KEYVALUE
GLOBAL RESEARCH

Equity Research

ANALYSIS OF ADOBE INCORPORATE

DATE:
05/11/2024

Keyvalueam.com

ADOBE

Strong Buy: $599,88(18,83%)

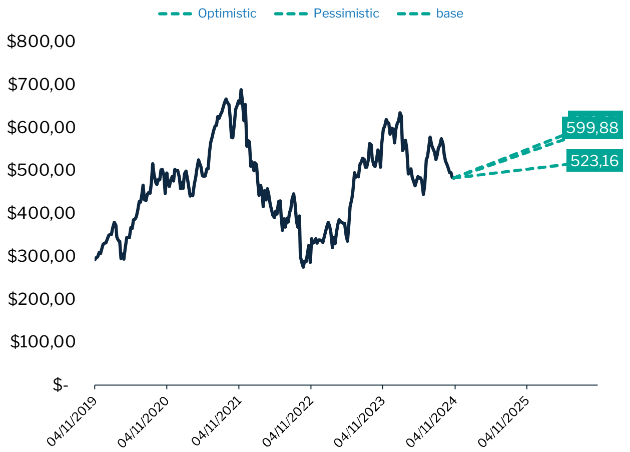
Equity Research Division
07/11/2024

Summary

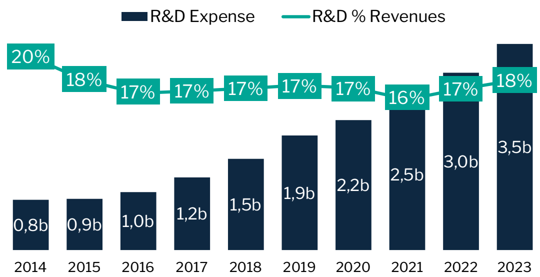
UNITS

Country	United States	
Sector	Software	
Current Price	505	$
Target Price	600	$
Upside	19%	%
Ticker	ADBE	
Stock Exchange	NASDAQ	
Shares Outstanding	454	m
Market Capitalization	229.117	m
EPS (2023)	11,8	$

Head of Equity Research
Marco Tempestini

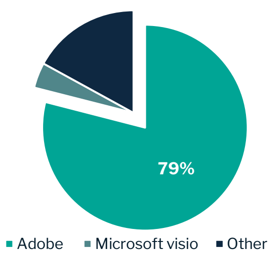


Source: Team Analysis



Source: Company data, Team Analysis

Computer graphics and photo editing software industry



Source: Company data, Team Analysis

INVESTMENT SUMMARY

We issue a BUY recommendation for Adobe with a one-year target price of $541.39, presenting an 11% upside potential from ADBE's closing price of $487 on November 1st, 2024. The target price is based on a Discounted Cash Flow (DCF) method and supported by Relative Valuation. Our recommendation rests on the following key catalysts: (1) Adobe's technology and ecosystem moat, (2) its excellent positioning to lead the generative AI trend, (3) the company's growth-oriented vision, and (4) its unique position as the market leader in creative software.

ADOBE'S TECHNOLOGY AND ECOSYSTEM MOAT

Adobe has built an unparalleled technological ecosystem in the digital creativity and content sector. The uniqueness of this ecosystem and the advanced integration of its software create a formidable competitive moat, making it challenging, if not impossible, for professionals to rely on other platforms. At the heart of Adobe's strategy is Creative Cloud, an ecosystem of tools that offers complete solutions for every stage of the creative process, from graphic design to video editing and digital content management. The ecosystem is seamlessly integrated, allowing professionals to work efficiently and without interruptions. Each Adobe program connects fluidly with others, facilitating the transition from one tool to another, as seen between Photoshop, Illustrator, and After Effects. This uniqueness of the Adobe ecosystem results in exceptionally high switching costs. Leaving Adobe means giving up not only powerful tools but also the optimized workflow and efficiency that these integrated software solutions enable. For many professionals, switching platforms is a choice that would jeopardize productivity and work quality. Another strength of the ecosystem lies in the specificity and technical sophistication of its software, offering advanced features and tools unavailable on other platforms. Adobe has also adopted a SaaS (Software as a Service) business model, a strategic choice that translates into high, recurring cash flows that are minimally affected by economic cycles. This positions the company to benefit from economies of scale and achieve exceptionally high margins (88% gross profit margin, 28% net income margin).

EXCELLENT POSITIONING TO LEAD THE GENERATIVE AI TREND

Adobe is in an excellent position to lead this trend, leveraging years of experience, nearly unlimited financial resources backed by stable and recurring cash flows, and an already well-established ecosystem in the digital creativity sector. The combination of resources, expertise, and strategic vision places Adobe in a unique position to fully capitalize on the opportunities of generative AI. In this context, tools like Adobe Firefly, the new generative AI model, demonstrate the effectiveness and speed with which Adobe introduces advanced features for its users, as it was the first company to bring such technology to market, followed by competitors who have yet to match this functionality even remotely. Adobe boasts a product ecosystem that is particularly suited to integrate and fully harness generative artificial intelligence. With tools like Photoshop, Illustrator, and After Effects, Adobe has the unique advantage of offering a complete suite of creative tools that can be enhanced by generative AI models, bringing the user experience to a new level of efficiency and creativity. The integration of generative AI enables, for example, the automation of complex tasks, the expansion of creative possibilities, and the provision of tools that accelerate the creative process. Adobe has developed and implemented ethical guidelines to ensure that its generative AI models are safe, fair, and respectful of users' intellectual property, distinguishing itself as a company committed to social responsibility in innovation. This strategy has allowed Adobe to earn the trust of millions of creatives and companies, offering tools that are not only powerful but also ethical and sustainable.

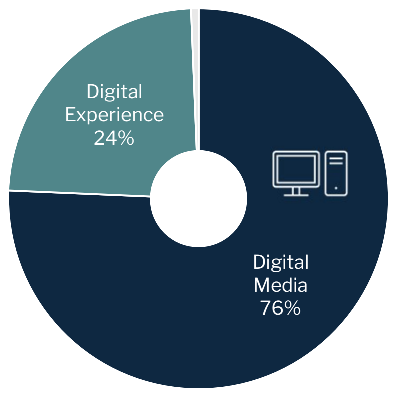
GROWTH ORIENTED VISION

Adobe stands today as one of the most dynamic and innovative companies in the tech sector, a true "growth-oriented company." Its growth strategy is clear, backed by figures that underscore its unwavering commitment to creating value for its stakeholders. One of the most telling indicators of this approach is the choice to invest an average of 17,5% of revenue in research and development. Such a high level of investment is not only a sign of commitment but a clear signal of the intent to continually push the boundaries of innovation. Adobe has developed a growth strategy that effectively combines elements of both organic and inorganic growth. On one hand, Adobe continues to refine its products, constantly expanding and improving its ecosystem; on the other, it strategically pursues targeted acquisitions that enrich its offerings and reduce competition, as shown by past acquisitions like Frame.io and Workfront. This strategy is rooted in a management team highly focused on long-term value creation. Adobe's leadership demonstrates not only competence but also a significant "skin in the game. Every year, Adobe introduces new features, services, and tools within its ecosystem, surprising the market and integrating its products ever more closely. This continuous innovation not only expands user possibilities but also strengthens the company's competitive position, creating added value that directly reflects in business growth.

MARKET LEADER IN THE PROFESSIONAL CREATIVE SOFTWARE INDUSTRY

The global creative software sector has experienced steady growth in recent years, with a compound annual growth rate (CAGR) of 5.13%. This expansion is expected to continue, albeit at a more moderate pace, with a projected CAGR of 1.77% through 2029. This trend is driven by the rising demand for sophisticated digital content, which is crucial for industries such as entertainment, and digital marketing. As a market leader, Adobe is well-positioned to capitalize on these ongoing trends. The increasing demand for visual and multimedia content, fueled by social media and e-commerce platforms, calls for ever more advanced tools. In 2023, the design sector saw notable growth, with a 17% increase in new products globally. As the undisputed leader in design software, Adobe directly benefits from this trend thanks to its comprehensive and integrated ecosystem of creative tools.

Business Model



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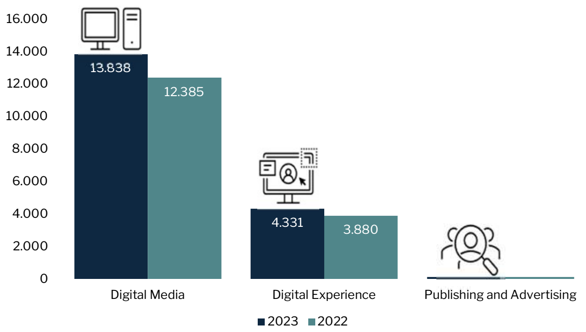

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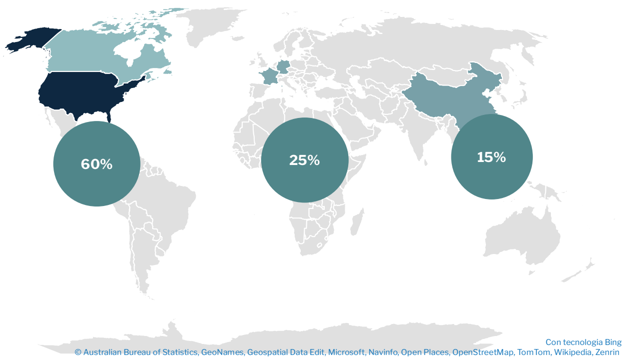

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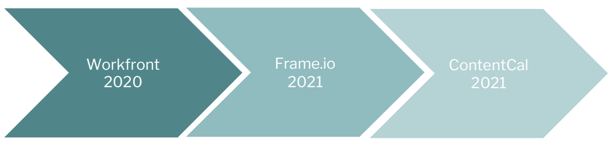


OVERVIEW

Adobe Inc. is an American multinational software company, headquartered in San Jose, California. Founded in 1982 by John Warnock and Charles Geschke, Adobe is particularly famous for its creative and multimedia products, but it also has a strong presence in the business software and digital marketing solutions industry. Adobe distributes its products and services directly to enterprise customers through its sales team and online channels, such as the app store and adobe.com site, as well as resellers and distributors.

BUSINESS SEGMENTS & GEOGRAPHIC REACH

Digital Media: offers products and services that enable individuals, teams, businesses, and businesses to create, publish, and promote content anywhere, significantly improving productivity. Clients include creative professionals such as photographers, video editors, graphic designers, game developers, and communicators such as content creators and students. 2023 revenue is driven by increased revenue associated with Creative Cloud and Document Cloud subscription offerings. This increase is due to continued demand in an increasingly digital environment, strong customer engagement, and customer migration to higher-value subscription offerings with increased revenue per subscription.

Digital Experience: offers an integrated platform with a range of products, services and solutions designed for companies. These solutions enable you to create, manage, execute, measure, monetize, and optimize customer experiences, covering everything from analytics to commerce. Customers include marketers, advertisers, agencies, publishers, merchandisers, merchants, web analysts, data scientists, and developers. In 2023, Adobe experienced strong growth in the Digital Experience segment. The demand for consumer experience management solutions is increasing, driven by the increasing digitization of enterprises and the need to deliver personalized experiences. Adobe is investing in new technologies such as artificial intelligence and machine learning to further enhance its solutions and provide greater value to customers.

Publishing and Advertising: Contains legacy products and services that include eLearning solutions, technical document publishing, web conferencing, document and form platforms, web app development, high-end print, and advertising offerings. Adobe has seen a decline in revenue in the Publishing and Advertising segment over the past year, due to various factors, including the maturation of legacy products and increasing competition in key areas such as web conferencing and eLearning.

Adobe distributes its products globally, with operations in key regions such as North America, Latin America, EMEA, and APAC. The United States accounts for a significant share of revenue, which has also grown over the past year. Adobe is implementing various strategies to expand into the Americas and EMEA, including strategic partnerships with local and international companies, tailoring products to local market specifications, increasing marketing and sales investments to increase brand awareness and acquire new customers, and institutional partnerships.

COMPANY STRATEGY

Transformation to SaaS (Software as a Service): In 2012, Adobe made a significant transition, moving its core products, such as Photoshop, Illustrator, and Premiere, from the traditional software license sales model to a cloud-based subscription model, called Adobe Creative Cloud. This model has several advantages:

Recurring revenue: Users pay monthly or annual subscriptions instead of purchasing a one-time perpetual license, ensuring a steady and predictable stream of revenue.
Continuous access to updates: Adobe can release updates and new features more frequently, keeping customer loyalty high.
Reduced piracy: The SaaS model reduces piracy, as the software is hosted on Adobe servers and requires an authenticated connection for use.

Flexible pricing model
Adobe offers several subscription options to suit different types of customers:

-Individual: Individual subscriptions to specific software or the entire Creative Cloud.
-Team/Enterprise: Enterprise-scale solutions that offer advanced management and collaboration capabilities.
-Students and teachers: Reduced prices to encourage the adoption of their tools in the educational field.
-Free and freemium: Some tools or light versions, such as Adobe Spark or Acrobat Reader, are offered for free to acquire new users and monetize later through upselling.

Strategic acquisitions
Adobe has made acquisitions to boost its offerings, such as buying Magento (e-commerce platform), Marketo (marketing automation software), and Frame.io (collaborative video review platform). These acquisitions enable Adobe to offer a more complete and competitive ecosystem.

Global expansion
Adobe's strategy includes strong international expansion, with solutions offered in multiple languages and regions, aimed at supporting both small businesses and large multinational enterprises. Their SaaS model makes it easy to scale and deploy globally.

CREATIVE CLOUD

1. Adobe Photoshop and Lightroom: Tools for advanced photo editing. Photoshop is used for image manipulation, with new AI features such as Generative Fill and Expand. Lightroom is a cloud service for organizing and editing photos. There's also a Photography Plan for photographers, which includes a scaled-down version of Creative Cloud.

2. Adobe Illustrator and Fresco: Illustrator is the standard app for vector graphics, used for design on various media. Fresco is a drawing app, with advanced brushing tools supported by Adobe Sensei.

3. Adobe Premiere Pro and After Effects: Premiere Pro is a non-linear video editing software used by professionals to edit videos, with features such as Text-Based Editing. After Effects is a standard tool for motion graphics and visual effects, integrated with other Adobe apps.

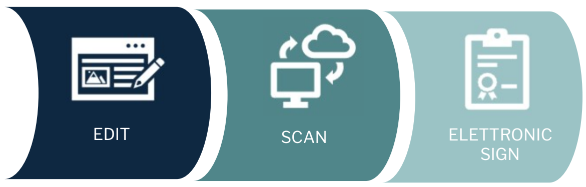
4. Adobe InDesign: Apps for designing and paginating print and digital content, with tight integration with other Adobe apps for easy collaboration and publishing.

5. Adobe Express: An all-in-one platform for creating video, graphic, and social content, with AI features that make it easier for beginners to create social media content. It's tightly integrated with Firefly and other Creative Cloud apps.

6. Adobe Firefly: A series of generative AI models to create images, text effects, and design templates from text prompts. Firefly is integrated into several Adobe apps and offers features specific to the enterprise market, such as intellectual property protection.

7. Other products available in the creative cloud area include Adobe Stock, Frame.io, Substance 3D Collection, Behance

DOCUMENT CLOUD



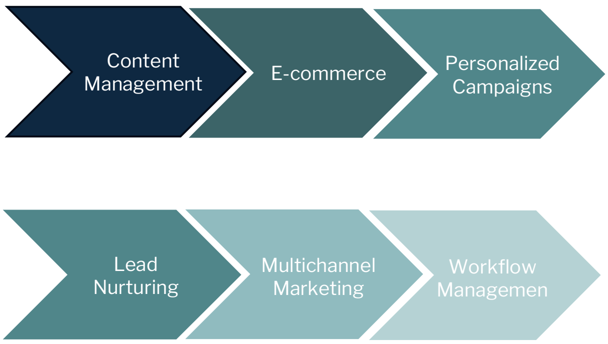
Adobe Acrobat: At the heart of Adobe Document Cloud, Acrobat is the complete PDF management solution. It allows you to convert, edit, share, and sign PDFs, with collaborative tools and automated workflows. It includes features such as the unified "Share" button to simplify file sharing and review, as well as extensions for Chrome and Edge for direct access to PDF tools from the browser.

Adobe Acrobat Reader: Free software for reliably viewing, annotating, and printing PDFs. It offers tools for creating, editing, exporting, and sharing PDFs, along with the "Liquid Mode" feature, which optimizes PDFs for viewing on mobile devices.

Adobe Scan: A free mobile app that turns paper documents into digital PDFs using your device's camera, with optical character recognition (OCR) to convert scanned documents into searchable and editable PDF files.

Acrobat Sign: An eSignature cloud service that allows you to send and sign documents digitally and securely. Integrated with Acrobat, it provides web and mobile signing capabilities and connects with existing business systems via APIs.

MARKETING, COMMERCE



Adobe Experience Manager (AEM): A cloud-based platform for managing digital content and assets, enabling you to create and deliver personalized experiences across various channels (web, mobile).

Adobe Commerce: Scalable e-commerce platform for managing physical and digital shopping experiences, integrated with Adobe products such as Analytics and Experience Manager.

Customer Journeys: Solutions that allow you to plan and manage personalized cross-channel campaigns, optimizing the customer experience in real time on various touchpoints.

Adobe Marketo Engage: A B2B marketing tool that facilitates lead nurturing and cross-channel campaign management.

Adobe Campaign: Platform to manage multichannel B2C marketing campaigns, with AI capabilities for personalization and dynamic targeting.

Adobe Workfront: Work management platform to organize complex workflows and scale content production.

Adobe Target: AI-powered personalization engine to test and optimize content across multiple channels, with A/B testing and automations.

Adobe Journey Optimizer: Apps for orchestrating and optimizing personalized customer experiences in real time, integrated with real-time data and profiles.

Management

Frame.io

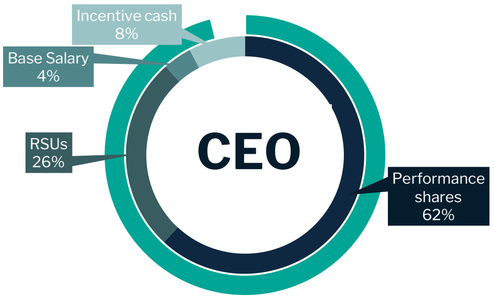
Frame.io: Purchased for $1.275 billion in 2021, Frame.io is a platform that facilitates real-time collaboration for video post-production. Synergy with Adobe Premiere Pro and After Effects improves video workflows by speeding up content review and approval. The goal of the capture is to enhance collaborative capabilities within Adobe's video tools.

Workfront

Purchased for $1.5 billion in 2020, Workfront is a work management platform primarily used to improve efficiency in marketing and creative teams. By integrating with Adobe Experience Cloud, Adobe aims to provide a comprehensive solution for managing creative and marketing projects, improving operational efficiency.

ContentCal

Purchased for more than 100 million, the acquisition of ContentCal in 2021 brought Adobe a social content management platform. Its integration with Adobe Express strengthens the capabilities of automatically scheduling and publishing content on social media, allowing for more effective management of digital marketing campaigns.



96,10% At Risk

Source: Team Analysis, Company Data

93,40% At Risk

Source: Team Analysis, Company Data

Position	Minimum Ownership Value
CEO	20x base salary
President, EVP, CFO	10x base salary
Serion VP	3x base salary

CAPITAL ALLOCATION

Adobe's management demonstrates a highly effective capital allocation capacity, which is crucial to the long-term success of the company. First of all, we observe a Quick ratio of 1.3 (2023), indicating that despite the very large amount of incoming cash, it is possible to invest almost everything while maintaining a good margin of safety to further strengthen the company's strong financial solidity

Another relevant aspect is management's systematic approach to organically reinvesting in business growth, ensuring that Adobe remains competitive in a rapidly evolving industry. On average, 17% of revenues are allocated to R&D spending, demonstrating its constant commitment to innovation and improvement of its solutions, with a clear future-oriented vision.

Over the years, Adobe has also made strategic acquisitions that have created value, helping to increase return on invested capital (ROIC). In this context, it is important to mention the foresight shown in the attempt to acquire Figma, a transaction that underlines the management's focus on high-impact growth opportunities.

Finally, Adobe has regularly implemented buyback programs, including the significant one carried out in 2022, when the shares were undervalued following a market correction. This buyback not only highlights management's confidence in the company's future prospects, but also represents a carefully planned strategy aimed at creating value for both Adobe and its shareholders.

BACKGROUND AND COMPENSATION

Adobe's leadership team, led by CEO Shantanu Narayen, has extensive experience in the technology industry, which ensures deep industry knowledge and strategic vision. Narayen, who has been with Adobe since 1998 and has served as CEO since 2007, has contributed significantly to the company's growth and innovation. Internal promotion is a key value at Adobe, with many executives rising through the ranks within the company, fostering a deep understanding of internal and external operations, which is critical to effective leadership.

The CEO holds a bachelor's degree in electrical engineering from Osmania University, a master's degree in computer science from Bowling Green State University, and a master's degree in business administration from the Haas School of Business at the University of California at Berkeley. Having also grown up at adobe and transformed the company into an industry innovator by introducing a cloud-based subscription model for its creative suite, he has proven to have excellent strategic and management skills as is also confirmed by the financial statements.

The compensation structure reveals a key aspect of Adobe's philosophy: its leaders have a strong incentive to focus on creating long-term value for the company and its shareholders, thanks to a large portion of their compensation tied to the company's future performance.

One of the key aspects of the compensation package is the concept of "skin in the game". This term emphasizes that management has a very strong personal and financial interest in the success of the company. In fact, 96.1% of the CEO's compensation and 93.4% of that of other executives is exposed to risk, i.e. linked to variable factors such as company performance and share price. This means that most of their remuneration is not guaranteed and depends directly on achieving key objectives for the company.

RSUs (Restricted Stock Units) and Performance Shares are key tools that link executive compensation to the future performance of the company. RSUs become effective only when certain performance conditions or time are met, while Performance Shares offer actions only if Adobe meets certain financial goals. In this way, executives have a direct personal interest in the growth of the share price, aligning their incentives with those of shareholders.

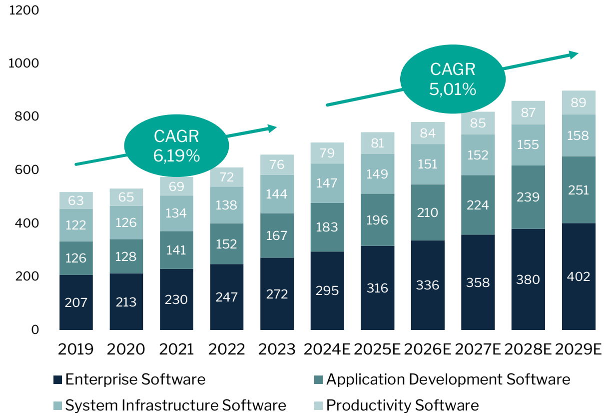
With this setup, Adobe's philosophy in corporate compensation management is clearly focused on creating long-term value. The high percentage of compensation at risk means that business leaders are incentivized to focus on strategic goals that bring lasting benefits rather than immediate short-term results. This type of structure reduces the risk of opportunistic and short-term decisions, as executives have a vested interest in ensuring that Adobe continues to grow and thrive over time.

COMUNICATION

Adobe is generally recognized for its transparency to investors and the market. The company regularly provides detailed information on its financial results, strategic plans and potential risks. Adobe regularly offers short-term forecasts for critical financial metrics, such as revenue, earnings per share (EPS), and operating margins. These forecasts are provided in advance of earnings reports and are considered very reliable, as the company often manages to meet or exceed expectations. It is also very transparent about the risks to the business and its long-term strategic plans, revealing all the essential data to be able to predict the potential growth of the stock.

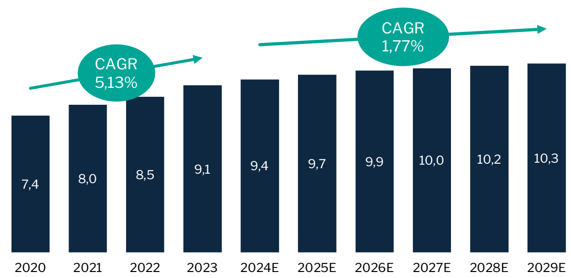
Sector Analysis

Revenue in the Software market Worldwide (in billion U.S. dollars)



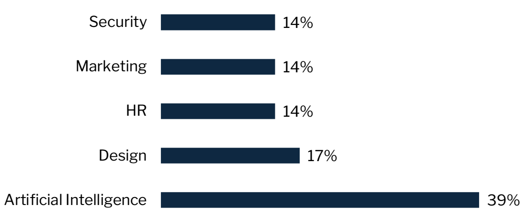
Source: Statista market insights, Team Analysis

Revenue of the creative software industry worldwide 2020-2029 (in billion U.S. dollars)



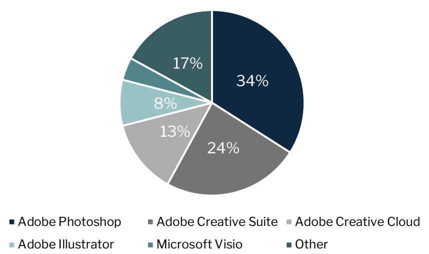
Source: Statista market insights, Team Analysis

Leading global software market in 2023, by new product growth



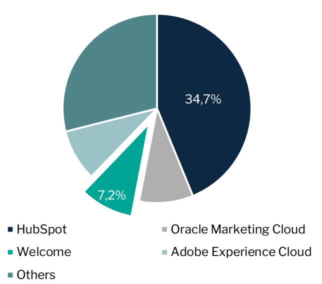
Source: Statista market insights, Team Analysis

Computer graphics and photo editing software install base share 2023



Source: Statista market insights, Team Analysis

Market share of marketing automation solution providers worldwide 2024



Source: Statista market insights, Team Analysis

SOFTWARE MARKET GROWTH

The global software market has seen significant growth in several segments in 2023. As shown in the software product growth chart, the fastest growing segment in 2023 was Artificial Intelligence (AI), with a 39% increase, much higher than other industries such as Design 17%, Marketing, HR, and Security, each with 14% growth.

This highlights the growing importance of AI as a driving force in the global technology sector, with applications increasingly integrated into the creative software segment, where AI-based tools are being used to improve and automate creative processes such as design, video editing, and digital content production.

CREATIVE SOFTWARE INDUSTRY

The global Creative Software sector has experienced steady growth in recent years (CAGR 5.13%) and is expected to continue expanding through 2029, albeit at a more moderate pace (CAGR 1.77%). Creative software includes applications used for the creation and management of digital content such as graphics, video, audio, and design, tools that are becoming increasingly critical in various industries, from entertainment and digital marketing to advertising and visual arts. Leading companies in this market have seen increased demand due to accelerated digitization, particularly during the COVID-19 pandemic, which has prompted many professionals and businesses to use digital creative tools.

Growth Factors

Digitalization and Content Creation: The growing demand for visual and multimedia content, fueled by social platforms and e-commerce, continues to drive the industry. The need for increasingly sophisticated tools by creative professionals, from small businesses to large agencies, is helping to sustain the market.

Adoption of Hybrid Work Models: The pandemic has accelerated digital transformation and many creative professionals, working remotely, have invested in software tools to manage remote content production. Even as we return to a new post-pandemic balance, hybrid work models continue to require tools that facilitate online collaboration and creativity.

Innovation and Product Updates: Software companies continue to innovate, introducing advanced artificial intelligence (AI), automation, and cloud collaboration capabilities. These updates encourage users to adopt updated versions or new platforms, contributing to the growth of the industry.

Slowing Factors

Mature Market and Saturation: With the consolidation of the industry, many companies have already adopted digital creative solutions, reducing the potential for new customers in the short term. Competition between suppliers will become more intense, and the industry may be approaching saturation in some areas.

Competitive Pressure: New open-source solutions or low-cost SaaS platforms could limit the ability of major players to maintain high profit margins, forcing them to revise pricing and differentiation strategies.

The industry will continue to benefit from evolving market trends, such as improving cloud computing technologies and the growing demand for personalized and interactive digital content. Companies that can differentiate themselves through innovation, integrated service offerings, and an increasing focus on the needs of digital consumers will be well positioned to capture this growth.

GRAPHICS AND EDITING DESIGN SOFTWARE

The predominance of Adobe products is evident in the graphics and photo editing software market, with an overall market share of over 75%. This achievement reflects the crucial role that Adobe has acquired over the years, consolidating itself as an industry leader through a combination of technological innovation, diversification of the offering, and integration between its platforms.

Adobe's Complete and Integrated ecosystem has allowed its users to work seamlessly and seamlessly across different platforms and devices. This integration has made Adobe the preferred choice for creatives who require versatile tools and constant updates to stay competitive in an ever-changing market and as a result absolutely dominates the market.

MARKETING SOLUTION PROVIDERS

The market is constantly evolving, fueled by the need for companies to improve efficiency in their marketing strategies, optimizing the management and analysis of customer data to obtain more targeted and personalized campaigns. The increasing complexity of global markets, combined with the increased use of digital channels, has made marketing automation a key component for businesses of all sizes. Historically, marketing automation was mainly adopted by large companies with sufficient resources. However, with the proliferation of more accessible and scalable solutions, small and medium-sized businesses (SMBs) are also increasing the adoption of these technologies to improve their customer acquisition and retention strategies, leading to possible strong growth for providers of these solutions including Adobe. The fact that they have been exposed to such a premature market and not adopted on a very large scale puts Adobe in a position to be able to take advantage of this trend, it being understood that despite being a large player it holds only 7.2% of the market against the leader HubSpot which holds 34.7%.

External Analysis

SWOT ANALYSIS

S — Strengths

- Leadership di mercato nei software creativi.

- Diversificazione del portafoglio prodotti.

- Forte brand e fedeltà dei clienti.

- Modello di business basato su abbonamenti.

- Forti investimenti in AI e machine learning.

W — Weaknesses

- Dipendenza dai settori creativi e marketing, che potrebbero essere vulnerabili a crisi economiche.

- Prezzi relativamente elevati per i prodotti.

- Concorrenza crescente nei software creativi e nel marketing digitale.

O — Opportunities

- Espansione nei mercati emergenti.

- Acquisizioni strategiche per rafforzare la presenza in settori chiave.

- Crescita nella digitalizzazione globale.

- Adozione accelerata del cloud computing e dei servizi SaaS.

T — Threats

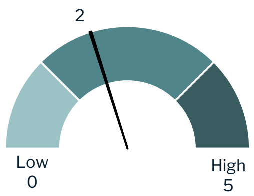
- Concorrenza aggressiva da parte di nuovi attori tecnologici e piattaforme più accessibili.

- Cambiamenti regolatori sulla privacy dei dati.

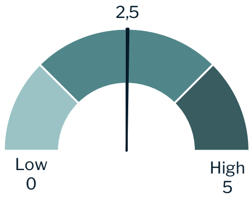
- Rischi macroeconomici, come recessioni o fluttuazioni valutarie.

- Pirateria dei software.

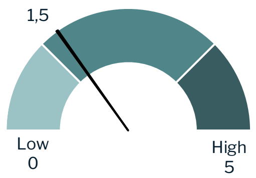
BARGAINING POWER OF SUPPLIERS



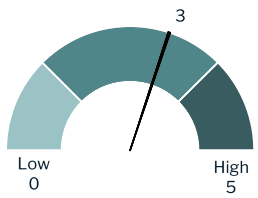
BARGAINING POWER OF BUYERS



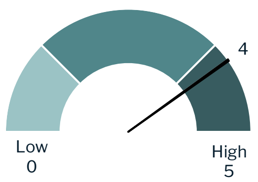
THREAT OF NEW ENTRANTS



THREAT OF SUBSTITUTE PRODUCTS



COMPETITIVE RIVALRY



LE CINQUE FORZE DI PORTER

Contractual Distributor

The power of suppliers is relatively low. The company develops most of its software in-house, reducing its reliance on external vendors for critical components. However, Adobe relies on technology partners for infrastructure services, such as cloud platforms (such as AWS or Microsoft Azure), and for some hardware components. Despite this, the company is in a strong position and can negotiate favorable terms due to its size and ability to easily switch suppliers or develop alternative solutions.

Bargaining power of customers

Customer power is moderate. On the one hand, the company enjoys a strong customer base, both professional users and large enterprises, who value advanced integration and the complete ecosystem. This creates a lock-in effect that makes it difficult for customers to abandon Adobe products once they are an integral part of their workflow. However, large companies, in particular, have a greater ability to negotiate better prices and terms for larger volumes or long-term contracts. On the other hand, less demanding or amateur users can easily switch to cheaper or free alternative solutions.

Threat of new entrants

The threat of new entrants to the market is low. The barriers to entry are high, mainly due to the significant investment required to develop an advanced software platform and the difficulty of replicating Adobe's entire integrated ecosystem. In addition, Adobe has solidified a leading position due to its large user base and continuous technological innovation, such as the integration of artificial intelligence into its products. While new companies may emerge with niche solutions, replicating Adobe's success and reach would require a significant financial and time commitment, making the threat of new entrants quite low.

Threat of substitute products

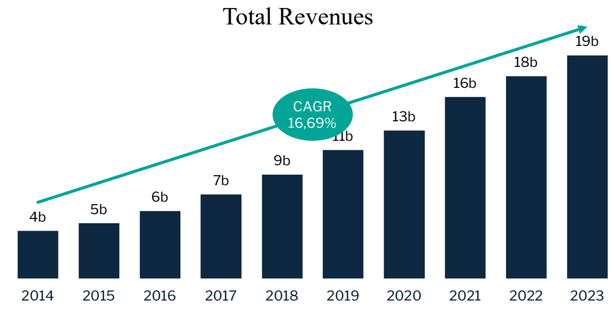
The threat of substitute products is moderate. There are several alternatives that, while not yet able to compete directly in terms of functionality with Adobe, offer sufficient solutions for less demanding users. For example, Canva is a popular solution for non-professional graphic design. However, for creative professionals and large enterprises that require advanced tools, the Adobe ecosystem remains irreplaceable. In the document segment, Adobe also faces competition from solutions such as DocuSign and Google Docs, but none of them can fully replicate Adobe's integration of features.

Competition

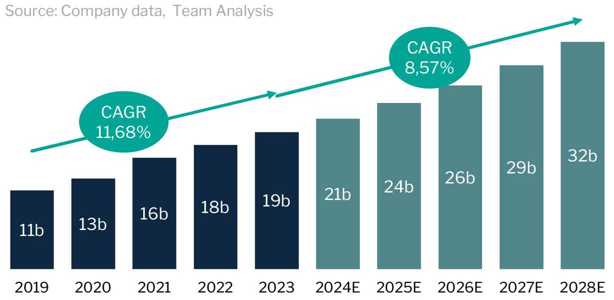
Competition is high in the market. Competition is particularly intense in areas such as collaborative design, where Figma has gained a dominant position, so much so that Adobe had tried unsuccessfully to acquire it in 2022. Even in the field of digital marketing and user experience, Adobe has to compete with giants like Salesforce and other cloud platforms that are investing heavily in similar technologies. In addition, the emergence of tools like Canva poses a growing threat, especially for less demanding customers. However, Adobe enjoys a competitive advantage due to its long-standing leadership and strong integration between its products, which offer features that most competitors fail to fully replicate.

Source: Company data, Team Analysis

Financial Analysis



Source: Company data, Team Analysis



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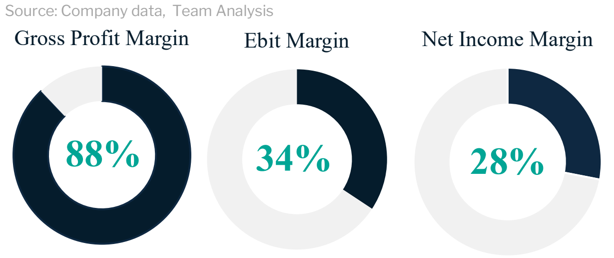

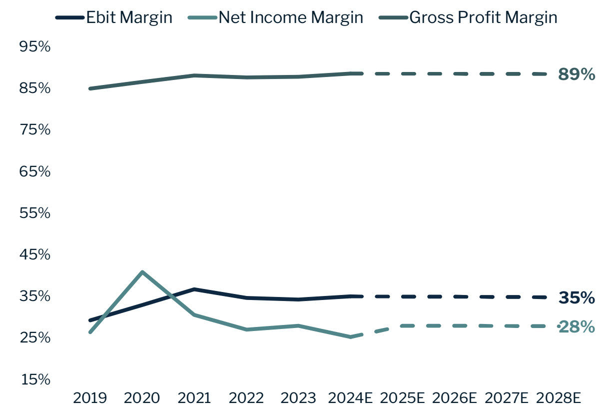

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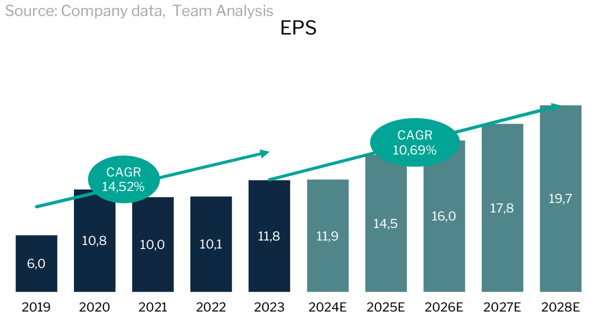

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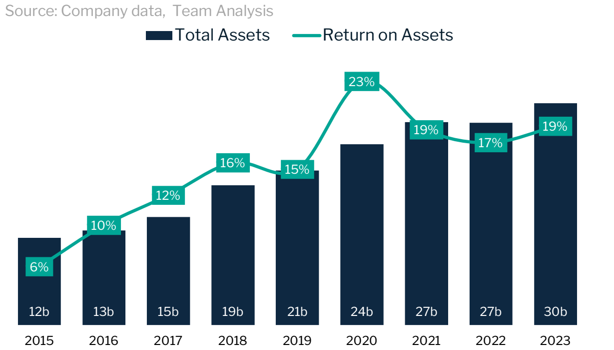


INCOME STATEMENT

Performace Review

From 2014 to 2023, Adobe demonstrated resilient and sustained revenue growth, with no year-over-year decline, achieving an average YoY growth of 18.8% and a CAGR of 16.69%. Revenues rose from $4.127 billion in 2014 to $19.409 billion in 2023, showcasing solid and continuous growth. Examining more recent periods, from 2019 to 2023, Adobe achieved a CAGR of 11.68%, reflecting a slight slowdown due to the increasingly high absolute revenue levels but still maintaining an average YoY of 16.7%.

Future Growth Scenarios (2024-2028)

For the period from 2024 to 2028, Adobe's revenue growth is projected across three possible scenarios: base, pessimistic, and optimistic. Each scenario reflects varying levels of adoption of Adobe's new features and innovations, as well as the influence of competition and customer preferences.

Base Scenario

In the base scenario, Adobe is expected to maintain steady and gradual revenue growth, with an estimated CAGR of 8.3% from 2024 to 2028. This scenario assumes that Adobe's innovations are generally well received by customers, leading to a gradual increase in subscriptions without explosive growth. Revenues are projected to reach $28.490 billion by 2028, aligning with historical trends but with a moderate deceleration in growth pace. This scenario is supported by Adobe's current customer loyalty and product quality, positioning it a step ahead of competitors in an evolving market.

Pessimistic Scenario

In the pessimistic scenario, Adobe faces a slowdown in revenue growth, primarily due to competition from lower-cost products gaining market share. Despite Adobe's undisputed leadership in the sector, increasing competition may limit its ability to acquire new customers at the anticipated rate. This scenario assumes a CAGR of approximately 7.1%, with revenues potentially reaching $27.372 billion by 2028. Nonetheless, Adobe is expected to retain a dominant position due to its brand reputation and loyal user base.

Optimistic Scenario

In the optimistic scenario, Adobe successfully capitalizes on new features and innovations, accelerating subscription growth thanks to strong customer recognition of its unique, integrated offerings. These innovations would be very positively received, attracting not only new users but also enhancing renewal rates among existing customers. In this scenario, Adobe could achieve a CAGR of 9.8% between 2024 and 2028, with revenues projected to reach $30.907 billion. Strong adoption of these innovations would solidify Adobe's market leadership, making it less vulnerable to competitive pressures.

Margins

Thanks to its transition to the SaaS (Software as a Service) model, Adobe has significantly impacted its profit margins.

Adobe's Gross Profit Margin has shown steady growth, rising from 84.9% in 2014 to 88.7% in 2023. This growth highlights the strategic and absolute strength of the transition, establishing Adobe's margins at truly unparalleled levels.

The EBITDA margin increased from 17.9% in 2014 to 38.8% in 2023. This rise reflects excellent management of operating costs and improved operating profitability, supported by the growth of recurring revenues. Unsurprisingly, the EBIT margin showed a similar trend, increasing from 10.4% in 2014 to 35.9% in 2023. This increase indicates improved management of general and sales expenses, along with a rise in sales.

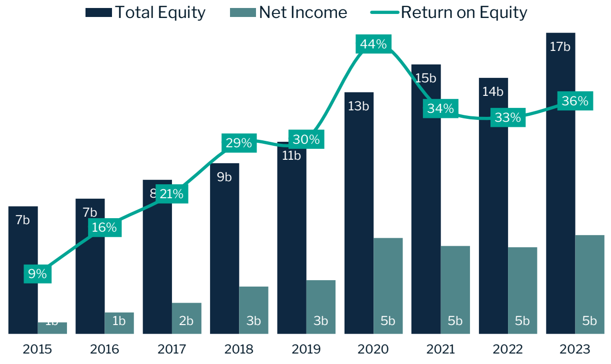
The Net Income Margin grew from 6.5% in 2014 to 27.9% in 2023. This growth clearly represents an exceptional result, beyond any typical natural growth, as a steadily increasing Net Income Margin over time reflects meticulous expense management and strategic vision. Looking at the Free Cash Flow Margin, it experienced very positive growth, moving from 2.6% in 2014 to 30.4% in 2023. This is particularly significant, as free cash flow is a key indicator of a company's ability to generate cash and finance future growth.

Finally, considering how much net income the company converts into Free Cash Flow, we observe a Quality Profit Ratio reaching 109% in 2023, indicating a Free Cash Flow conversion rate higher than net income itself. Reviewing the LTM (Last Twelve Months), we see a further prominent increase, reaching 139%, with Free Cash Flow over LTM at $7,440 million, marking an 8.29% increase.

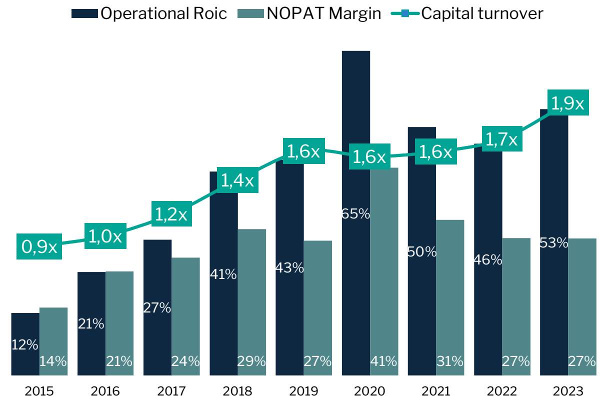
The **EPS** has shown robust growth from 6.0 in 2019 to 11.8 in 2023, with a Compound Annual Growth Rate (CAGR) of 14.52% over this period. This significant growth reflects the company's ability to improve profitability and potentially increase shareholder value, despite any economic challenges during this timeframe.

Based on our analysis the EPS is expected to continue rising from 12.1 in 2024 to 19.6 by 2028, with a slightly lower but still strong CAGR of 10.14%. The projected growth suggests a sustained, yet more moderate, rate of earnings expansion, possibly reflecting a maturing market position or stabilization in revenue and cost management.

The **ROA** has generally shown an upward trend from 6% in 2015 to 19% in 2023, indicating increasing efficiency in asset utilization. The peak in 2020 suggests a particularly strong year for the company, where it achieved high profitability relative to its asset base due to the pandemic, which boosted all of the company's metrics. Looking forward, we expect this growth trend to continue rapidly, reaching 29% by 2028.



Source: Company data, Team Analysis



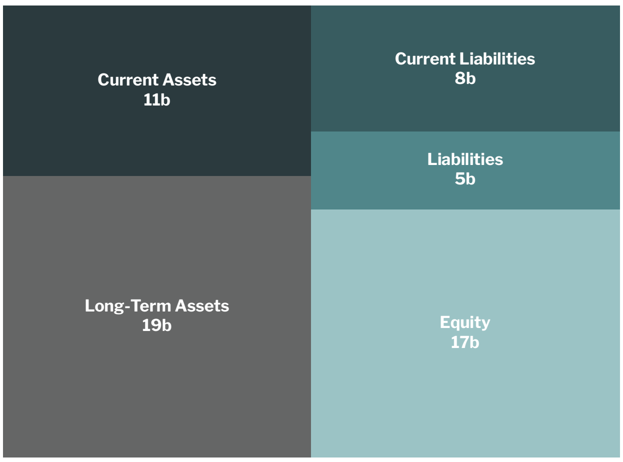
Source: Company data, Team Analysis

The **ROE** has shown significant growth from 2015 to 2023, indicating efficient equity management and a steady increase in net income relative to equity. Starting from a level of 9% in 2015, the ROE peaked at 44% in 2020, largely due to strong profitability that year, likely influenced by favorable market conditions during the pandemic. Despite a slight decline over the following two years, ROE stabilized at a solid 36% in 2023. This trend reflects a consistent increase in equity, accompanied by an improvement in overall profitability, a sign of management focused on expansion while maintaining high operational efficiency.

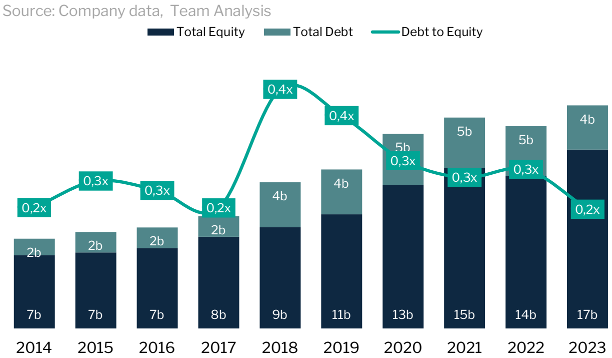
Turning to operating **ROIC**, this is calculated by multiplying the NOPAT Margin (Net Operating Profit After Tax margin) by the Capital Turnover, two key metrics that together provide a clear view of operational efficiency and capital utilization effectiveness. The NOPAT Margin represents the ratio between net operating profit after taxes and revenue, indicating how much remains as operating profit per unit of revenue. Capital Turnover, on the other hand, measures the company's ability to generate revenue for each unit of invested capital, showing how quickly and effectively capital is reinvested in operating activities.

Analyzing the data, a steady growth in operating ROIC emerges, reaching 35% in 2020 before stabilizing around 27% in 2023. This increase reflects both the improvement in NOPAT Margin, which rose from 12% in 2015 to 27% in 2023, and a significant growth in Capital Turnover, which went from 0.9x to 1.9x over the same period. The ROIC peak in 2020, as previously mentioned, highlights an exceptional year in which both operating profitability and reinvestment efficiency reached their highest levels. In subsequent years, despite a slight decline in the NOPAT Margin, the continued growth in Capital Turnover allowed ROIC to remain at high levels, demonstrating a robust operating structure capable of adapting to market dynamics.

This in practical thing means that if adobe what to reach a 5% of growth it has only toi invest 9% of the capital and for reaching a 10% growth only the 19%.



Source: Company data, Team Analysis



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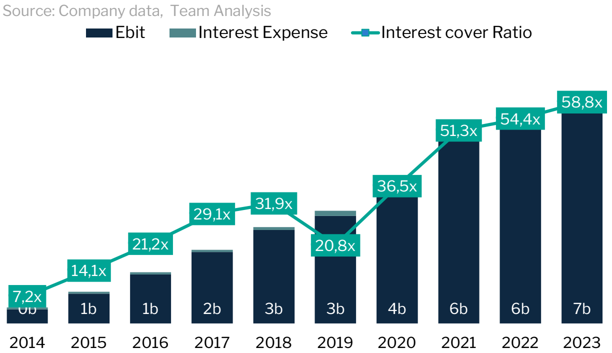


Source: Company data, Team Analysis

BALANCE SHEET

Adobe's capital structure is strong-capitalized, supported by a prudent and balanced allocation of resources. The 2023 Equity of 16,518 covers almost entirely the Long-Term Assets, which amounted to 18,695, suggesting that the company mainly uses equity capital to fund long-term investments. This choice to limit the use of debt for durable assets reflects a conservative strategy, typical of well-capitalized companies, and implies a low level of leverage. In this way, Adobe significantly reduces exposure to long-term default risk while maintaining a position of financial stability.

In addition, the presence of Current Assets of 11,084, well above the Current Liabilities of 8,251, testifies to the company's ability to easily cover current liabilities with the liquid and short-term resources available. This surplus of liquidity compared to short-term commitments indicates effective treasury management and a high capacity to meet operational and financial obligations without having to resort to external financing.

Prudent and progressively improved management of the debt-to-equity ratio is highlighted, as can be seen in the steady decline in the Debt-to-Equity ratio in recent years. Since 2014, Adobe has maintained a moderate level of leverage, with a debt-to-equity ratio never exceeding 0.4x, thus being very well capitalized and with a structure that does not present risks of illiquidity or non-sustainability in the long term. We can see a progressive decrease in the Debt/Equity ratio from 2018 to 2023 which has led to its halving, making it a very solid company. Clearly, this trend testifies to a conservative approach, aimed at minimizing financial risk through careful control of debt exposure. The halving is mostly due to the growth in equity, which has doubled from 9,362 in 2018 to 16,518 in 2023.

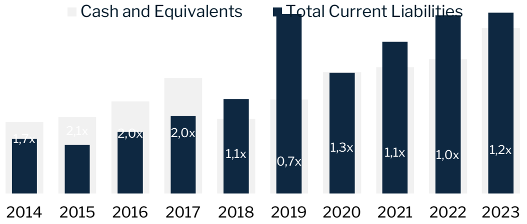
As for the current year, we find a change in trend with a Debt to Equity that stands at 0.4x, returning close to the levels of 2018-2019. However, this is a far from negative factor for the company, which is still in a super solid position and extremely far from levels considered risky. In fact, this can be seen in terms of strategy as a further increase in the resources available to increase the functionality of existing software and drive the company's growth in the field of AI.

We have seen that the last time there was a strong increase in Debt to Equity (2018) the company grew at very high rates with an average YoY growth in turnover of 21.3%. An impressive result that if it were only partially replicated in the coming years would bring the company over 32 billion in turnover.

The company's solidity is further strengthened by the high levels of the interest cover ratio, which stands at 58.8x in 2023, indicating that EBIT is able to cover interest expenses by more than 58 times.

In 2024, the interest cover ratio decreased to 51.2x, clearly as a result of the new debt incurred in 2024 (about 2 billion).

Quick Ratio



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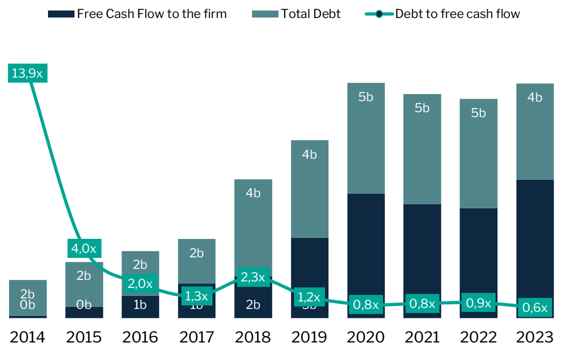
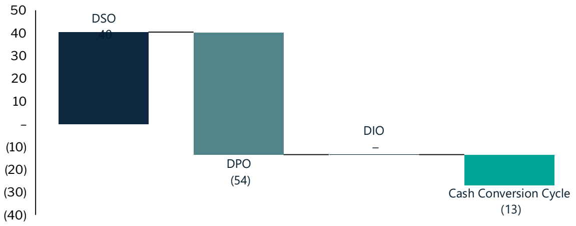
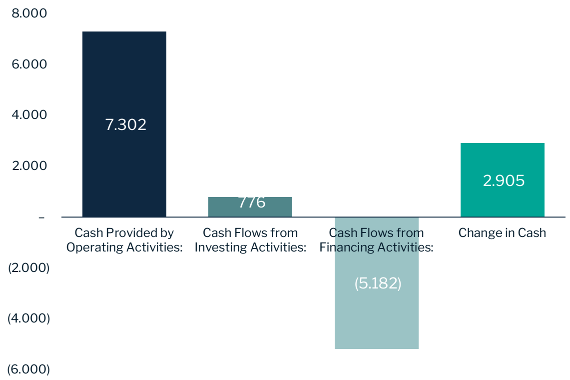


Source: Company data, Team Analysis

Cash Conversion Cycle

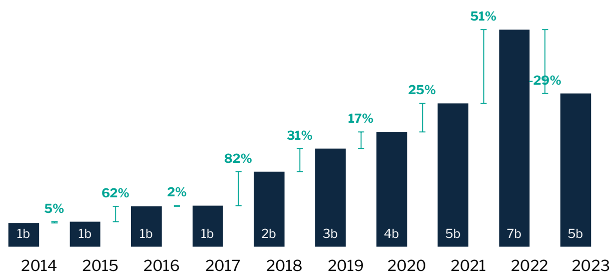


Source: Company data, Team Analysis



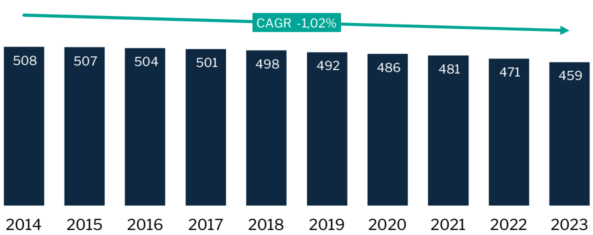
Source: Company data, Team Analysis

Repurchase of Common Stock



Source: Company data, Team Analysis

Diluted Shares Outstanding



Source: Company data, Team Analysis

Adobe's Quick Ratio analysis from 2014 to 2023 shows an interesting trend in corporate cash management. In fact, it remains around 2x from 2014 to 2017, indicating a solid liquidity reserve and a significant margin to cover short-term debts. However, in 2018 and 2019, the Current Ratio fell dramatically to 1.1x and then 0.8x, respectively, signaling a reduction in the liquidity buffer. This contraction resulted from a large increase in short-term liabilities and a simultaneous use of available liquidity in order to fuel the company's growth. Between 2020 and 2021, the Current Ratio rose to around 1.3x, a sign of the great results achieved by the company during the pandemic. Over the period 2022-2023 and the last twelve months, the Current Ratio stabilizes at around 1.1x-1.3x, highlighting Adobe's growing focus on a leaner business structure. This indicates efficient working capital management and still characterizes Adobe as a very growth-oriented company while maintaining the minimum liquidity necessary for the structure to be solid. We believe that this Quick ratio is fully positive and a sign of a strong management capable of allocating well the huge amount of cash that Adobe generates every year without ending up in a situation of overliquidity (which clearly leads to

Analyzing the Free Cash Flow/Debt ratio to assess Adobe's financial strength, a downward trend emerges from 2014 to 2023, the result of a steady increase in Free Cash Flow and a reduction in debt. In 2023, the ratio stands at 0.6x, signaling that Free Cash Flow largely covers the company's entire debt, strengthening its solidity and ability to deal with any financial unforeseen events. Not only does this highlight prudent management and a robust financial structure, but it also gives Adobe significant strategic flexibility.

With abundant cash flow relative to debt, Adobe is uniquely positioned to allocate resources to growth initiatives, such as R&D investments or strategic acquisitions, without compromising its stability. In addition, this strong financial structure allows it to consider strong share buybacks, a beneficial move to create shareholder value. With regard to 2024, we note a ratio that rises to 0.8x, again as a consequence of the increase in debt that occurred in 2024, which, however, was matched by a still considerable growth in cashflow, which on LTM saw a growth of 26.27%.

Adobe's Cash Conversion Cycle (CCC) shows an interesting evolution towards negative values in recent years, stabilizing at -13 days in 2023 and in the last period considered (LTM). A negative CCC indicates that Adobe is able to collect accounts receivable from customers before it has to pay its suppliers, reducing the risk of illiquidity related to the time cycle between cash inflows and outflows.

This reflects a strong working capital management position: Adobe not only covers its financial needs without relying on external sources of liquidity, but also leverages payment terms effectively, improving its liquidity and potentially reducing short-term financing costs.

CASHFLOW STATEMENT

Looking at the composition of cash flows, we see that cash flow from operating activities has seen steady growth, rising from $1.3 billion in 2014 to over $7 billion in 2023, a sign of sustained revenue growth and effective cost control. Cash flow from investment activities, on the other hand, was impacted by major acquisitions and strategic investments with significant spikes in years such as 2019 and 2021, when Adobe incurred costs for significant acquisitions. Overall, capital expenditures (CAPEX) remain relatively low relative to operating flow, allowing a robust Free Cash Flow to be maintained.

An anomalous element appears in 2018, with cash flow from investment activities of -$4.7 billion, attributable to significant acquisition expenses ($6.3 billion), an exceptional figure compared to other years. This one-off impact does not seem to have compromised the long-term growth of Free Cash Flow, demonstrating the resilience and ability of the company to generate value even in the presence of extraordinary investments that over time have fueled Adobe's growth even more.

Adobe's share buyback program from 2014 to 2023 highlights a strategy geared toward creating shareholder value. Through buyback, Adobe reduces the total number of shares outstanding, thereby increasing the share of profit per share and supporting long-term share value growth. In particular, the repurchase that took place with greater intensity during periods of undervaluation of shares is an effective strategic choice, as it allows the company to buy back at prices below its intrinsic value. This approach generated additional value for shareholders, as the repurchased shares benefited from the market price appreciation following the undervaluation.

Analyzing historical data, we observe a steady increase in buybacks, from $774 million in 2014 to a peak of $7 billion in 2022. These buybacks reached significant values at times when Adobe felt its shares were undervalued, thereby maximizing the return for investors. In 2023, Adobe maintained a substantial buyback commitment, with $5 billion earmarked for this business, which is slightly lower than in 2022, but still significant.

In the most recent period (LTM), Adobe doubled the value of buybacks compared to previous years, with a buyback of $8.5 billion. This decision is particularly strategic, as Adobe considers its shares currently undervalued compared to their long-term potential. In this way, the company not only returns capital to shareholders, but also consolidates the value of the shares for the future, benefiting from a leaner financial structure and an increase in value per share.

Valuation

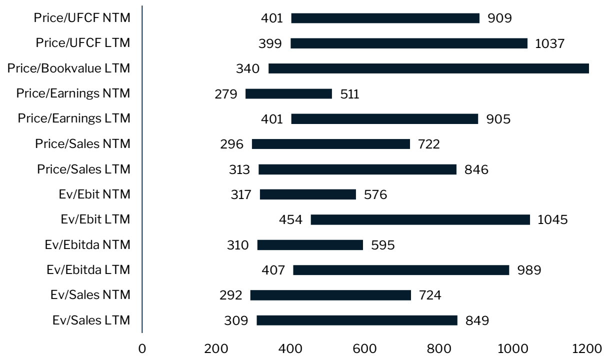
DCF VALUATION

Weighted Average Cost of Capital	
Risk free rate (R_f)	4,18% [1]
Country risk premium	0,24% [2]
Equity risk premium (R_m - R_f)	4,84% [3]
Equity Beta	1,05 [4]
Cost of Equity (K_e)	9,52%
Cost of debt	4,77% [5]
Tax rate	7,62%
After-tax Cost of Debt (K_{dt})	4,41%
Capital Structure	
Equity	97%
Debt	3%
Weighted Average Cost of Capital	9,39%

We estimate a WACC of 9,39% for ADOBE. To determine the cost of debt, we add ADOBE' debt rating-implied corporate spread to the risk-free rate. To reflect ADOBE' global operations, we use a revenue-weighted spread plus the risk-free rate (US5y), adjusted based on regional revenue distribution. The cost of equity is calculated using the CAPM formula, incorporating a revenue-weighted equity risk premium. The Beta is derived from a direct correlation with the MSCI WORLD, as we believe this benchmark aligns more closely with ADOBE' global reach and its potential market movements.

We expect the terminal growth rate to stabilize at 4% after 2028 based on (1) projected real GDP growth in core markets, (2) Growth of the industry, and (3) long term inflation goals of company' main countries of operation. We see potential upside for the terminal growth rate based on the possible favorable market position and economic conditions. This will result in further appreciation of the share price far beyond our target price. Our terminal value also implies an exit EV/EBITDA multiple of 32,5x.

SCENARIOS	BEAR CASE	BASE	BULL CASE
Global competitive situation in the sector	Cheaper and more accessible competitors, such as Canva, are able to attract a substantial portion of Adobe's customer base	Adobe continues to compete effectively thanks to strong brand loyalty, high switching costs and its highly integrated system	Adobe continues to be a market leader with advanced innovations and tools, making it difficult for competitors to access and compete
Market share	**-8%**	**3-4%**	**5-7%**
Expansion through strategic acquisitions	Adobe pursued a strategy that does not efficiently exploit inorganic growth with few acquisitions and that do not integrate well with the business	The strategy of strategic acquisitions initiated by the management is continued, trying to remove competition and incorporate cutting-edge features.	Adobe manages to acquire a large player in the market that expands the customer base and integrates well with the entire ecosystem
Customer Base	**+3%**	**+6-7%**	**+9-10%**
Innovation in generative AI	Users do not find the added value that justifies the additional costs; more agile competitors are able to integrate more cutting-edge AI technologies, forcing Adobe to follow suit.	Adobe is able to integrate AI progressively and get positive feedback from customers, who appreciate improvements in workflows and creativity.	Adobe becomes an absolute leader in generative AI with breakthrough innovations that increase user productivity and redefine the market.
Revenue growth	**+5% YoY**	**+8% YoY**	**+10% YoY**
Price target ADBE	**523,16**	**599,88**	**613,81**
% Change from current price	**4%**	**19%**	**22%**



RELATIVE VALUATION

To confirm our recommendation, we conduct multiples valuation, to contextualize Adobe's value relative to comparable companies in the design software industry and those utilizing a similar SaaS (Software as a Service) business model. By selecting peers based on industry and business model alignment, we ensure a more accurate comparison in terms of business characteristics and risk exposure. The selected peer group reflects firms facing similar growth dynamics, cost structures, and market risks. Based on this analysis, we derived an average implied target price for Adobe of $520, implying a 6.9% upside and supports our buy recommendation. We identify EV/EBITDA as the most appropriate multiple due to the strong margins related to the industry. This choice is grounded in the robust EBITDA margins typical of the SaaS and design software sectors, where high gross margins and economies of scale are prevalent. EV/EBITDA is particularly insightful in this context because it is less affected by non-operating factors, such as tax differences, and focuses on the core operating profitability. For Adobe, the trailing twelve-month (LTM) EV/EBITDA multiple averages at 27x across comparables that have an average of 23,6x resulting in a premium caused by Adobe' competitive advantages. Another important multiple is the P/E ratio. Adobe shows a P/E ratio of 41.2x compared to the sector average of 45x, suggesting that the market holds high expectations for Adobe's sustained earnings growth but indicates a moderate undervaluation relative to the sector. However, we also study all the multiples in order to have a cleary vision on its relative valuation.

Qualitative Factors	
Unique business model	☑
Operates globally	☑
Diversified customer base	☑
Capable of Growing	☑
Competitive advantages	☑
Pricing Power	☑
Leading Market position	☑
Capable Management	☑
Recession resistant	☑
Immune to disruption	☑

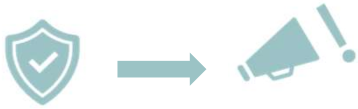
Quantitative Factors	
Debt/Equity <0.8	Yes
Ebit/interst exp. >5	Yes
Revenue 5y CAGR > 5%	Yes
ROIC 5y Avg > 15%	Yes
FCF/Net income > 80%	Yes
Ebitda 5y CAGR > 7%	Yes

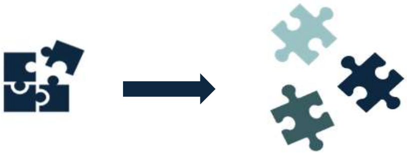
Based on our analysis, Adobe meets our investment philosophy, aligning strongly with all our qualitative and quantitative criteria. The company demonstrates a unique business model, operates on a global scale, and benefits from a diversified customer base, all of which position it well for sustainable growth. Adobe holds competitive advantages through its pricing power, market leadership, high switching costs, economies of scale, and management capabilities, making it resilient to economic downturns and disruption.

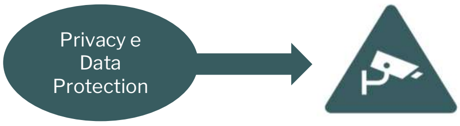
Quantitatively, Adobe satisfies our metrics, boasting a solid financial structure with low debt, high returns on invested capital, and robust cash flow generation. Its impressive growth rates in revenue and EBITDA confirm the company's potential for continued success. Given these factors, we are confident in Adobe's status as a high-quality investment, as it represents, especially from a fundamental perspective, one of the best companies in the world.

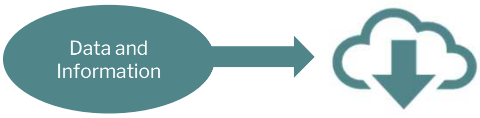
We reiterate our BUY recommendation for ADOBE with a 12-month target price of $599,88, presenting an 23% upside potential on the closing price of $486,42 on November 5th, 2024. To confirm the robustness of our DCF and to incorporate the investment risks outlined in the next section, we performed a sensitivity analysis and a scenario analysis. Our analysis is complemented with a relative valuation, which verifies our buy recommendation.

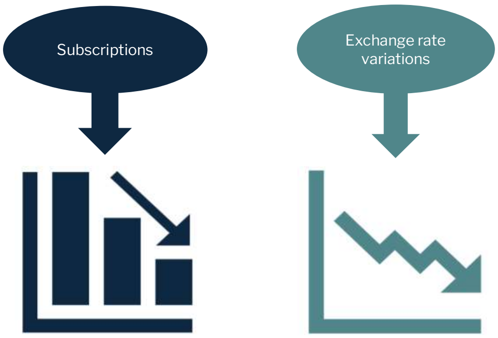
Investment riks











1) Risks Related to Adobe's Ability to Grow the Business

Adobe faces significant challenges in maintaining growth and leadership in a rapidly evolving technology sector. Constant innovation is crucial but requires substantial resources and a long-term strategy; failure to respond to emerging market demands could result in customer loss and a reduction in market share. The increasing adoption of artificial intelligence (AI) in Adobe's solutions introduces additional risks, especially ethical and reputational ones. Errors or misuse of AI could undermine customer trust, with negative financial impacts, such as a drop in sales and additional costs for crisis management.

Additionally, integrating new acquisitions and targeted investments in innovation may present operational difficulties. If not managed properly, these integrations could divert management's focus from core activities, reducing the effectiveness of expected outcomes.

Adobe operates in a competitive market where new business models and low-cost products emerge constantly. An inability to adapt quickly to these changes could lead to price pressure and margin reduction, compromising financial performance.\

Finally, Adobe's brand reputation and value are essential to attracting and retaining customers. Potential scandals, errors, or technological failures could undermine public trust and hinder the company's long-term growth.

2) Risks Related to Adobe's Ability to Manage Operational Aspects of the Business

Adobe faces various operational risks that could affect business management. First, reliance on third-party IT systems is critical: any malfunction of these systems could compromise the availability of products and services, damaging customer experience and the company's reputation. On the security front, incidents such as cyber breaches and unauthorized access to customer data could not only cause reputational damage but also involve significant financial and legal costs.

Managing relationships with partners and suppliers is essential for Adobe: issues in this area could negatively impact sales channels and reduce revenue. Furthermore, Adobe is exposed to global macroeconomic risks, such as inflation and political fluctuations, which can increase costs and cause sales losses, especially in the case of international trade restrictions.

The ability to attract and retain key personnel represents another critical point, as competition for talent in the technology sector is high, and resource losses could impact innovation capacity. Finally, Adobe needs to manage complex and lengthy sales cycles for enterprise clients, such as for Adobe Experience Cloud and ETLA contracts, which could delay revenue recognition and make financial forecasting more difficult.

3) Risks Related to Laws and Regulations

Adobe's global expansion brings numerous regulatory compliance risks, particularly concerning data privacy and protection. Adobe is subject to strict regulations in various countries, which impose personal data security standards and require the ability to adapt quickly to legal changes. The revocation of the Safe Harbor Agreement between the United States and the European Union has forced Adobe to adopt alternative measures to ensure the legitimacy of European data transfers, but with the risk of regulatory fragmentation across European jurisdictions, which could increase compliance costs and limit Adobe's ability to operate effectively in European markets. Adobe is also exposed to penalties in case of regulatory compliance violations and potential risks related to non-compliant practices by its distribution partners or suppliers, especially in emerging economies, where business practices may differ from U.S. standards.

4) Risks Related to Financial Performance

The monthly or annual subscription model adopted by Adobe for Creative Cloud and Document Cloud can lead to short-term revenue variability, as revenue flows from new subscriptions are spread over the contract duration rather than being recognized immediately. A slowdown in renewals or a decline in new subscriptions could result in revenue declines in subsequent quarters, exposing Adobe to reduced liquidity and cash flow fluctuations. Furthermore, dependence on foreign markets entails risks related to exchange rate fluctuations, as the value of foreign currencies relative to the U.S. dollar can impact reported revenues. Although Adobe has adopted hedging programs to mitigate these impacts, these measures may not be sufficient to offset losses from significant fluctuations. In terms of debt, Adobe has issued unsecured notes and has a $1 billion credit line, increasing its exposure to potential financing cost variations and the risk of reduced operational flexibility in the event of covenant breaches.

5) General Risk Factors

Adobe's global presence exposes the company to unstable economic and political conditions, particularly in emerging markets. A recession or economic instability in a major market could lead clients to reduce spending on digital solutions, delaying purchasing decisions and compromising the company's revenue. The loss of key personnel also represents a significant risk, as Adobe heavily depends on the expertise and innovation of its employees to maintain competitiveness in the technology sector, where competition for talent is high. Finally, stock market volatility could negatively affect Adobe's stock price, with potential impacts on the company's overall value and investor confidence. This risk is amplified by external factors such as changes in analyst estimates, the introduction of new products by competitors, and the impact of global events or sudden changes in market conditions.

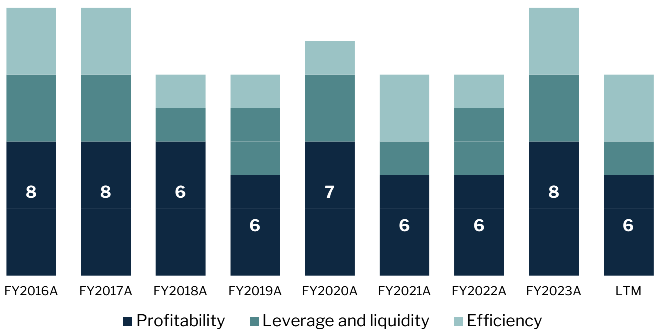
SLOAN RATIO						
	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	LTM
Net Income	2.951	5.260	4.822	4.756	5.428	5.360
Cash Flow from Operations	4.422	5.727	7.230	7.838	7.302	6.732
Cash Flow from Investing	(456)	(414)	(3.537)	(570)	776	283
Total Assets	20.762	24.284	27.241	27.165	29.779	29.830
Sloan Ratio	**-4,89%**	**-0,22%**	**4,14%**	**-9,25%**	**-8,90%**	**-5,55%**
Interpretation	Good Quality	Good Quality	Good Quality	Good Quality	Good Quality	Good Quality

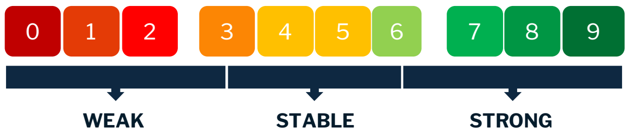
The profits reported in the income statement, along with revenue, are among the key financial metrics closely monitored by investors, as they directly influence the short-term performance of the stock price. However, this focus can place pressure on management, pushing them to adopt accounting practices aimed at meeting market expectations, potentially resulting in profits that may not be sustainable in the long run. Provisions, being subject to discretionary estimates, are one of the areas where more aggressive management can intervene.

Sloan highlighted that companies with a high level of accruals, meaning a high proportion of provisions, tend to generate lower stock returns compared to those with a lower provision ratio. The Sloan ratio, which represents the percentage of provisions relative to total assets, is thus a useful indicator for assessing the quality of a company's earnings.

Our analysis indicates that the company's Sloan Ratio falls within the optimal range of -10% to 10%. This figure reflects a high quality of earnings, suggesting that the company's profitability is solid and sustainable in the long term. In this context, we believe the risk for investors is limited, with an optimal balance between provisions and operating earnings. This positioning indicates prudent management and a healthy financial foundation.

Piotroski F-Score





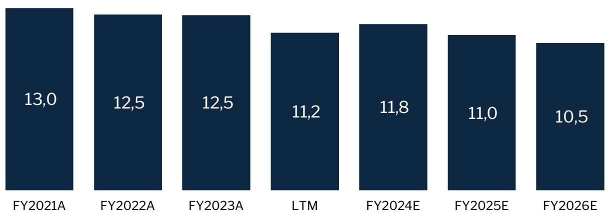
PIOTROSKI F-SCORE

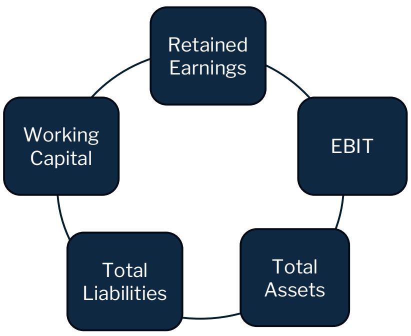
The Piotroski F-Score is a fundamental analysis tool developed by accounting professor Joseph D. Piotroski to assess a company's financial health. This score comprises nine financial criteria, divided into three main categories: profitability, operational efficiency, and capital structure. Each metric within these categories is assigned one point if it meets certain favorable conditions, resulting in a cumulative score that ranges from 0 to 9.

Over the past 20 years, a stock selection strategy within the S&P 500 that used a Piotroski F-Score greater than 6 and included annual rebalancing would have outperformed the S&P 500, achieving a compound annual growth rate (CAGR) of 14.8%. This superior performance highlights how the Piotroski F-Score can enhance returns within a value investing strategy, demonstrating its effectiveness in selecting financially strong companies relative to the broader market.

Our analysis indicates that the company's Piotroski F-Score in 2023 is within the optimal range of 7 to 9, reflecting a strong financial position and robust fundamentals. This high score suggests the company excels across profitability, operational efficiency, and capital structure management. In this context, we consider the investment risk to be limited, as the financial indicators demonstrate effective management and resilience. With this strong foundation, the company is well-positioned for sustainable growth, making it an attractive option for value-focused investors.

Z-score





ALTMAN Z-SCORE

	Historical				Projected		
	FY2021A	FY2022A	FY2023A	LTM	FY2024A	FY2025A	FY2026A
1.	0,3	0,3	0,4	0,4	0,4	0,4	0,5
2.	0,2	0,2	0,2	0,2	0,2	0,2	0,2
3.	0,2	0,2	0,2	0,3	0,3	0,3	0,3
4.	18	17	17	15	16	14	13
5.	0,58	0,65	0,65	0,70	0,71	0,73	0,75
Z-score	**13,0**	**12,5**	**12,5**	**11,2**	**11,8**	**11,0**	**10,5**
Interpretation	Safe zone	Safe zone	Safe zone	Safe zone	Safe zone	Safe zone	Safe zone

The Altman Z-score is a predictive financial metric designed to assess the likelihood of a company's insolvency within the next two years. Developed to anticipate bankruptcy risk, Altman's model has demonstrated an accuracy rate of 95% one year before bankruptcy, decreasing to 72% two years before and 52% three years before.

This formula measures the "distance" between a company's financial ratios and those typical of distressed companies. A high Z-score indicates a lower risk of failure, while a low score signals higher risk, providing investors and analysts with a key parameter to evaluate a company's creditworthiness and financial stability.

Based on our analysis, the company is in a safe zone, with a low risk of default in the short to medium term. This high score indicates a solid financial structure and a stable capacity to generate operating cash flows. Assets are efficiently utilized, and leverage is maintained at manageable levels, making this company an attractive option for investors seeking stability and resilience to market shocks. This positioning inspires confidence in the company's management reliability and long-term sustainability.

INCOME STATEMENT														
Ammounts in million	**FY2016A**	**FY2017A**	**FY2018A**	**FY2019A**	**FY2020A**	**FY2021A**	**FY2022A**	**FY2023A**	**LTM**	**FY2024E**	**FY2025E**	**FY2026E**	**FY2027E**	**FY2028E**
Revenues	5.854	7.302	9.030	11.171	12.868	15.785	17.606	19.409	20.947	21.350	23.549	26.045	28.884	32.206
% YoY Growth	*22,1%*	*24,7%*	*23,7%*	*23,7%*	*15,2%*	*22,7%*	*11,5%*	*10,2%*	*7,9%*	*10,0%*	*10,3%*	*10,6%*	*10,9%*	*11,5%*
Cost of goods sold	(820)	(1.010)	(1.195)	(1.673)	(1.722)	(1.865)	(2.165)	(2.354)	(2.376)	(2.434)	(2.689)	(2.980)	(3.310)	(3.704)
Gross Profit	**5.035**	**6.291**	**7.835**	**9.498**	**11.146**	**13.920**	**15.441**	**17.055**	**18.571**	**18.916**	**20.860**	**23.066**	**25.574**	**28.502**
% YoY Growth	*24,3%*	*25,0%*	*24,5%*	*21,2%*	*17,4%*	*24,9%*	*10,9%*	*10,5%*	*8,9%*	*10,9%*	*10,3%*	*10,6%*	*10,9%*	*11,4%*
SG&A expenses	(2.486)	(2.822)	(3.366)	(4.125)	(4.559)	(5.406)	(6.187)	(6.764)	(7.041)	(7.366)	(8.101)	(8.933)	(9.878)	(10.950)
R&D expenses	(976)	(1.224)	(1.538)	(1.930)	(2.188)	(2.540)	(2.987)	(3.473)	(3.834)	(3.907)	(4.352)	(4.860)	(5.442)	(6.183)
Other operating expenses	(79)	(77)	(91)	(175)	(162)	(172)	(169)	(168)	(169)	(168)	(168)	(168)	(168)	(168)
Operating Income	**1.494**	**2.168**	**2.840**	**3.268**	**4.237**	**5.802**	**6.098**	**6.650**	**7.527**	**7.475**	**8.239**	**9.104**	**10.086**	**11.201**
% YoY Growth	*65,4%*	*45,2%*	*31,0%*	*15,1%*	*29,7%*	*36,9%*	*5,1%*	*9,1%*	*13,2%*	*12,4%*	*10,2%*	*10,5%*	*10,8%*	*11,1%*
± Non-operating income(ex	12	44	43	94	55	16	22	262	(632)	(632)	90	90	90	90
– Interest Expense	(70)	(74)	(89)	(157)	(116)	(113)	(112)	(113)	(147)	(103)	(101)	(98)	(96)	(91)
Pretax Income	**1.435**	**2.138**	**2.794**	**3.205**	**4.176**	**5.705**	**6.008**	**6.799**	**6.748**	**6.740**	**8.228**	**9.096**	**10.080**	**11.200**
– Tax Provision	(266)	(444)	(203)	(254)	1.084	(883)	(1.252)	(1.371)	(1.388)	(1.348)	(1.646)	(1.819)	(2.016)	(2.240)
Net Income	**1.169**	**1.694**	**2.591**	**2.951**	**5.260**	**4.822**	**4.756**	**5.428**	**5.360**	**5.392**	**6.583**	**7.277**	**8.064**	**8.960**
% YoY Growth	*85,7%*	*44,9%*	*53,0%*	*13,9%*	*78,2%*	*-8,3%*	*-1,4%*	*14,1%*	*-1,3%*	*-0,7%*	*22,1%*	*10,5%*	*10,8%*	*11,1%*
Ebit	1.494	2.168	2.840	3.268	4.237	5.802	6.098	6.650	7.527	7.475	8.239	9.104	10.086	11.201
Depreciation & Amortization	332	326	346	757	571	576	618	618	607	619	673	734	803	870
Ebitda	**1.825**	**2.494**	**3.186**	**4.025**	**4.808**	**6.378**	**6.716**	**7.268**	**8.134**	**8.094**	**8.912**	**9.839**	**10.889**	**12.070**
% YoY Growth	*46,9%*	*36,7%*	*27,7%*	*26,3%*	*19,5%*	*32,7%*	*5,3%*	*8,2%*	*11,9%*	*11,4%*	*10,1%*	*10,4%*	*10,7%*	*10,8%*

INCOME STATEMENT DRIVERS														
	FY2016A	**FY2017A**	**FY2018A**	**FY2019A**	**FY2020A**	**FY2021A**	**FY2022A**	**FY2023A**	**LTM**	**FY2024E**	**FY2025E**	**FY2026E**	**FY2027E**	**FY2028E**
Cost of sales % Rev.	*14,0%*	*13,8%*	*13,2%*	*15,0%*	*13,4%*	*11,8%*	*12,3%*	*12,1%*	*11,3%*	*11,4%*	*11,4%*	*11,4%*	*11,5%*	*11,5%*
SG&A % of Rev.	*42,5%*	*38,7%*	*37,3%*	*36,9%*	*35,4%*	*34,2%*	*35,1%*	*34,8%*	*33,6%*	*34,5%*	*34,4%*	*34,3%*	*34,2%*	*34,0%*
R&D expenses % of Re	*16,7%*	*16,8%*	*17,0%*	*17,3%*	*17,0%*	*16,1%*	*17,0%*	*17,9%*	*18,3%*	*18,3%*	*18,5%*	*18,7%*	*18,8%*	*19,2%*
D&A % of revenues	*5,7%*	*4,5%*	*3,8%*	*6,8%*	*4,4%*	*3,6%*	*3,5%*	*3,2%*	*2,9%*	*2,9%*	*2,9%*	*2,8%*	*2,8%*	*2,7%*
Cost of debt % Revenu	*3,7%*	*4,0%*	*2,2%*	*3,8%*	*2,5%*	*2,4%*	*2,4%*	*2,8%*	*2,4%*	*2,5%*	*2,4%*	*2,4%*	*2,3%*	*2,2%*
Effective tax Rate	*18,6%*	*20,8%*	*7,3%*	*7,9%*	*-26,0%*	*15,5%*	*20,8%*	*20,2%*	*20,6%*	*20,0%*	*20,0%*	*20,0%*	*20,0%*	*20,0%*
EPS	2,3	3,4	5,2	6,0	10,8	10,0	10,1	11,8	11,8	11,9	14,5	16,0	17,8	19,7
% YoY Growth	*86,7%*	*45,9%*	*54,0%*	*15,3%*	*80,5%*	*-7,5%*	*0,7%*	*17,1%*	*-0,1%*	*0,6%*	*22,1%*	*10,5%*	*10,8%*	*11,1%*
Diluted Shares Outstan	504	501	498	492	486	481	471	459	454	454	454	454	454	454
Dividends per Share	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payout Ratio	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*

BALANCE SHEET														
Amounts in millions	**FY2016A**	**FY2017A**	**FY2018A**	**FY2019A**	**FY2020A**	**FY2021A**	**FY2022A**	**FY2023A**	**LTM**	**FY2024A**	**FY2025A**	**FY2026A**	**FY2027A**	**FY2028A**
Total Cash	1.011	2.306	1.643	2.650	4.478	3.844	4.236	7.141	7.193	7.267	9.414	11.798	12.672	14.221
Short Term Investments	3.750	3.514	1.586	1.527	1.514	1.954	1.860	701	322	701	701	701	701	701
Cash & short-Term Invest.	**4.761**	**5.820**	**3.229**	**4.177**	**5.992**	**5.798**	**6.096**	**7.842**	**7.515**	**7.968**	**10.115**	**12.499**	**13.373**	**14.922**
Accounts Receivable	833	1.218	1.316	1.535	1.398	1.878	2.065	2.224	1.802	1.921	2.355	2.084	2.888	2.899
Inventory	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other Current Assets	245	210	313	783	756	993	835	1.018	1.399	1.388	1.413	1.563	1.444	1.932
Total Current Assets	**5.840**	**7.248**	**4.857**	**6.495**	**8.146**	**8.669**	**8.996**	**11.084**	**10.716**	**11.278**	**13.882**	**16.145**	**17.706**	**19.753**
Net PP&E	816	937	1.075	1.293	2.004	2.116	2.315	2.388	2.337	2.227	2.189	2.251	2.453	3.017
Other Non-Current Assets	635	529	2.256	2.283	3.392	3.788	3.067	3.502	3.963	3.502	3.502	3.502	3.502	3.502
Goodwill	5.406	5.822	10.581	10.691	10.742	12.668	12.787	12.805	12.814	12.856	12.856	12.856	12.856	12.856
Total Assets	**12.697**	**14.536**	**18.769**	**20.762**	**24.284**	**27.241**	**27.165**	**29.779**	**29.830**	**29.863**	**32.429**	**34.755**	**36.517**	**39.128**
Accounts Payable	88	114	186	209	306	312	379	314	318	316	457	447	397	444
Short Term Debt	–	–	–	3.149	–	–	500	–	1.499	–	–	–	–	–
Other Current Liabilities	2.724	3.414	4.115	4.833	5.206	6.620	7.249	7.937	7.827	8.540	9.891	11.199	11.842	12.882
Total Current Liabilities	**2.812**	**3.527**	**4.301**	**8.191**	**5.512**	**6.932**	**8.128**	**8.251**	**9.644**	**8.856**	**10.348**	**11.646**	**12.240**	**13.327**
Long Term Debt	1.892	1.882	4.135	989	4.117	4.123	3.629	3.634	4.128	4.128	4.128	4.128	4.128	4.128
Other non-current Liabilities	569	666	971	1.052	1.391	1.389	1.357	1.376	1.513	1.376	1.376	1.376	1.376	1.376
Total Liabilities	**5.272**	**6.076**	**9.407**	**10.232**	**11.020**	**12.444**	**13.114**	**13.261**	**15.285**	**14.360**	**15.852**	**17.150**	**17.744**	**18.831**
Total Equity	**7.425**	**8.460**	**9.362**	**10.530**	**13.264**	**14.797**	**14.051**	**16.518**	**14.545**	**15.211**	**16.008**	**16.762**	**17.650**	**18.868**
Total Liabilities and Equity	**12.697**	**14.536**	**18.769**	**20.762**	**24.284**	**27.241**	**27.165**	**29.779**	**29.830**	**29.571**	**31.860**	**33.912**	**35.394**	**37.699**

BALANCE SHEET DRIVERS														
Accounts Receivable % Rev.						*12%*	*12%*	*11%*	*9%*	*9,0%*	*10,0%*	*8,0%*	*10,0%*	*9,0%*
Inventory % COGS						*0%*	*0%*	*0%*	*0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*
Other Current Assets % Rev.						*6%*	*5%*	*5%*	*7%*	*6,5%*	*6,0%*	*6,0%*	*5,0%*	*6,0%*
Accounts Payable % COGS						*17%*	*18%*	*13%*	*13%*	*13,0%*	*17,0%*	*15,0%*	*12,0%*	*12,0%*
Other CL % Revenues						*42%*	*41%*	*41%*	*37%*	*40,0%*	*42,0%*	*43,0%*	*41,0%*	*40,0%*
Book Value / Share						3115%	3041%	3630%	3269%					
TBV / Share						65%	-40%	577%	196%					
Total Debt						4.673	4.633	4.080	6.078					

INDICATORS

	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	LTM	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
Margins														
Gross Profit Margin	86%	86%	87%	85%	87%	88%	88%	88%	89%	89%	89%	89%	89%	89%
EBITDA Margin	31%	34%	35%	36%	37%	40%	38%	37%	39%	38%	38%	38%	38%	37%
EBIT Margin	26%	30%	31%	29%	33%	37%	35%	34%	36%	35%	35%	35%	35%	35%
Net Income Margin	20%	23%	29%	26%	41%	31%	27%	28%	26%	25%	28%	28%	28%	28%
Free Cash Flow Margin	16%	20%	20%	31%	41%	31%	27%	30%	36%	33%	34%	34%	28%	29%
Profitability														
Return on Assets	10%	12%	16%	15%	23%	19%	17%	19%	18%	18%	21%	22%	23%	24%
Return on Equity	16%	21%	29%	30%	44%	34%	33%	36%	35%	34%	42%	44%	47%	49%
Return on invested capital	10%	13%	16%	15%	24%	19%	18%	19%	20%	20%	21%	22%	23%	24%
Growth														
Operational Roic	21%	27%	41%	43%	65%	50%	46%	53%	61%	61%	66%	72%	77%	78%
NOPAT Margin	21%	24%	29%	27%	41%	31%	27%	27%	29%	28%	28%	28%	28%	28%
Capital turnover	1,0x	1,2x	1,4x	1,6x	1,6x	1,6x	1,7x	1,9x	2,1x	2,2x	2,4x	2,6x	2,7x	2,8x
Reinvestement rate (5%)	24%	18%	12%	12%	8%	10%	11%	9%	8%	8%	8%	7%	7%	6%
Reinvestement rate (10%)	48%	37%	25%	23%	15%	20%	22%	19%	16%	16%	15%	14%	13%	13%
Liquidity														
Current Ratio	2,1x	2,1x	1,1x	0,8x	1,5x	1,3x	1,1x	1,3x	1,1x	1,3x	1,3x	1,4x	1,4x	1,5x
Quick Ratio (Acid Test)	2,0x	2,0x	1,1x	0,7x	1,3x	1,1x	1,0x	1,2x	1,0x	1,1x	1,2x	1,3x	1,3x	1,3x
Activity														
Asset Turnover	0,5x	0,5x	0,5x	0,5x	0,5x	0,6x	0,6x	0,7x	0,7x	0,7x	0,7x	0,7x	0,8x	0,8x
DSO	47	51	51	47	42	38	41	40	35	35	33	31	31	33
DPO	40	36	46	43	55	60	58	54	49	48	52	55	47	41
DIO	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Cash Conversion Cycle	7	15	5	3	(13)	(23)	(17)	(13)	(13)	(12)	(19)	(24)	(15)	(9)
Leverage														
Debt to Equity	0,3x	0,2x	0,4x	0,4x	0,3x	0,3x	0,3x	0,2x	0,4x	0,3x	0,3x	0,2x	0,2x	0,2x
Debt to Capital	0,2x	0,2x	0,3x	0,3x	0,2x	0,2x	0,2x	0,2x	0,3x	0,2x	0,2x	0,2x	0,2x	0,2x
Debt to free cash flow	2,0x	1,3x	2,3x	1,2x	0,8x	0,8x	0,9x	0,6x	0,8x	0,6x	0,5x	0,5x	0,5x	0,4x
Debt / EBITDA	1,0x	0,8x	1,3x	1,0x	0,9x	0,6x	0,6x	0,5x	0,7x	0,5x	0,5x	0,4x	0,4x	0,3x
Coverage														
Interest cover Ratio	21,2x	29,1x	31,9x	20,8x	36,5x	51,3x	54,4x	58,8x	51,2x	72,4x	81,8x	92,7x	105,3x	123,3x

VALUATION

Weighted Average Cost of Capital	
Risk free rate (Rf)	4,18% [(1)]
Country risk premium	0,24% [(2)]
Equity risk premium (Rm - Rf)	4,84% [(3)]
Equity Beta	1,05 [(4)]
Cost of Equity (Ke)	9,52%
Cost of debt	4,77% [(5)]
Tax rate	7,62%
After-tax Cost of Debt (Kdt)	4,41%
Capital Structure	0
Equity	97%
Debt	3%
Weighted Average Cost of Capital	9,39%

(1) Based on the current US5y

(2) W.average of CRPs according to the revenue divided by geographical area

(3) W.average of ERPs according to the revenue divided by geographical area

(4) Based on a 5 year weekly correlation with the S&P 500

(5) Based on weighted average historical cost of debt

Discounted Cash Flow		Projected				
Amounts in millions, except per share amount	Units	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
EBIT	$	7.475	8.239	9.104	10.086	11.201
% YoY Growth	%	12%	10%	11%	11%	11%
Taxes	$	(1.348)	(1.646)	(1.819)	(2.016)	(2.240)
Tax Rate/Ebit	%	18%	20%	20%	20%	20%
NOPAT	$	**6.127**	**6.593**	**7.285**	**8.070**	**8.961**
+ Depreciation and Amortization	$	619	673	734	803	870
D&A % of Revenues		2,9%	2,9%	2,8%	2,8%	2,7%
± Changes in working capital	$	538	1.033	1.420	(93)	589
% YoY Growth current Assets		2%	23%	16%	10%	12%
% YoY Growth current Liabilities		7%	17%	13%	5%	9%
– Capital expenditures	$	(218)	(357)	(524)	(724)	(1.127)
Capex % of Revenue		1%	2%	2%	3%	4%
Unlevered Free Cash Flows	$	**7.067**	**7.943**	**8.915**	**8.055**	**9.292**
Discount rate	%	9,39%	9,39%	9,39%	9,39%	9,39%
Discount period		0,1	1,1	2,1	3,1	4,1
Discount factor		0,99	0,90	0,82	0,75	0,69
Present Value of Unlevered Free Cash Flow	$	**6.974**	**7.165**	**7.353**	**6.073**	**6.404**

DCF Value - Perpetuity Growth	
NPV of UFCF 2024 - 2028	33.968
PV of Terminal Value	226.337
Implied Enterprise Value	**260.306**
Less: Debt	6.078
Add: Cash	7.193
Add: short-term investments	322
Implied Equity Value	261.743
Diluted shares	454
Implied Value Per Share	576,72

Method	**Weight**
Exit Multiple	70%
Perpetuity growth rate	30%

	Perpetuity growth Rate					
Wacc	350	3,50%	3,75%	4,00%	4,25%	4,50%
	9,0%	349,20	362,81	377,80	394,36	412,78
	9,2%	334,58	346,92	360,44	375,32	391,77
	9,5%	321,19	332,42	344,67	358,10	372,86
	9,7%	308,88	319,13	330,28	342,44	355,77
	10,0%	297,52	306,91	317,09	328,16	340,23

	Exit Multiple					
Wacc	674	32,0x	32,3x	32,5x	32,8x	33,0x
	9,0%	674,29	678,94	683,59	688,25	692,90
	9,2%	668,29	672,90	677,51	682,12	686,73
	9,5%	662,37	666,93	671,50	676,06	680,63
	9,7%	656,51	661,03	665,55	670,08	674,60
	10,0%	650,72	655,20	659,68	664,16	668,64

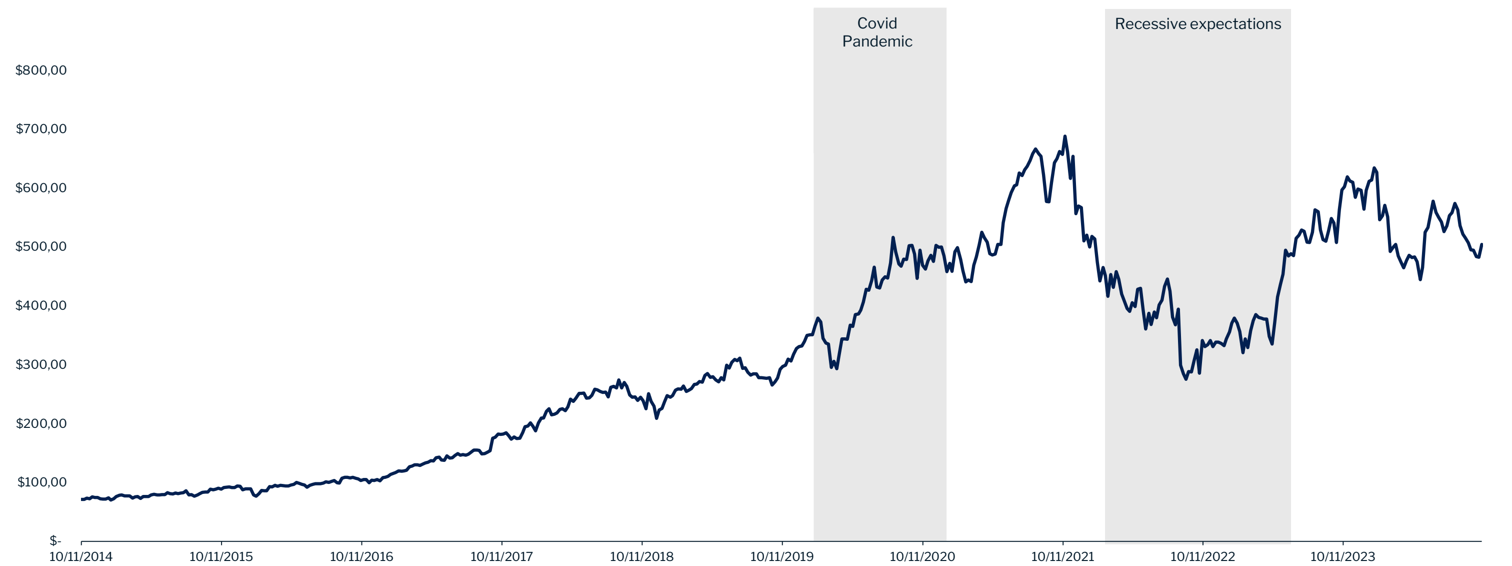
RELATIVE VALUATION

	Enterprise Value Multiples					
	LTM	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
EV / Revenue	10,9x	10,7x	9,7x	8,7x	7,9x	7,1x
EV / Ebitda	28,0x	28,1x	25,5x	23,1x	20,9x	18,9x
EV / Ebit	30,2x	30,5x	27,6x	25,0x	22,6x	20,3x

	Equity Value Multiples					
	LTM	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
Price / Sales	10,9x	10,7x	9,7x	8,8x	7,9x	7,1x
Price / Earnings	42,7x	42,5x	34,8x	31,5x	28,4x	25,6x
Price / BV	15,8x	15,1x	14,3x	13,7x	13,0x	12,1x
Price / UFCF	30,8x	32,4x	28,8x	25,7x	28,4x	24,7x

Trading Comparables	Equity	Enterprise	Ev / Sales		Ev / Ebitda		Price / sales		Price / Earnings		Price / Book	Price / UFCF	
Company	Value	Value	LTM	NTM	LTM	NTM	LTM	NTM	LTM	NTM	LTM	LTM	NTM
Oracle Corp	476.013	550.070	10,2x	9,2x	25,2x	17,5x	8,9x	8,0x	44,3x	26,7x	42,1x	46,0x	60,4x
Synopsys Inc	80.183	78.899	12,7x	11,9x	47,6x	28,9x	12,4x	12,1x	53,8x	37,0x	10,4x		53,8x
Cadence Design Systems, Inc.	79.868	79.752	18,3x	15,3x	55,0x	33,2x	18,3x	15,3x	76,7x	43,0x	17,5x	85,0x	52,7x
Microsoft Corp	3.059.156	3.077.565	12,1x	10,7x	22,5x	20,2x	12,0x	10,7x	34,0x	31,3x	10,6x	49,9x	42,3x
Autodesk	62.746	63.240	10,9x	9,8x	45,7x	26,5x	10,8x	9,7x	59,8x	34,2x	25,5x	38,8x	38,5x
Dassault Systèmes SE	41.430	40.378	6,6x	6,1x	27,0x	17,2x	6,8x	6,3x	37,1x	23,5x		32,7x	26,7x

Equity Value	248.357	225.309	250.556	179.662	250.556	179.662	242.399	220.374	233.402	171.755	255.580	268.633	312.546
Diluted shares	454	454	454	454	454	454	454	454	454	454	454	454	454
Implied Share price	547	496	552	396	552	396	534	486	514	378	563	592	689
					0	0	0	0	0	0	0	0	0
High	849	724	989	595	989	595	846	722	905	511	1.376	1.037	909
Low	309	292	407	310	407	310	313	296	401	279	340	399	401



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