.
- Digital Experience saw contraction but is 27% of total revenue and we will eye a rebound to confirm this was isolated to COVID.
- InSight expects a 50%+ margin achieved in '23, up from 47% last year.
- Our EPS expectations are: \$12-12.50 in '21; \$14.50-\$15 in '22; \$18.26 for '23



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SECTOR OVERVIEW

Adobe is part of the Software Subsector in the Technology Index. It is a top ten holding in the sector, but is dominated by other heavy weights in Technology Payments and major players Apple and Microsoft. Adobe is a pure play in the software space and represents the recurring revenue prototype we come to expect. Overlap in the sector exposure is small (2.8%) so it's a great candidate for added exposure into a growing and reliable source of cash flow.

IMPACT INSIGHT (ESG)

A Rating (Aware, Low Profile, Problem Solver)

Environmentally Adobe has generally low operational exposure to environmental impacts and little in the way of legal or regulator exposure. They have a corporate commitment to being 100% sustainable in the facilities by 2035. The largest knock on this is that timeline is lagard but likely reasonable in comparison to their peers. Adobe has made a promise to make more ambitious science based initiatives in the years to come.

Socially - Adobe is committed to using its platform and products to enhance the quality of and accessibility to education. A blend of its corporate vision and the key demographic for its users, this shows that Adobe is self aware and engaged in the benefits of social engagement with communities across the globe. Adobe has a reasonable track record of social awareness and several boards, corporate giving programs, and has one of the most diverse boards in the SP500, 45% of the board represents some diversity class. 70% of its employees are engaged in Corporate Social Responsibility Programs.

Governance - The company has several HR and Corporate initiatives to encourage diversity hires, compensation auditing, corporate transparency, fraud, and international legal compliance measures. There is an average amount of governance risk Adobe's operations and ample measures to mitigate such risk.

DISCLAIMER:

Past performance is not an indication of the future performance and should not be relied upon as such

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