

Krause Fund Research  
Fall 2022

Technology Sector

Adobe Inc. (NYSE: ADBE)

Recommendation: **BUY**

April 18, 2022

#### Analysts

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Current Price \$434

DCF/EP Model Target Price \$572

### Investment Thesis

We recommend a **BUY** rating for Adobe due to the company's sustainable revenue model, history of beating earnings estimates, and an implied discounted stock price based on our fair value estimate.

### Company Overview

Adobe Systems Inc. (ADBE) is a leading application software company. Adobe provides digital media software, digital marketing software, and printing & publishing services. They have repeatedly grown subscription revenue and will continue to move towards subscription revenue models for the long-term future of the company

#### Stock Performance Highlights

52 week High	\$699.54
52 week Low	\$407.94
Beta Value	1.05
Average Daily Volume	3.57 m

#### Share Highlights

Market Capitalization	\$218.56 b
Shares Outstanding	477 m
Book Value per share	\$29.18
EPS	\$3.37
P/E Ratio	45.51
Dividend Yield	0%
Dividend Payout Ratio	0%

#### Company Performance Highlights

ROA	17.70%
ROE	32.59%
Sales	\$15.79 b

#### Financial Ratios

Current Ratio	1.25
Debt to Equity	27.86%

#### Thesis Drivers

- Despite beating forecasts in the 2022 Q1 earnings report, Adobe's stock price is close to its 52-week low
- Adobe's revenue model revolves around subscription-based income and retaining customers. This allows the company to consistently beat earnings expectations, while investing in research and development for new software and products to offer
- The application software industry is strong and continuing to grow as customers have become completely reliant on products such as Adobe Acrobat and Photoshop

#### Thesis Risks

- Higher interest rates have the potential to negatively affect earnings and stock prices of companies such as Adobe
- Adobe is fully reliant on their subscription revenue, and would be at severe risk if a competitor entered their digital media market space and took customers away

### One Year Stock Performance

#### Adobe (ADBE) Stock Price 1-Year



## Executive Summary

The recommendation we make for Adobe is to **BUY**. We believe that Adobe is currently undervalued when compared to our DCF/EP valuation model price of \$572. This is a forecasted 31% upside on the investment which is supported by our forecast models compared to the discounted current stock price.

## Economic Outlook

### Interest Rates

Interest rate is an important predictor for the information technology sector because it changes the cost of borrowing money which could impact the stock price of companies. After the pandemic, the Fed lowered the interest rate to 0.25% to stimulate economic growth and prevent the stock market from collapsing.

Our interest rate forecast is that it will increase to 1.50%-2% over the next 12 months to reduce high inflation and to balance the economic growth. Increased interest rate could possibly lower the earnings of the company due to increased costs and could potentially lower the value of the companies in the IT sector.

### Real GDP growth

GDP growth is another critical predictor for the technology sector because of how strong the correlation is between GDP growth and digital economy growth. From 2005-2019, the digital economy's real value added (its inflation-adjusted contribution to U.S. GDP) saw average annual growth of 6.5 percent, compared to the 1.8 percent growth of the total economy. This trend continued in 2019 with the digital economy's real value-added increasing 5.2 percent, compared with 2.2 percent growth for the overall economy <sup>1</sup>.

### Forecasts

**Short Term:** We forecast real GDP growth of 1.5% over the next 6 months driven by workers returning to work, increased production in the US economy, and increased consumer spending.

**Long Term:** We forecast real GDP growth of 3.5% over the next 12 months and 6.5% over the next 24 months. We expect this growth to be driven by unemployment rates declining, increased inventory-building, and deferred

demand. There have been supply chain issues throughout the past 2 years due to COVID, so as the employment rate begins to rise back to normal, there will be enough supply to meet the demand that rose during the pandemic.

The impact real GDP growth will have on the IT industry is relatively significant, as it is a strong indicator of IT companies growing and doing well within the economy. As the U.S. gets back on its feet after the pandemic, real GDP growth will improve the supply and demand for technology sector companies and allow them to continue to grow and expand within the market.

### Capital Outlook

Because of Adobe's sustainable revenue model revolving around retaining customers through their subscription services, we recommend a buy for Adobe stock until otherwise motivated to change our stance on the value of the stock. Adobe's market share of application software will continue to grow as the need for documents to be viewable on any device continues to increase. The pandemic has made it clear that the ability to easily transition between documents on office computers, home laptops, and phones is a requirement for employees around the world and Adobe Acrobat is the most popular and efficient product on the market.

We believe that while this industry will eventually reach a leveled market cap for business, Adobe's model of retaining revenue through subscriptions will allow them to continue to meet earning expectations and have enough money to continuously invest in R&D, searching for a new state of the art product to supply companies and individuals alike. Adobe's stock price has dropped significantly over the past several months, despite beating earnings forecasts last quarter, and not being overly exposed to supply chain issues that other technology stocks are being hurt by. Therefore, we believe that Adobe's stock is at a highly discounted price right now and will begin to rise back up to where it once was.

The technology sector has certainly taken a large hit to start off 2022, but we believe that the potential for growth is still very high for the IT sector, and it will bounce back to end 2022 and start 2023.

## Industry Analysis and Outlook

### Application Software Segment Description

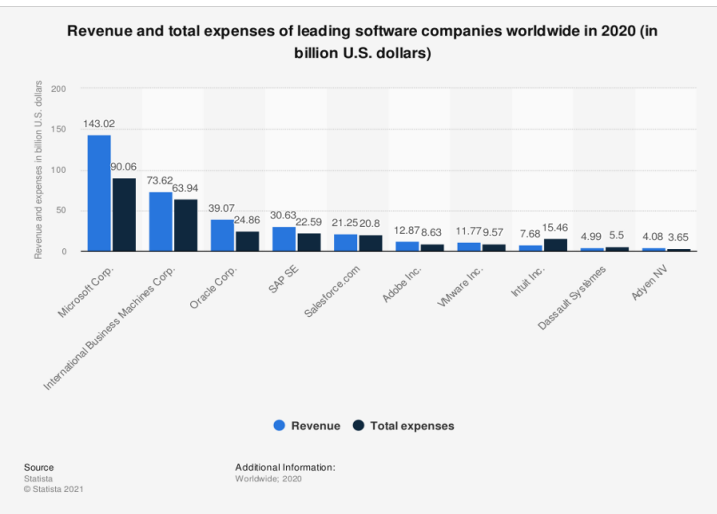
The application software segment of the IT market comprises programs or tools that help with the overall application developing process. Assisting design, construction, automated software quality, testing, and deployment of applications.

Revenue can be made by companies either installing on-premises software sold by transactional license, or cloud-based software sold as a subscription.

Firms differentiate themselves within this segment of the market by how they offer their software, (i.e., on-premises software or cloud-based software) and how efficient and convenient their software is to the customer.

According to *Statista.com*, revenue in the application development software segment is projected to reach \$158 million in 2022.

The segment application development software accounted for 24% of the software revenue in 2020. Leading application software companies' revenue can be seen in the following graphic <sup>2</sup>



### System Infrastructure Segment Description

This segment provides the base framework for operating and managing organizational processes and services on hardware devices. Therefore helping to perform, accelerate and simplify basic business tasks for companies.

Firms make money by either selling on-premises software, or cloud-based software sold as a subscription

Firms differentiate themselves in this sub-industry by what specific type of system infrastructure software they provide and whether it is installed on-premises or delivered through the cloud.

In 2020, the system infrastructure software segment had a market share of 24% and revenue of \$125.58 billion in 2020. This segment of the market is expected to increase sales at a CAGR of 4.7% from 2020 to 2026.

Leading software companies and their market cap can be seen in the table below from John Freeman's CFRA Software Industry Survey Report.

### MARKET CAP BREAKDOWN

(as of Jan 7, 2022)

RANK NO.	COMPANY NAME	MARKET CAP (\$B)
1	Microsoft	2,358
2	Adobe	243
3	Oracle	234
4	salesforce	225
5	Intuit	161
	Others†	445

Source: CFRA, S&P Global Market Intelligence

### Application Software Recent Development and Industry Trends

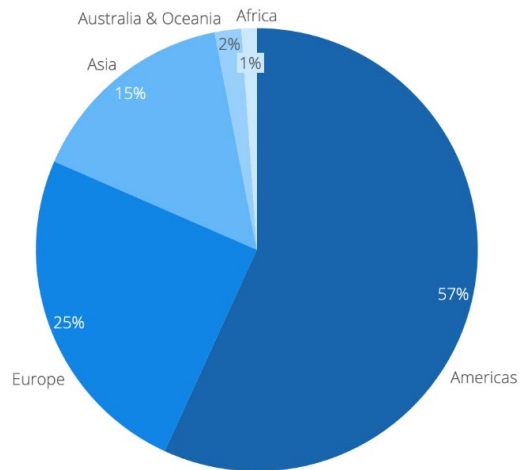
Covid-19 has resulted in many employees working from home more frequently than before, which has created a higher need for application software. Because of this change and need for employees to have application software downloaded on their work laptop or home computer, we are forecasting an increase in sales by a CAGR of 8.3%

America currently holds 57% of the revenue share, but through 2026 Asia is forecasted to have CAGR of 9.7% creating a trend of other countries beginning to take a higher share of revenue.

Technology trends include low-code application software to create more customization options for the user in the future, useability between large groups of people on the same application

IT and Telecom are expected to have the highest growth within application software due to the rise of technology in the average household and new communication methods needed from businesses.

Revenue share in 2020



3

### System Infrastructure: Recent Development and Industry Trends:

A large trend in this sub-industry is transitioning to the cloud. This is an area that will continue to expand as people and corporations will need more space for work and storage. While another trend of this sector is disappearing data centers, meaning many corporations will continue storing data in data warehouses, but getting computing power as a service through LAAS (logging as a service).

Adobe Inc. is one of the leading firms in the application software industry, designing and producing state-of-the-art digital media and digital marketing software products. After we finalized our company-specific analysis and clearly understood key investment positives/negatives analysis for Adobe Inc, we believe that Adobe is a **BUY** right now. The 52 weeks range of share price is \$420.78 - \$699.54. it is currently \$434 per share which we interpret as a relatively low price.

## Porter's Five Forces Analysis

### Threats of New Entrants (Low):

The initial costs of entering the application software are extremely high and there are already too large of companies to enter and compete with. Most likely, a company would simply sell their newly developed application software to the highest bidder between the major competitors in the industry.

### Threat of Substitute Products or Services (Moderate)

Many companies use software applications in their office and would naturally be open to using a more efficient and

applicable software. Because of this, software companies are constantly trying to research and develop new applications to hold a larger portion of the market sector.

### Bargaining Power of Customers (Low to Moderate)

Most customers are not holding much bargaining power over software companies, but major purchases can result in discounts or other inclusions from the software company that wants their business. Adobe for example offers a subscription-based service for less money than other companies charge for permanently installing their software. This gives companies the power to decide between companies and determine which one is the better decision financially.

### Bargaining Power of Suppliers (Low)

There is not much bargaining power for suppliers of application software companies. Adobe for example is the global leader in digital media and digital marketing solutions, so their revenue is consistent and large. Suppliers want to be the supplier for a large and successful company like them. Adobe also has strategic alliances with companies such as IBM in order to make the supply chain more fluid and profitable for them.

### Rivalry Among Existing Firms (Moderate to High)

Salesforce and Autodesk are Adobe's largest competitors because of how they are fighting for the same relative market. But other competitors such as Microsoft and Apple are not as large of competitors because their software is compatible with Adobe and gives Adobe more revenue as long as a customer is using one of their computers.

## Company Analysis

Digital Media is Adobe's largest business segment, which focuses on services and solutions that enable the creation, publication, and promotion of content.

Digital Experience provides a cloud platform that allows businesses to better manage customer experience.

The Publishing and Advertising segment includes the company's diverse range of legacy products and services, such as web conferencing applications and eLearning solutions, on top of advertising and publishing offerings.

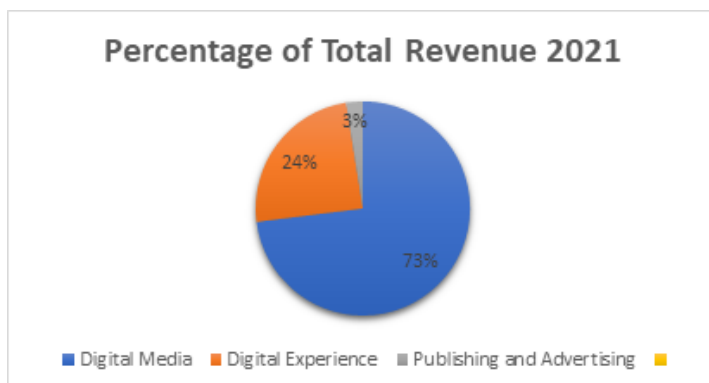
Over the years, the company has transitioned from on-premises software installation to a subscription-based model with their current major products being cloud computing offerings such as the Creative Cloud, which includes Adobe Photoshop and Adobe Illustrator, as well as the Document Cloud which contains Adobe Acrobat.

### Revenue Analysis

In 2020, Adobe's Digital Media revenue was \$9.23 billion, Digital Experience was \$3.13 billion, and publishing and advertising revenue was \$510 million.

Adobe's Digital Media is their biggest revenue product, which is their cloud service offering of their most popular products including Adobe Photoshop, Illustrator, Premiere Pro, etc.

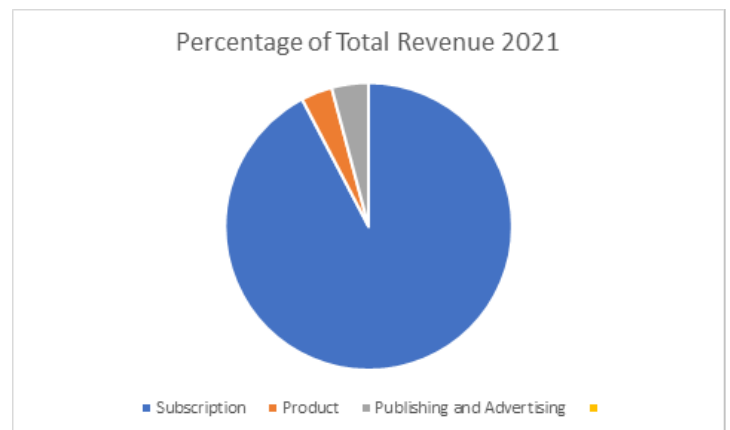
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As revenue has continued to grow for Adobe, they are seeing a larger increase in revenue from the Americas compared to the increase from EMEA and APAC.

Adobe seems to be focusing almost all their energy into digital media, which is their main revenue driver, as the annual global revenue for Digital experience has not increased much over the past several years, and their publishing and advertising segment decreased in revenue from \$630 million to \$510 million over the timespan of 2018-2020.

Adobe makes a lot of their consistent revenue from subscription payments, as most companies already have the product installed and simply pay Adobe to continue using their software. From Adobe's quarter ended Sept. 3, 2021, total revenue was \$3,935 million and subscription revenue was \$3,657 million, meaning that 93% of their total revenue was subscription revenue for the quarter<sup>4</sup>.



### Expense Analysis

The most important expense category for Adobe is sales and marketing expenditure. They have steadily been increasing this expense throughout the years and reached \$4.3 billion in 2021. In comparison, their R&D expense which has also been steadily increasing was \$2.54 Billion in 2021.

In Adobe's FY 2021 10-K Form, they state: "Cost of revenue of \$1.87 billion increased by \$143 million, or 8%, during fiscal 2021, from \$1.72 billion in fiscal 2020 primarily due to increases in hosting services and data center costs, partially offset by decreases in Advertising Cloud media costs".

"Operating expenses of \$8.12 billion increased by 1.21 billion, or 17%, during fiscal 2021, from 6.91 billion in fiscal 2020 primarily due to increases in base and incentive

compensation and related benefits costs, as well as increased marketing spend”<sup>5</sup>.

Adobe also states in their 10-K form that they “increasingly utilize the distribution platform of third parties like Apple’s App Store and Google’s Play store for the distribution of certain product offerings”. This is a money and time saving strategy by Adobe because it is easier and cheaper to utilize Apple and Google’s already popular app platforms than trying to create their own platform and then attempt to advertise and attract customers to it.

### Margin and Profit Analysis

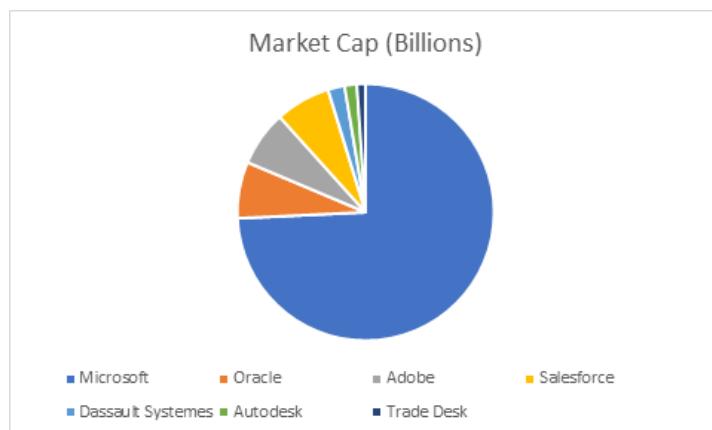
Adobe beat EPS estimates in all 4 quarters of 2021, although they barely beat EPS estimates in quarter 4, beating expectations by 0.04%. Adobe’s consistent ability to beat earnings indicates that their business model and finances are solid and should continue to do well in the upcoming years.

Adobe also beat revenue expectations in all 4 quarters of 2021, again barely beating revenue estimates in quarter 4 by 0.52%. Adobe has lowered guidance after a difficult 4th quarter in 2021. Adobe expects to earn \$3.35 per share on sales of \$4.23 billion, while analysts had initially predicted Adobe earnings of \$3.39 a share on sales of \$4.33 billion<sup>6</sup>.

### Competition

Adobe enjoys several competitive advantages. Its extensive customer base, its global brand and software’s ubiquity, and its dedicated employees are all factors contributing to the company’s success and economic moat<sup>7</sup>.

However, there are several other competitors in Adobe’s market space that are constantly fighting for a better grasp of the market and customers. Microsoft and Oracle have larger market caps than Adobe, while Salesforce is almost the exact same as Adobe. This indicates that this market segment is very competitive, and Microsoft is the only company that stands above the rest in terms of larger market cap.



As we compared and analyzed all these companies, we forecasted the estimated 2022 and 2023 EPS, P/E, and PEG ratios for each company based off expected forecasts for 2022-2023. The average 2022 and 2023 P/E ratio for all Adobe’s competitors was 44.09 and 38.25. While Adobe’s was 40.6 and 27.7, respectively.

The average PEG ratio for the competitors was 2.77 and 2.40, while Adobe’s was 2.1 and 1.7. Finally, the EPS forecasts indicated that Adobe will have by far the largest EPS in 2022 and 2023, compared to all their competitors, with a very conservative estimated 2022 EPS of \$11.49. Analysts have estimated their EPS for 2022 will be closer to \$12-\$13, but even with our conservative estimates, Adobe has the largest EPS out of all their major competitors.

While all these companies are not directly competing in the exact same product/service market, they are focused on getting and maintaining the largest market share they can before the technology sector eventually begins to slow down in growth. Although MSFT is the largest company by far, their growth is slowing down while ADBE seems set for consistent growth in the near future, considering their effective subscription revenue model and ability to retain subscribers.

### Capital Expenditures

Adobe's capital expenditures for fiscal years ending December 2017 to 2021 averaged \$321.4 million. The capital expenditures had been increasing from 2017 to 2019 and hit its peak at \$419 million in 2020. It slightly decreased in 2021 because of Covid-19. We estimate that the capital expenditures will begin to increase in the future based on our forecasted invested capital calculations<sup>8</sup>.

## Capital Structure

Long-term debt announced in Adobe's 10K footnote was \$4.123 billion. The company will generate sufficient operating cash flow to service upcoming debt maturities since the free cash flow in 2021 is \$6.882 billion, which is greater than the long-term debt of \$4.123 billion. Current debt rating is A+ without any recent change.

The largest portion of stock (35.94%) is held by institutions, with the Vanguard Group, Inc holding the largest portion (7.73%)<sup>9</sup>.

## Catalysts for Growth

For the Application Software Industry, some undiscussed factors that are important for the industry growth are hardware and application testing. Software cannot run itself without hardware, therefore, the more hardware sold, the more software demand is generated. Likewise, application testing is an important factor as well. Nowadays, most applications are being developed in labs without paying attention to the significance of testing their performance on real-time networks. This is something that can easily hamper the impact of application software performance. A poor performing software could dramatically affect the growth of an application software company<sup>10</sup>.

## Key Investment Positives & Negatives

**Positives:** Software has the most weight in the technology industry and it is an industry in the stable growth stage.

**Negatives:** The software industry is already relatively mature. IOS and Windows have taken a lot of the software market.

## Valuation Analysis

### Valuation Process

We reached a consensus of our target price of \$570-\$590 after a comprehensive analysis of Adobe financial statements along with an economic and industry analysis. We forecasted Adobe's financial statements for the next 8 years to 2030 and have constructed multiple models to determine the intrinsic value of Adobe's stock. Including a DCF model, fundamental P/E valuation model, relative valuation model, and an EP model.

## Discounted Cash Flow Model

Using our forecasted CV growth of NOPLAT, CV year ROIC, WACC and Cost of Equity, our DCF model gave us an intrinsic price of \$572.24 for Adobe's stock.

## EP Model

Using our forecasted economic profit for Adobe's next 9 years, we discounted it back to achieve the total present value of Adobe's EP, and then calculated the value of equity to determine the intrinsic value of Adobe's stock. We got an intrinsic price of \$572.24 for Adobe's stock which is the same intrinsic value we got from our DCF model calculation.

## Fundamental P/E Valuation Model

For our fundamental P/E valuation model, we used the forecasted EPS for Adobe's next 9 years, CV growth of EPS, CV year ROE, and our calculated cost of equity to determine Adobe's P/E multiple for 2030 (CV year). Then we multiplied that forecasted P/E multiple by the forecasted CV year EPS to get the future stock price for Adobe in 2030. Since Adobe doesn't pay dividends, we only discounted back the future stock price 8 years to get an intrinsic value of \$592.12 for Adobe's stock price.

## Relative Valuation Model

Using Adobe's competitors of Microsoft, Oracle, Salesforce, Dassault Systems, Autodesk, and Trade Desk, we calculated the estimated 2022-2023 EPS, P/E, and PEG for all the companies. Then using those averages, and Adobe's individual calculations, we estimated the implied relative value for Adobe's stock price based on each variable. We calculated an implied relative value of \$506-\$514 for P/E estimations and \$527-\$534 for PEG estimations.

## WACC

The weighted average cost of capital in our forecast was used by calculating a cost of Equity of 7.46%, a cost of debt of 3.56%. The market value weights were 97.99% for equity, and 2.01% for debt. Using these calculations, our estimated WACC for Adobe came out to 7.38%.

## Cost of Equity

To calculate our cost of equity, we used the 10-year treasury bond rate, average 2-year weekly beta, and an assumed equity risk premium based off previous analysis and

information provided by Adobe. By using the 2.50% risk free rate, 1.05 beta, and a 4.72% equity risk premium, we calculated a cost of equity of 7.46% for Adobe.

### Cost of Debt

Since we calculated the marginal tax rate as 29%, and the pretax of debt is 5%, we then get the cost of debt 3.56% from subtracting marginal tax rate 29% from 1 and times the pretax cost of debt.

price, but we didn't believe it made sense to make large unrealistic changes to Adobe's marginal tax rate, because it doesn't change very severely.

### Cost of Equity vs WACC

In this analysis, the estimated stock price changed for both variables but WACC had a larger impact. When Cost of Equity was increased or decreased by 1%, the stock price changed several dollars, however when WACC but increased or decreased by 0.10%, the stock price changed by \$10-\$20. This implies that WACC has a much stronger correlation to our calculated stock price which makes sense because it is incorporated into our DCF and EP valuation models when calculating for PV of free cash flow and PV of economic profit.

## Sensitivity Analysis

**We sensitivity tested our models. The results are shown on page 25 of the report.**

### Beta vs Equity Risk Premium

In our analysis, we found that decreasing the beta and decreasing the equity risk premium resulted in the highest implied stock prices, while increasing both resulting in the lowest stock prices. As we change the equity risk premium by 0.10%, the stock changes by about \$20. When we change the beta by 0.05, the stock price changes by about \$40.

### Normal Cash Estimate vs Depreciation Rate

This analysis was simply to determine if either of these accounting methods had any impact on the calculated stock price, and we discovered that normal cash estimate does, but depreciation rate did not have an impact. By changing the depreciation rate, there was no change to the stock price, but changing the normal cash estimate percentage of sales by 1% resulted in the stock price changing by several dollars. So our forecast is certainly not sensitive to either of these variables.

### Risk Free Rate vs Cost of Debt

For this analysis, we found that changing the cost of debt by 0.10% made a lot less of a difference in implied stock price than we expected, while changing the risk-free rate by 0.50% made a relatively significant change in the price. Changing the risk-free rate by 0.50% either up or down resulted in the price changing by around \$10. We believe this happens because the cost of equity is heavily influenced by the risk-free rate, and any change results in a different calculated WACC.

### Cost of Goods Sold vs WACC

We wanted to compare WACC to COGS in order to see if COGS made any major changes to the calculated stock price. To our surprise, COGS did not change the stock price whether we increased it by \$200 million or decreased it by \$200 million. The stock price was the same, however this sensitivity table again proved this sensitivity our price has to WACC. Because changing WACC by 1% resulted in major stock price changes, increasing or decreasing by % changed the stock price by up to \$4000 when going from 5.38% to 4.38%.

### Forecasted Marginal Tax Rate vs CV Growth of NOPLAT

We analyzed what effect either of these variables had on the estimated stock price and discovered that marginal tax rate did not have as large of an impact as we expected, while CV growth of NOPLAT did. This is likely because the CV growth of NOPLAT is critical to our DCF and EP valuation models, and any change in the expected NOPLAT completely changes the forecast for future stock prices. As for marginal tax rate, the changes we made may not have been large enough to make a significant impact on the stock



**Important Disclaimer**

This report was created by students enrolled in the Security Analysis (6F:112) class at the University of Iowa. The report was originally created to offer an internal investment recommendation for the University of Iowa Krause Fund and its advisory board. The report also provides potential employers and other interested parties an example of the students' skills, knowledge and abilities. Members of the Krause Fund are not registered investment advisors, brokers or officially licensed financial professionals. The investment advice contained in this report does not represent an offer or solicitation to buy or sell any of the securities mentioned. Unless otherwise noted, facts and figures included in this report are from publicly available sources. This report is not a complete compilation of data, and its accuracy is not guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Krause Fund may hold a financial interest in the companies mentioned in this report.

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**Adobe Inc.**

*Revenue Decomposition*

(dollars in millions)

<b>Fiscal Years Ending Dec. 31</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>2030E</b>
<b>Product</b>	\$647.80	\$507.00	\$555.00	\$535.11	\$517.27	\$594.87	\$602.00	\$680.26	\$686.45	\$748.23	\$808.09	\$840.41
Percentage of Total Revenue	5.80%	3.94%	3.52%	3.00%	2.50%	2.50%	2.20%	2.20%	2.00%	2.00%	2.00%	2.00%
Segment Growth	4.13%	-21.74%	9.47%	-3.58%	-3.33%	15.00%	1.20%	13.00%	0.91%	9.00%	8.00%	4.00%
<b>Subscription</b>	\$9,634.50	\$11,626.00	\$14,573.00	\$16,588.46	\$19,449.52	\$22,366.95	\$25,940.90	\$29,313.22	\$32,606.32	\$35,540.88	\$38,788.20	\$40,339.73
Percentage of Total Revenue	86.24%	90.35%	92.32%	93.00%	94.00%	94.00%	94.80%	94.80%	95.00%	95.00%	96.00%	96.00%
Segment Growth	21.61%	20.67%	25.35%	12.15%	14.71%	13.04%	13.78%	11.50%	10.10%	8.26%	8.37%	3.85%
<b>Services and Other</b>	\$889.00	\$735.00	\$657.00	\$713.48	\$724.18	\$832.81	\$820.91	\$927.63	\$1,029.67	\$1,122.34	\$808.09	\$840.41
Percentage of Total Revenue	7.96%	5.71%	4.16%	4.00%	3.50%	3.50%	3.00%	3.00%	3.00%	3.00%	2.00%	2.00%
Segment Growth	10.57%	-17.32%	-10.61%	8.60%	1.50%	15.00%	-1.43%	13.00%	11.00%	9.00%	-28.00%	4.00%
<b>Total Revenue</b>	<b>\$11,171.30</b>	<b>\$12,868.00</b>	<b>\$15,785.00</b>	<b>\$17,837.05</b>	<b>\$20,690.98</b>	<b>\$23,794.62</b>	<b>\$27,363.82</b>	<b>\$30,921.11</b>	<b>\$34,322.44</b>	<b>\$37,411.46</b>	<b>\$40,404.37</b>	<b>\$42,020.55</b>
<b>Total Revenue Growth</b>	<b>19.50%</b>	<b>15.19%</b>	<b>22.67%</b>	<b>13.00%</b>	<b>16.00%</b>	<b>15.00%</b>	<b>15.00%</b>	<b>13.00%</b>	<b>11.00%</b>	<b>9.00%</b>	<b>8.00%</b>	<b>4.00%</b>
<b>Digital Media</b>	\$7,707.00	\$9,233.00	\$11,520.00	\$13,021.05	\$15,725.14	\$18,083.91	\$20,796.50	\$23,500.05	\$26,085.05	\$28,432.71	\$30,707.32	\$31,935.62
Percentage of Total Revenue	68.99%	71.75%	72.98%	73.00%	76.00%	76.00%	76.00%	76.00%	76.00%	76.00%	76.00%	76.00%
Segment Growth	21.84%	19.80%	24.77%	13.03%	20.77%	15.00%	15.00%	13.00%	11.00%	9.00%	8.00%	4.00%
<b>Digital Experience</b>	\$2,795.00	\$3,125.00	\$3,867.00	\$4,280.89	\$4,552.02	\$5,234.82	\$6,020.04	\$6,802.65	\$7,550.94	\$8,230.52	\$8,888.96	\$9,244.52
Percentage of Total Revenue	25.02%	24.29%	24.50%	24.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%
Segment Growth	14.38%	11.81%	23.74%	10.70%	6.33%	15.00%	15.00%	13.00%	11.00%	9.00%	8.00%	4.00%
<b>Publishing and Advertising</b>	\$669.00	\$510.00	\$398.00	\$535.11	\$413.82	\$475.89	\$547.28	\$618.42	\$686.45	\$748.23	\$808.09	\$840.41
Percentage of Total Revenue	5.99%	3.96%	2.52%	3.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Segment Growth	156.32%	-23.77%	-21.96%	34.45%	-22.67%	15.00%	15.00%	13.00%	11.00%	9.00%	8.00%	4.00%
<b>Total Revenue</b>	<b>\$11,171.30</b>	<b>\$12,868.00</b>	<b>\$15,785.00</b>	<b>\$17,837.05</b>	<b>\$20,690.98</b>	<b>\$23,794.62</b>	<b>\$27,363.82</b>	<b>\$30,921.11</b>	<b>\$34,322.44</b>	<b>\$37,411.46</b>	<b>\$40,404.37</b>	<b>\$42,020.55</b>
<b>Americas</b>	\$6,506.00	\$7,454.00	\$8,996.00	\$10,167.12	\$11,586.95	\$13,324.99	\$15,323.74	\$17,315.82	\$19,220.56	\$20,950.42	\$22,626.45	\$23,531.51
Percentage of Total Revenue	58.24%	57.93%	56.99%	57.00%	56.00%	56.00%	56.00%	56.00%	56.00%	56.00%	56.00%	56.00%
Region Growth	27.15%	14.57%	20.69%	13.02%	13.96%	15.00%	15.00%	13.00%	11.00%	9.00%	8.00%	4.00%
<b>EMEA</b>	\$2,975.00	\$3,400.00	\$4,252.00	\$4,816.00	\$5,793.47	\$6,662.49	\$7,661.87	\$8,657.91	\$9,610.28	\$10,475.21	\$11,313.22	\$11,765.75
Percentage of Total Revenue	26.63%	26.42%	26.94%	27.00%	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%
Region Growth	16.67%	14.29%	25.06%	13.26%	20.30%	15.00%	15.00%	13.00%	11.00%	9.00%	8.00%	4.00%
<b>APAC</b>	\$1,690.00	\$2,014.00	\$2,537.00	\$2,853.93	\$3,310.56	\$3,807.14	\$4,378.21	\$4,947.38	\$5,491.59	\$5,985.83	\$6,464.70	\$6,723.29
Percentage of Total Revenue	15.13%	15.65%	16.07%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%
Region Growth	23.97%	19.17%	25.97%	12.49%	16.00%	15.00%	15.00%	13.00%	11.00%	9.00%	8.00%	4.00%
<b>Total Revenue</b>	<b>\$11,171.30</b>	<b>\$12,868.00</b>	<b>\$15,785.00</b>	<b>\$17,837.05</b>	<b>\$20,690.98</b>	<b>\$23,794.62</b>	<b>\$27,363.82</b>	<b>\$30,921.11</b>	<b>\$34,322.44</b>	<b>\$37,411.46</b>	<b>\$40,404.37</b>	<b>\$42,020.55</b>

Adobe Inc.  
Income Statement

Adobe Inc. (ADBE)

Fiscal Years Ending Dec. 31	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Total revenue</b>	\$11,171.30	\$12,868.00	\$15,785.00	\$17,837.05	\$20,690.98	\$23,794.62	\$27,363.82	\$30,921.11	\$34,322.44	\$37,411.46	\$40,404.37	\$42,020.55
<b>Products</b>	<b>\$10,282.30</b>	<b>\$12,133.00</b>	<b>\$15,128.00</b>	<b>\$17,123.57</b>	<b>\$19,966.79</b>	<b>\$22,961.81</b>	<b>\$26,542.90</b>	<b>\$29,993.48</b>	<b>\$33,292.76</b>	<b>\$36,289.11</b>	<b>\$39,596.29</b>	<b>\$41,180.14</b>
Subscription	\$9,634.50	\$11,626.00	\$14,573.00	\$16,588.46	\$19,449.52	\$22,366.95	\$25,940.90	\$29,313.22	\$32,606.32	\$35,540.88	\$38,788.20	\$40,339.73
Product excluding subscription	\$647.80	\$507.00	\$555.00	\$535.11	\$517.27	\$594.87	\$602.00	\$680.26	\$686.45	\$748.23	\$808.09	\$840.41
Services and support	\$889.00	\$735.00	\$657.00	\$713.48	\$724.18	\$832.81	\$820.91	\$927.63	\$1,029.67	\$1,122.34	\$808.09	\$840.41
<b>Total cost of revenue</b>	\$ (1,672.72)	\$ (1,722.00)	\$ (1,865.00)	\$ (2,439.57)	\$ (2,885.58)	\$ (3,306.09)	\$ (3,771.73)	\$ (4,208.33)	\$ (4,196.11)	\$ (4,187.79)	\$ (4,211.30)	\$ (4,169.44)
<b>Depreciation &amp; Amortization Expense</b>	<b>\$ 737.00</b>	<b>\$ 757.00</b>	<b>\$ 861.00</b>	<b>\$ 1,263.96</b>	<b>\$ 1,453.63</b>	<b>\$ 1,641.41</b>	<b>\$ 1,812.17</b>	<b>\$ 1,993.59</b>	<b>\$ 1,973.08</b>	<b>\$ 1,968.02</b>	<b>\$ 1,983.47</b>	<b>\$ 2,352.10</b>
Depreciation	\$ 334.00	\$ 390.00	\$ 507.00	\$ 379.58	\$ 562.30	\$ 646.68	\$ 730.22	\$ 806.19	\$ 886.90	\$ 877.77	\$ 875.52	\$ 882.39
Amortization of Intangibles	\$ 402.00	\$ 367.00	\$ 354.00	\$ 410.91	\$ 475.67	\$ 534.24	\$ 616.94	\$ 704.37	\$ 733.22	\$ 775.52	\$ 723.04	\$ 704.86
<b>Products</b>	<b>\$ (1,262.15)</b>	<b>\$ (1,144.00)</b>	<b>\$ (1,415.00)</b>	<b>\$ (1,703.50)</b>	<b>\$ (2,013.55)</b>	<b>\$ (2,302.91)</b>	<b>\$ (2,627.79)</b>	<b>\$ (2,944.44)</b>	<b>\$ (2,958.54)</b>	<b>\$ (2,966.37)</b>	<b>\$ (2,980.79)</b>	<b>\$ (2,929.51)</b>
Subscription	\$ (1,222.52)	\$ (1,108.00)	\$ (1,374.00)	\$ (1,458.53)	\$ (1,758.13)	\$ (2,060.87)	\$ (2,385.68)	\$ (2,701.55)	\$ (2,727.76)	\$ (2,736.69)	\$ (2,743.35)	\$ (2,679.31)
Product excluding subscription	\$ (39.63)	\$ (36.00)	\$ (41.00)	\$ (244.97)	\$ (255.42)	\$ (242.04)	\$ (242.11)	\$ (242.89)	\$ (230.78)	\$ (229.68)	\$ (237.43)	\$ (250.21)
Services and support	\$ (410.58)	\$ (578.00)	\$ (450.00)	\$ (736.07)	\$ (872.03)	\$ (1,003.17)	\$ (1,143.94)	\$ (1,263.89)	\$ (1,237.57)	\$ (1,221.42)	\$ (1,230.52)	\$ (1,239.93)
Gross profit	\$ 9,498.58	\$ 11,146.00	\$ 13,920.00	\$ 15,336.76	\$ 17,727.92	\$ 20,390.51	\$ 23,468.11	\$ 26,558.67	\$ 26,555.46	\$ 26,546.82	\$ 26,609.94	\$ 26,641.82
<b>Total operating expenses</b>	<b>\$ (6,230.46)</b>	<b>\$ (6,909.00)</b>	<b>\$ (8,118.00)</b>	<b>\$ (10,867.95)</b>	<b>\$ (12,580.24)</b>	<b>\$ (14,126.73)</b>	<b>\$ (15,816.73)</b>	<b>\$ (17,630.31)</b>	<b>\$ (17,523.14)</b>	<b>\$ (17,529.44)</b>	<b>\$ (17,630.32)</b>	<b>\$ (17,668.82)</b>
Research and development	\$ (1,930.23)	\$ (2,188.00)	\$ (2,540.00)	\$ (2,475.00)	\$ (2,803.00)	\$ (3,311.00)	\$ (4,724.68)	\$ (5,316.49)	\$ (5,332.66)	\$ (5,347.55)	\$ (5,373.64)	\$ (5,642.33)
Sales and marketing	\$ (3,244.35)	\$ (3,591.00)	\$ (4,321.00)	\$ (5,786.62)	\$ (6,671.36)	\$ (7,488.44)	\$ (8,382.63)	\$ (9,334.26)	\$ (9,258.78)	\$ (9,254.00)	\$ (9,312.52)	\$ (9,345.77)
<b>General and administrative</b>	<b>\$ (880.64)</b>	<b>\$ (968.00)</b>	<b>\$ (1,085.00)</b>	<b>\$ (1,723.81)</b>	<b>\$ (1,996.57)</b>	<b>\$ (2,204.92)</b>	<b>\$ (2,417.60)</b>	<b>\$ (2,661.09)</b>	<b>\$ (2,622.87)</b>	<b>\$ (2,620.60)</b>	<b>\$ (2,636.27)</b>	<b>\$ (2,656.15)</b>
General and administrative excluding restructuring and other charges / credits				\$ (2,025.05)	\$ (2,410.11)	\$ (2,715.57)	\$ (3,030.47)	\$ (3,423.36)	\$ (3,497.78)	\$ (3,497.78)	\$ (3,497.78)	\$ (3,497.78)
Restructuring and other charges / credits												
Amortization of purchased intangibles	\$ (175.24)	\$ (162.00)	\$ (172.00)									
Operating income	\$ 3,268.12	\$ 4,237.00	\$ 5,802.00	\$ 4,468.81	\$ 5,147.68	\$ 6,263.78	\$ 7,651.38	\$ 8,928.35	\$ 9,032.32	\$ 9,017.38	\$ 8,979.62	\$ 8,972.99
<b>Total non-operating income / expense, net</b>	<b>\$ (63.38)</b>	<b>\$ (61.00)</b>	<b>\$ (97.00)</b>									
<b>Interest and other income, net</b>	<b>\$ (114.96)</b>	<b>\$ (74.00)</b>	<b>\$ (113.00)</b>									
Interest expense	\$ (157.21)	\$ (116.00)	\$ (113.00)	\$ (205.15)	\$ (259.60)	\$ (294.24)	\$ (329.01)	\$ (366.55)	\$ (404.00)	\$ (404.02)	\$ (406.66)	\$ (406.03)
Interest and other income / expense, net excluding interest expense	\$ 42.26	\$ 42.00	\$ -	\$ 32.04	\$ 31.17	\$ 29.49	\$ 26.94	\$ 23.93	\$ 28.71	\$ 28.05	\$ 27.42	\$ 27.01
Investment gains / losses, net	\$ 51.58	\$ 13.00	\$ 16.00	\$ 20.95	\$ 25.38	\$ 18.83	\$ 20.29	\$ 21.36	\$ 21.47	\$ 20.49	\$ 20.90	\$ 21.06
Income before income taxes	\$ 3,204.74	\$ 4,176.00	\$ 5,705.00	\$ 6,969.10	\$ 8,110.74	\$ 9,667.89	\$ 11,547.09	\$ 13,290.80	\$ 16,799.30	\$ 19,882.02	\$ 22,774.05	\$ 24,351.73
Provision for income taxes	\$ (253.28)	\$ 1,084.00	\$ (883.00)	\$ (1,463.51)	\$ (1,703.25)	\$ (2,030.26)	\$ (2,424.89)	\$ (2,791.07)	\$ (3,527.85)	\$ (4,175.22)	\$ (4,782.55)	\$ (5,113.86)
Net income / loss	\$ 2,951.46	\$ 5,260.00	\$ 4,822.00	\$ 5,505.59	\$ 6,407.48	\$ 7,637.64	\$ 9,122.20	\$ 10,499.73	\$ 13,271.44	\$ 15,706.79	\$ 17,991.50	\$ 19,237.86
<b>Per share</b>												
Basic	\$ 6.07	\$ 10.94	\$ 10.11	\$ 11.49	\$ 13.43	\$ 16.12	\$ 19.39	\$ 22.48	\$ 28.63	\$ 34.16	\$ 39.47	\$ 42.56
<b>Weighted average shares</b>												
Basic	486.29	480.90	477.00	479.07	477.13	473.85	470.50	467.04	463.52	459.75	455.88	452.00

All figures in millions of U.S. Dollar except per share items.

Adobe Inc.  
Balance Sheet

Adobe Inc. (ADBE)

Fiscal Years Ending Dec. 31	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Total assets</b>	\$ 20,762.40	\$ 24,284.00	\$ 27,241.00	\$ 38,369.92	\$ 44,273.45	\$ 49,915.08	\$ 56,025.77	\$ 62,078.86	\$ 61,575.25	\$ 61,577.11	\$ 61,526.76	\$ 61,932.60
<b>Total current assets</b>	\$ 6,494.92	\$ 8,146.00	\$ 8,669.00	\$ 8,556.40	\$ 9,958.63	\$ 11,438.99	\$ 13,150.92	\$ 14,890.33	\$ 15,901.61	\$ 16,785.04	\$ 17,702.74	\$ 18,111.20
Cash and cash equivalents	\$ 2,650.22	\$ 4,478.00	\$ 3,844.00	\$ 3,091.16	\$ 3,585.75	\$ 4,123.61	\$ 4,742.15	\$ 5,358.63	\$ 5,948.08	\$ 6,483.41	\$ 7,002.08	\$ 7,282.16
Short-term investments	\$ 1,526.76	\$ 1,514.00	\$ 1,954.00	\$ 2,208.02	\$ 2,561.30	\$ 2,945.50	\$ 3,387.32	\$ 3,827.68	\$ 4,248.72	\$ 4,631.10	\$ 5,001.59	\$ 5,201.66
Trade receivables, net of allowances for doubtful accounts	\$ 1,534.81	\$ 1,398.00	\$ 1,878.00	\$ 2,471.76	\$ 2,863.96	\$ 3,270.95	\$ 3,747.27	\$ 4,224.55	\$ 4,207.02	\$ 4,111.93	\$ 4,087.97	\$ 4,071.95
Deferred income taxes												
Prepaid expenses and other current assets	\$ 783.14	\$ 756.00	\$ 993.00	\$ 785.45	\$ 947.63	\$ 1,098.93	\$ 1,274.18	\$ 1,479.47	\$ 1,497.79	\$ 1,558.60	\$ 1,611.10	\$ 1,555.44
Property and equipment, net	\$ 1,293.02	\$ 1,517.00	\$ 1,673.00	\$ 2,478.36	\$ 2,850.26	\$ 3,218.44	\$ 3,553.28	\$ 3,909.01	\$ 3,868.78	\$ 3,858.86	\$ 3,889.15	\$ 3,920.17
Goodwill	\$ 10,691.20	\$ 10,742.00	\$ 12,668.00	\$ 12,668.00	\$ 12,668.00	\$ 12,668.00	\$ 12,668.00	\$ 12,668.00	\$ 12,668.00	\$ 12,668.00	\$ 12,668.00	\$ 12,668.00
Purchased and other intangibles, net	\$ 1,720.56	\$ 1,359.00	\$ 1,820.00	\$ 2,162.70	\$ 2,503.52	\$ 2,811.81	\$ 3,247.04	\$ 3,707.23	\$ 3,859.07	\$ 4,081.66	\$ 3,805.47	\$ 3,709.78
Deferred income taxes	\$ 447.00	\$ 1,370.00	\$ 1,085.00	\$ 1,562.54	\$ 1,617.38	\$ 1,972.21	\$ 2,203.52	\$ 2,526.43	\$ 2,508.20	\$ 2,517.32	\$ 2,512.76	\$ 2,515.04
Investment in lease receivable												
Other assets	\$ 562.70	\$ 663.00	\$ 883.00	\$ 589.03	\$ 707.76	\$ 842.43	\$ 982.33	\$ 1,117.97	\$ 1,150.67	\$ 1,204.95	\$ 1,263.75	\$ 1,234.38
<b>Total liabilities and stockholders' equity</b>	\$ 20,762.40	\$ 24,284.00	\$ 27,241.00	\$ 38,369.92	\$ 44,273.45	\$ 49,915.08	\$ 56,025.77	\$ 62,078.86	\$ 61,575.25	\$ 61,577.11	\$ 61,526.76	\$ 61,932.60
<b>Total liabilities</b>	\$ 10,232.25	\$ 11,020.00	\$ 12,444.00	\$ 15,886.50	\$ 18,716.26	\$ 21,531.04	\$ 24,590.90	\$ 27,519.91	\$ 27,481.96	\$ 27,657.17	\$ 27,311.50	\$ 27,210.46
<b>Total current liabilities</b>	\$ 8,190.94	\$ 5,512.00	\$ 6,932.00	\$ 8,476.66	\$ 10,218.68	\$ 12,031.42	\$ 13,573.85	\$ 15,445.00	\$ 15,504.49	\$ 15,561.09	\$ 15,694.53	\$ 14,996.81
Trade payables	\$ 209.50	\$ 306.00	\$ 312.00	\$ 312.80	\$ 375.75	\$ 438.89	\$ 510.08	\$ 573.87	\$ 584.76	\$ 595.16	\$ 593.07	\$ 594.39
<b>Accrued expenses</b>	\$ 1,398.55	\$ 1,422.00	\$ 1,736.00	\$ 2,395.50	\$ 2,775.02	\$ 3,121.30	\$ 3,485.92	\$ 3,894.61	\$ 3,893.42	\$ 3,861.91	\$ 3,863.36	\$ 3,862.59
Accrued expenses, excluding restructuring												
Accrued restructuring												
Debt and capital lease obligations	\$ 3,149.34											
Deferred revenue	\$ 3,377.99	\$ 3,629.00	\$ 4,733.00	\$ 4,888.38	\$ 5,973.77	\$ 7,101.75	\$ 8,259.27	\$ 9,341.51	\$ 9,248.04	\$ 9,153.95	\$ 9,104.84	\$ 9,080.33
Income taxes payable	\$ 55.56	\$ 63.00	\$ 54.00	\$ (89.50)	\$ (104.16)	\$ (124.16)	\$ (148.29)	\$ (170.69)	\$ (215.75)	\$ (255.34)	\$ (292.48)	\$ (312.74)
Operating lease liabilities		\$ 92.00	\$ 97.00	\$ 601.79	\$ 645.93	\$ 772.81	\$ 871.49	\$ 994.52	\$ 1,098.51	\$ 1,200.33	\$ 1,294.76	\$ 1,347.38
<b>Long-term liabilities</b>	\$ 2,041.31	\$ 5,508.00	\$ 5,512.00	\$ 7,409.84	\$ 8,497.59	\$ 9,499.62	\$ 11,017.05	\$ 12,074.90	\$ 13,295.00	\$ 14,635.04	\$ 15,179.80	\$ 16,597.86
Debt	\$ 988.92	\$ 4,117.00	\$ 4,123.00	\$ 5,211.91	\$ 5,904.83	\$ 6,600.22	\$ 7,350.93	\$ 8,099.95	\$ 8,100.37	\$ 8,153.11	\$ 8,140.69	\$ 8,163.16
Deferred revenue	\$ 122.73	\$ 130.00	\$ 145.00	\$ 213.62	\$ 245.28	\$ 279.03	\$ 315.10	\$ 358.72	\$ 358.08	\$ 356.37	\$ 346.48	\$ 347.16
Income taxes payable	\$ 616.10	\$ 529.00	\$ 534.00	\$ 723.88	\$ 850.79	\$ 998.48	\$ 1,180.10	\$ 1,301.72	\$ 1,334.51	\$ 1,394.66	\$ 1,321.08	\$ 1,282.65
Deferred income taxes	\$ 140.50	\$ 10.00	\$ 5.00	\$ 665.28	\$ 724.34	\$ 695.88	\$ 654.41	\$ 679.19	\$ 632.14	\$ 576.80	\$ 619.04	\$ 642.05
Operating lease liabilities		\$ 499.00	\$ 453.00	\$ 601.79	\$ 645.93	\$ 772.81	\$ 871.49	\$ 994.52	\$ 989.65	\$ 992.09	\$ 990.87	\$ 991.48
<b>Other liabilities</b>	\$ 173.06	\$ 223.00	\$ 252.00	\$ 298.98	\$ 352.20	\$ 404.89	\$ 460.10	\$ 514.73	\$ 514.75	\$ 513.21	\$ 514.19	\$ 517.71
Accrued restructuring												
Other liabilities excluding accrued restructuring												
<b>Total stockholders' equity</b>	\$ 10,530.16	\$ 13,264.00	\$ 14,797.00	\$ 17,259.22	\$ 19,721.44	\$ 22,183.67	\$ 24,645.89	\$ 27,108.11	\$ 29,570.33	\$ 32,032.56	\$ 34,494.78	\$ 36,957.00
Additional paid-in-capital	\$ 6,504.80	\$ 7,357.00	\$ 8,428.00	\$ 12,648.45	\$ 14,711.69	\$ 16,619.56	\$ 18,530.58	\$ 20,335.12	\$ 22,122.78	\$ 23,921.20	\$ 25,961.12	\$ 27,252.76
Retained earnings	\$ 14,828.56	\$ 19,611.00	\$ 23,905.00	\$ 27,531.39	\$ 31,661.10	\$ 36,410.26	\$ 41,871.80	\$ 48,152.57	\$ 55,375.46	\$ 63,681.77	\$ 73,234.04	\$ 84,219.15
Accumulated other comprehensive income / loss	\$ (188.03)	\$ (158.00)	\$ (137.00)	\$ (137.00)	\$ (137.00)	\$ (137.00)	\$ (137.00)	\$ (137.00)	\$ (137.00)	\$ (137.00)	\$ (137.00)	\$ (137.00)
Treasury stock, at cost	\$ (10,615.23)	\$ (13,546.00)	\$ (17,399.00)	\$ (18,894.03)	\$ (20,528.99)	\$ (22,293.41)	\$ (24,231.91)	\$ (26,385.65)	\$ (28,737.00)	\$ (31,440.77)	\$ (34,426.12)	\$ (37,645.62)

All figures in millions of U.S. Dollar.

Fiscal Years Ending Dec. 31	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Operating Activities</b>											
Net Income / Starting Line											
<b>Depreciation, Depletion &amp; Amortization</b>	832.78	289.99	268.40	629.55	1168.78	1693.95	2590.77	2951.46	5260.00	4822.00	
Depreciation and Depletion	<b>299.77</b>	<b>321.23</b>	<b>313.59</b>	<b>339.47</b>	<b>331.54</b>	<b>326.00</b>	<b>346.49</b>	<b>736.67</b>	<b>757.00</b>	<b>861.00</b>	
Amortization of Intangible Assets	153.57	164.33	160.89	164.97	179.14	172.40	163.89	334.37	390.00	507.00	
<b>Deferred Taxes &amp; Investment Tax Credit</b>	146.20	156.90	152.70	174.50	152.40	153.60	182.60	402.30	367.00	354.00	
Deferred Taxes	<b>89.21</b>	<b>29.70</b>	<b>(26.09)</b>	<b>(69.66)</b>	<b>24.22</b>	<b>51.61</b>	<b>(468.94)</b>	<b>2.71</b>	<b>(1501.00)</b>	<b>183.00</b>	
Investment Tax Credit	89.21	29.70	(26.09)	(69.66)	24.22	51.61	(468.94)	2.71	(1501.00)	183.00	
Interest paid on Lease Liabilities - Operating											
<b>Other Funds</b>											
Funds from Operations	267.42	348.13	335.51	306.43	355.08	450.58	617.55	753.91	1025.00	1072.00	
Extraordinaries	1489.17	989.04	891.40	1205.80	1879.62	2522.14	3085.88	4444.75	5541.00	6938.00	
<b>Changes in Working Capital</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Receivables	<b>10.41</b>	<b>162.64</b>	<b>396.08</b>	<b>263.71</b>	<b>320.11</b>	<b>390.72</b>	<b>943.43</b>	<b>(22.94)</b>	<b>186.00</b>	<b>292.00</b>	
Inventories	45.17	33.65	7.93	(79.50)	(160.42)	(187.17)	(1.98)	(187.83)	106.00	(430.00)	
Accounts Payable											
Income Taxes Payable	(62.87)	7.13	6.21	22.87	(6.28)	(45.19)	54.92	23.13	96.00	(20.00)	
Other Accruals	10.04	(58.88)	11.01	29.80	(31.99)	(34.49)	479.18	4.15	(72.00)	2.00	
Other Assets/Liabilities	(7.77)	41.83	37.54	(5.94)	64.98	154.13	43.84	171.71	86.00	162.00	
Net Operating Cash Flow	25.85	138.91	333.39	296.48	453.82	503.44	367.47	(34.10)	(30.00)	578.00	
<b>Investing Activities</b>	1499.58	1151.69	1287.48	1469.50	2199.73	2912.85	4029.30	4421.81	5727.00	7230.00	
<b>Capital Expenditures</b>											
Capital Expenditures (Fixed Assets)	<b>(300.78)</b>	<b>(256.10)</b>	<b>(165.90)</b>	<b>(207.72)</b>	<b>(262.24)</b>	<b>(208.04)</b>	<b>(285.09)</b>	<b>(443.21)</b>	<b>(434.00)</b>	<b>(390.00)</b>	
Capital Expenditures (Other Assets)	(271.08)	(188.36)	(148.33)	(184.94)	(203.81)	(178.12)	(266.58)	(394.48)	(419.00)	(348.00)	
Net Assets from Acquisitions	(29.70)	(67.74)	(17.57)	(22.78)	(58.43)	(29.92)	(18.51)	(48.74)	(15.00)	(42.00)	
Sale of Fixed Assets & Businesses	(353.20)	(704.59)	(29.80)	(826.00)	(48.43)	(459.63)	(6314.38)	(100.70)	0.00	(2682.00)	
<b>Purchase/Sale of Investments</b>	0.00	24.26	0.00	57.78	0.00	0.00	0.00	0.00	0.00	0.00	
Purchase of Investments	<b>(180.69)</b>	<b>(241.38)</b>	<b>(295.00)</b>	<b>(512.42)</b>	<b>(649.37)</b>	<b>224.79</b>	<b>1914.18</b>	<b>85.78</b>	<b>11.00</b>	<b>(465.00)</b>	
Sale/Maturity of Investments	1776.49	2058.06	2014.19	2064.83	2285.22	1931.01	566.08	699.89	1071.00	1533.00	
<b>Other Funds</b>	1595.80	1816.68	1719.19	1552.42	1635.85	2155.80	2480.26	785.68	1082.00	1068.00	
Other Uses	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2.55</b>	<b>9.00</b>	<b>0.00</b>	
Other Sources	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Net Investing Cash Flow	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.55	9.00	0.00	
<b>Financing Activities</b>	(834.66)	(1177.80)	(490.71)	(1488.36)	(960.03)	(442.88)	(4685.30)	(455.58)	(414.00)	(3537.00)	
<b>Cash Dividends Paid</b>											
Common Dividends	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	
Preferred Dividends	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
<b>Change in Capital Stock</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Repurchase of Common & Preferred Stk.	<b>(235.73)</b>	<b>(599.22)</b>	<b>(545.83)</b>	<b>(647.10)</b>	<b>(1165.70)</b>	<b>(941.65)</b>	<b>(1859.01)</b>	<b>(2517.07)</b>	<b>(2780.00)</b>	<b>(3659.00)</b>	
<b>Sale of Common &amp; Preferred Stock</b>	405.00	(1100.00)	(600.00)	(625.00)	(1075.00)	(1100.00)	(2050.00)	(2750.00)	(3050.00)	(3950.00)	
Proceeds from Sale of Stock	<b>169.27</b>	<b>500.78</b>	<b>54.17</b>	<b>(22.10)</b>	<b>(90.70)</b>	<b>158.35</b>	<b>190.99</b>	<b>232.93</b>	<b>270.00</b>	<b>291.00</b>	
Proceeds from Stock Options	169.27	500.78	54.17	(22.10)	(90.70)	158.35	190.99	232.93	270.00	291.00	
<b>Issuance/Reduction of Debt, Net</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Change in Current Debt	<b>(9.00)</b>	<b>(0.53)</b>	<b>(14.68)</b>	<b>378.26</b>	<b>(0.11)</b>	<b>(1.96)</b>	<b>2246.64</b>	<b>0.00</b>	<b>(6.00)</b>	<b>0.00</b>	
<b>Change in Long-Term Debt</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Issuance of Long-Term Debt	<b>(9.00)</b>	<b>(0.53)</b>	<b>(14.68)</b>	<b>378.26</b>	<b>(0.11)</b>	<b>(1.96)</b>	<b>2246.64</b>	<b>0.00</b>	<b>(6.00)</b>	<b>0.00</b>	
Reduction in Long-Term Debt	0.86	25.35	0.00	980.45	0.00	0.00	2248.34	0.00	3144.00	0.00	
Change in Other Debt	(9.86)	(25.88)	(14.68)	(602.19)	(0.11)	(1.96)	(1.71)	0.00	(3150.00)	0.00	
Repayments of Operating Lease Liabilities											
Interest paid on Lease Liabilities - Financing											
<b>Other Funds</b>											
Other Uses	<b>10.00</b>	<b>40.62</b>	<b>53.24</b>	<b>68.15</b>	<b>75.11</b>	<b>(240.13)</b>	<b>(393.19)</b>	<b>(428.98)</b>	<b>(702.00)</b>	<b>(642.00)</b>	
Other Sources	0.00	0.00	0.00	0.00	0.00	(240.13)	(393.19)	(439.98)	(702.00)	(719.00)	
Net Financing Cash Flow	10.00	40.62	53.24	68.15	75.11	0.00	0.00	11.01	0.00	77.00	
<b>All Activities</b>	(234.72)	(559.14)	(507.28)	(200.69)	(1090.71)	(1183.74)	(5.57)	(2946.04)	(3488.00)	(4301.00)	
Exchange Rate Effect											
Miscellaneous Funds	5.36	(5.24)	(6.65)	(21.30)	(14.23)	8.52	(1.74)	(12.74)	3.00	(26.00)	
Net Change in Cash	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
<b>Free Cash Flow</b>	435.55	(590.50)	282.84	(240.84)	134.76	1294.76	(663.30)	1007.45	1828.00	(634.00)	
Free Cash Flow per Share	<b>1228.50</b>	<b>963.33</b>	<b>1139.15</b>	<b>1284.57</b>	<b>1995.92</b>	<b>2734.73</b>	<b>3762.73</b>	<b>4027.33</b>	<b>5308.00</b>	<b>6882.00</b>	
Free Cash Flow Yield (%)	2.44	1.88	2.24	2.53	3.96	5.46	7.56	8.19	10.93	14.31	
All figures in millions of U.S. Dollar except per share items.	7.06	3.30	3.04	2.75	3.97	3.04	3.01	2.65	2.29	2.32	

Adobe Inc.

Forecasted Cash Flow Statement

Adobe Inc. (ADBE)

Fiscal Years Ending Dec. 31	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Net Income	\$ 17,837.05	\$ 20,690.98	\$ 23,794.62	\$ 27,363.82	\$ 30,921.11	\$ 34,322.44	\$ 37,411.46	\$ 40,404.37	\$ 42,020.55
Adjustments to reconcile net income to net cash provided by operating activities:									
Depreciation and amortization	\$ 402.96	\$ 189.67	\$ 187.77	\$ 170.77	\$ 181.42	\$ (20.51)	\$ (5.06)	\$ 15.45	\$ 368.64
Allowance for doubtful accounts	\$ 27.68	\$ 32.08	\$ 36.63	\$ 41.97	\$ 47.31	\$ 47.12	\$ 46.05	\$ 45.79	\$ 45.61
Changes (increases or decreases) in working capital accounts:									
Increase in receivables	\$ 2,471.76	\$ 2,863.96	\$ 3,270.95	\$ 3,747.27	\$ 4,224.55	\$ 4,207.02	\$ 4,111.93	\$ 4,087.97	\$ 4,071.95
Increase in prepaid expenses and other current assets	\$ (207.55)	\$ 162.17	\$ 151.31	\$ 175.25	\$ 205.30	\$ 18.31	\$ 60.82	\$ 52.50	\$ (55.66)
Increase in accounts payable	\$ (0.80)	\$ (62.95)	\$ (63.14)	\$ (71.19)	\$ (63.79)	\$ (10.90)	\$ (10.39)	\$ 2.09	\$ (1.32)
Increase in accrued compensation and other liabilities	\$ 659.50	\$ 379.51	\$ 346.29	\$ 364.61	\$ 408.69	\$ (1.19)	\$ (31.51)	\$ 1.45	\$ (0.77)
Increase in income taxes payable	\$ 189.88	\$ 126.92	\$ 147.69	\$ 181.63	\$ 121.61	\$ 32.79	\$ 60.15	\$ (73.58)	\$ (38.42)
Increase in deferred revenue	\$ 155.38	\$ 1,085.39	\$ 1,127.98	\$ 1,157.52	\$ 1,082.24	\$ (93.46)	\$ (94.09)	\$ (49.11)	\$ (24.51)
Increase (decrease) in deferred taxes	\$ 660.28	\$ 59.06	\$ (28.46)	\$ (41.46)	\$ 24.77	\$ (47.04)	\$ (55.34)	\$ 42.23	\$ 23.02
Increase (decrease) in other non-current liabilities	\$ 46.98	\$ 53.22	\$ 52.69	\$ 55.21	\$ 54.63	\$ 0.03	\$ (1.54)	\$ 0.98	\$ 3.52
Net cash provided by operating activities	\$ 22,243.13	\$ 25,580.00	\$ 29,024.34	\$ 33,145.39	\$ 37,207.85	\$ 38,454.60	\$ 41,492.47	\$ 44,530.12	\$ 46,412.59
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
(Increase) decrease in short-term investments	\$ (254.02)	\$ (353.28)	\$ (384.20)	\$ (441.82)	\$ (440.35)	\$ (421.04)	\$ (382.38)	\$ (370.49)	\$ (200.06)
Capital expenditures	\$ (352.07)	\$ (388.08)	\$ (422.40)	\$ (412.00)	\$ (390.00)	\$ (397.80)	\$ (405.76)	\$ (413.87)	\$ (422.15)
Capitalization of intangible assets	\$ 342.70	\$ 340.82	\$ 308.29	\$ 435.23	\$ 460.18	\$ 151.85	\$ 222.59	\$ (276.19)	\$ (95.69)
(Increase) decrease in other assets	\$ (293.97)	\$ 118.72	\$ 134.68	\$ 139.90	\$ 135.65	\$ 32.70	\$ 54.28	\$ 58.80	\$ (29.37)
Net cash used for investing activities	\$ (557.35)	\$ (281.82)	\$ (363.64)	\$ (278.69)	\$ (234.52)	\$ (634.30)	\$ (511.28)	\$ (1,001.75)	\$ (747.28)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Payments of notes payable & long-term debt	\$ (312.80)	\$ (375.75)	\$ (438.89)	\$ (510.08)	\$ (573.87)	\$ (584.76)	\$ (595.16)	\$ (593.07)	\$ (594.39)
Proceeds from issuance of common stock	\$ 2,462.22	\$ 2,462.22	\$ 2,462.22	\$ 2,462.22	\$ 2,462.22	\$ 2,462.22	\$ 2,462.22	\$ 2,462.22	\$ 2,462.22
Repurchases of common stock	\$ (1,495.03)	\$ (1,634.95)	\$ (1,764.42)	\$ (1,938.50)	\$ (2,153.74)	\$ (2,351.35)	\$ (2,703.77)	\$ (2,985.36)	\$ (3,219.50)
Net cash provided by financing activities	\$ 654.39	\$ 451.51	\$ 258.91	\$ 13.63	\$ (265.38)	\$ (473.89)	\$ (836.71)	\$ (1,116.20)	\$ (1,351.66)
<b>NET INCREASE (DECREASE) IN CASH</b>	\$ 22,340.16	\$ 25,749.70	\$ 28,919.61	\$ 32,880.33	\$ 36,707.94	\$ 37,346.42	\$ 40,144.48	\$ 42,412.17	\$ 44,313.65
<b>CASH, BEGINNING OF YEAR</b>	\$ 3,844.00	\$ 3,091.16	\$ 3,585.75	\$ 4,123.61	\$ 4,742.15	\$ 5,358.63	\$ 5,948.08	\$ 6,483.41	\$ 7,002.08
<b>CASH, END OF YEAR</b>	\$ 26,184.16	\$ 28,840.86	\$ 32,505.36	\$ 37,003.94	\$ 41,450.09	\$ 42,705.04	\$ 46,092.56	\$ 48,895.58	\$ 51,315.73

Adobe Inc.  
Common Size Income Statement

Adobe Inc. (ADBE)

Fiscal Years Ending Dec. 31	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Total revenue</b>												
<b>Products</b>	92.04%	94.29%	95.84%	108.48%	126.49%	145.47%	168.15%	190.01%	210.91%	229.90%	250.85%	260.88%
Subscription	86.24%	90.35%	92.32%	105.09%	123.22%	141.70%	164.34%	185.70%	206.57%	225.16%	245.73%	255.56%
Product excluding subscription	5.80%	3.94%	3.52%	3.39%	3.28%	3.77%	3.81%	4.31%	4.35%	4.74%	5.12%	5.32%
Services and support	7.96%	5.71%	4.16%	4.52%	4.59%	5.28%	5.20%	5.88%	6.52%	7.11%	5.12%	5.32%
<b>Total cost of revenue</b>	-14.97%	-13.38%	-11.82%	-13.68%	-13.95%	-13.89%	-13.78%	-13.61%	-13.57%	-13.54%	-13.62%	-13.48%
<b>Products</b>	-11.30%	-8.89%	-8.96%	-9.55%	-9.73%	-9.68%	-9.60%	-9.52%	-9.57%	-9.59%	-9.64%	-9.47%
Subscription	-10.94%	-8.61%	-8.70%	-8.18%	-8.50%	-8.66%	-8.72%	-8.74%	-8.82%	-8.85%	-8.87%	-8.66%
Product excluding subscription	-0.35%	-0.28%	-0.26%	-1.37%	-1.23%	-1.02%	-0.88%	-0.79%	-0.75%	-0.74%	-0.77%	-0.81%
Services and support	-3.68%	-4.49%	-2.85%	-4.13%	-4.21%	-4.22%	-4.18%	-4.09%	-4.00%	-3.95%	-3.98%	-4.01%
Gross profit	85.03%	86.62%	88.18%	85.98%	85.68%	85.69%	85.76%	85.89%	85.88%	85.85%	86.06%	86.16%
<b>Total operating expenses</b>	-55.77%	-53.69%	-51.43%	-60.93%	-60.80%	-59.37%	-57.80%	-57.02%	-56.67%	-56.69%	-57.02%	-57.14%
Research and development	-17.28%	-17.00%	-16.09%	-15.68%	-17.76%	-20.98%	-17.27%	-17.19%	-17.25%	-17.29%	-17.38%	-17.39%
Sales and marketing	-29.04%	-27.91%	-27.37%	-32.44%	-32.24%	-31.47%	-30.63%	-30.19%	-29.94%	-29.93%	-30.12%	-30.22%
<b>General and administrative</b>	-7.88%	-7.52%	-6.87%	-9.66%	-9.65%	-9.27%	-8.84%	-8.61%	-8.48%	-8.48%	-8.53%	-8.59%
General and administrative excluding restructuring and other charges / credits				-11.35%	-11.65%	-11.41%	-11.07%	-11.07%	-11.31%	-11.31%	-11.31%	-11.31%
Restructuring and other charges / credits				-0.21%	-0.27%	-0.19%	-0.14%	-0.16%	-0.20%	-0.20%	-0.20%	-0.20%
Amortization of purchased intangibles	-1.57%	-1.26%	-1.09%	-1.24%	-1.25%	-1.25%	-1.24%	-1.23%	-1.21%	-1.23%	-1.26%	-1.23%
Operating income	29.25%	32.93%	36.76%	25.05%	24.88%	26.32%	27.96%	28.87%	29.21%	29.16%	29.04%	29.02%
<b>Total non-operating income / expense, net</b>	-0.57%	-0.47%	-0.61%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Interest and other income, net</b>	-1.03%	-0.58%	-0.72%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest expense	-1.41%	-0.90%	-0.72%	-1.30%	-1.64%	-1.86%	-2.08%	-2.32%	-2.56%	-2.56%	-2.58%	-2.57%
Interest and other income / expense, net excluding interest expense	0.38%	0.33%	0.00%	0.20%	0.20%	0.19%	0.17%	0.15%	0.18%	0.18%	0.17%	0.17%
Investment gains / losses, net	0.46%	0.10%	0.10%	0.13%	0.16%	0.12%	0.13%	0.14%	0.14%	0.13%	0.13%	0.13%
Income before income taxes	28.69%	32.45%	36.14%	44.15%	51.38%	61.25%	73.15%	84.20%	106.43%	125.96%	144.28%	154.27%
Provision for income taxes	-2.27%	8.42%	-5.59%	-9.27%	-10.79%	-12.86%	-15.36%	-17.68%	-22.35%	-26.45%	-30.30%	-32.40%
Net income / loss	26.42%	40.88%	30.55%	34.88%	40.59%	48.39%	57.79%	66.52%	84.08%	99.50%	113.98%	121.87%
<b>Per share</b>												
Basic	0.05%	0.09%	0.06%	0.07%	0.09%	0.10%	0.12%	0.14%	0.18%	0.22%	0.25%	0.27%
<b>Weighted average shares</b>												
Basic	4.35%	3.74%	3.02%	3.03%	3.02%	3.00%	2.98%	2.96%	2.94%	2.91%	2.89%	2.86%



Adobe Inc.  
Common Size Balance Sheet

Adobe Inc. (ADBE)

Fiscal Years Ending Dec. 31	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Total assets</b>	185.85%	188.72%	172.58%	215.11%	213.97%	209.77%	204.74%	200.77%	179.40%	164.59%	152.28%	147.39%
<b>Total current assets</b>	58.14%	63.30%	54.92%	47.97%	48.13%	48.07%	48.06%	48.16%	46.33%	44.87%	43.81%	43.10%
Cash and cash equivalents	23.72%	34.80%	24.35%	17.33%	17.33%	17.33%	17.33%	17.33%	17.33%	17.33%	17.33%	17.33%
Short-term investments	13.67%	11.77%	12.38%	12.38%	12.38%	12.38%	12.38%	12.38%	12.38%	12.38%	12.38%	12.38%
Trade receivables, net of allowances for doubtful accounts	13.74%	10.86%	11.90%	13.86%	13.84%	13.75%	13.69%	13.66%	13.61%	13.30%	13.22%	13.17%
Deferred income taxes												
Prepaid expenses and other current assets	7.01%	5.88%	6.29%	4.40%	4.58%	4.62%	4.66%	4.78%	4.84%	5.04%	5.21%	5.03%
Property and equipment, net	11.57%	11.79%	10.60%	13.89%	13.78%	13.53%	12.99%	12.64%	12.51%	12.48%	12.58%	12.68%
Goodwill	95.70%	83.48%	80.25%	98.20%	98.64%	96.73%	95.02%	93.33%	93.43%	94.80%	92.96%	92.68%
Purchased and other intangibles, net	15.40%	10.56%	11.53%	12.12%	12.10%	11.82%	11.87%	11.99%	12.48%	13.20%	12.31%	12.00%
Deferred income taxes		10.65%	6.87%	8.76%	7.82%	8.29%	8.05%	8.17%	8.11%	8.14%	8.13%	8.13%
Investment in lease receivable												
Other assets	5.04%	5.15%	5.59%	3.30%	3.42%	3.54%	3.59%	3.62%	3.72%	3.90%	4.09%	3.99%
<b>Total liabilities and stockholders' equity</b>	185.85%	188.72%	172.58%	215.11%	213.97%	209.77%	204.74%	200.77%	199.14%	199.14%	198.98%	200.29%
<b>Total liabilities</b>	91.59%	85.64%	78.83%	89.06%	90.46%	90.49%	89.87%	89.00%	88.88%	89.44%	88.33%	88.00%
<b>Total current liabilities</b>	73.32%	42.83%	43.92%	47.52%	49.39%	50.56%	49.61%	49.95%	50.14%	50.33%	50.76%	48.50%
Trade payables	1.88%	2.38%	1.98%	1.75%	1.82%	1.84%	1.86%	1.86%	1.89%	1.92%	1.92%	1.92%
<b>Accrued expenses</b>	12.52%	11.05%	11.00%	13.43%	13.41%	13.12%	12.74%	12.60%	12.59%	12.49%	12.49%	12.49%
Accrued expenses, excluding restructuring												
Accrued restructuring												
Debt and capital lease obligations	28.19%											
Deferred revenue	30.24%	28.20%	29.98%	27.41%	28.87%	29.85%	30.18%	30.21%	29.91%	29.60%	29.45%	29.37%
Income taxes payable	0.50%	0.49%	0.34%	-0.50%	-0.50%	-0.52%	-0.54%	-0.55%	-0.63%	-0.68%	-0.72%	-0.74%
Operating lease liabilities		0.71%	0.61%	0.66%	0.64%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%
<b>Long-term liabilities</b>	18.27%	42.80%	34.92%	41.54%	41.07%	39.92%	40.26%	39.05%	38.74%	39.12%	37.57%	39.50%
Debt	8.85%	31.99%	26.12%	29.22%	28.54%	27.74%	26.86%	26.20%	23.60%	21.79%	20.15%	19.43%
Deferred revenue	1.10%	1.01%	0.92%	1.20%	1.19%	1.17%	1.15%	1.16%	1.16%	1.15%	1.12%	1.12%
Income taxes payable	5.52%	4.11%	3.38%	4.06%	4.11%	4.20%	4.31%	4.21%	4.32%	4.51%	4.27%	4.15%
Deferred income taxes	1.26%	0.08%	0.03%	3.73%	3.50%	2.92%	2.39%	2.20%	2.04%	1.87%	2.00%	2.08%
Operating lease liabilities		3.88%	2.87%	3.37%	3.12%	3.25%	3.18%	3.22%	3.20%	3.21%	3.20%	3.21%
<b>Other liabilities</b>	1.55%	1.73%	1.60%	1.68%	1.70%	1.70%	1.68%	1.66%	1.66%	1.66%	1.66%	1.67%
Accrued restructuring												
Other liabilities excluding accrued restructuring												
<b>Total stockholders' equity</b>	94.26%	103.08%	93.74%	96.76%	95.31%	93.23%	90.07%	87.67%	86.15%	85.62%	85.37%	87.95%
Additional paid-in-capital	58.23%	57.17%	53.39%	70.91%	71.10%	69.85%	67.72%	65.76%	64.46%	63.94%	64.25%	64.86%
Retained earnings	132.74%	152.40%	151.44%	1.5434945	1.5301885	1.5301885	1.5301885	1.5572715	1.6133894	1.7021998	1.8125276	2.0042372
Accumulated other comprehensive income / loss	-1.68%	-1.23%	-0.87%	-0.87%	-0.87%	-0.87%	-0.87%	-0.87%	-0.87%	-0.87%	-0.87%	-0.87%
Treasury stock, at cost	-95.02%	-105.27%	-110.22%	-105.93%	-99.22%	-93.69%	-88.55%	-85.33%	-83.73%	-84.04%	-85.20%	-89.59%

All figures in millions of U.S. Dollar.

Adobe Inc.  
Value Driver Estimation

Fiscal Years Ending Dec. 31	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>NOPLAT:</b>												
Sales	11171.30	12868.00	15785.00	17837.05	20690.98	23794.62	27363.82	30921.11	34322.44	37411.46	40404.37	42020.55
COGS	-1672.72	-1722.00	-1865.00	-2439.57	-2885.58	-3306.09	-3771.73	-4208.33	-4196.11	-4187.79	-4211.30	-4169.44
D&A	-3671.87	-3623.00	-4141.00	-5407.03	-6352.76	-7250.40	-8211.69	-9146.36	-9127.74	-9122.18	-9175.56	-9451.06
SGA	-880.64	-968.00	-1085.00	-1723.81	-1996.57	-2204.92	-2417.60	-2661.09	-2622.87	-2620.60	-2636.27	-2656.15
R&D	-1930.23	-2188.00	-2540.00	-2475.00	-2803.00	-3311.00	-4724.68	-5316.49	-5332.66	-5347.55	-5373.64	-5642.33
Implied Int Expense	27.54	28.87	26.25	30.09	32.30	38.64	43.57	49.73	54.93	60.02	64.74	67.37
<b>EBITA</b>	<b>3043.39</b>	<b>4395.87</b>	<b>6180.25</b>	<b>5821.74</b>	<b>6685.36</b>	<b>7760.85</b>	<b>8281.69</b>	<b>9638.56</b>	<b>13097.99</b>	<b>16193.36</b>	<b>19072.34</b>	<b>20168.95</b>
Provision for Income Tax	253.28	-1084.00	883.00	1463.51	1703.25	2030.26	2424.89	2791.07	3527.85	4175.22	4782.55	5113.86
Plus Tax on Lease Interest	7.92	8.97	8.69	9.96	10.69	12.79	14.43	16.46	18.19	19.87	21.43	22.31
Plus Tax on Interests Exp	45.21	33.36	32.50	59.00	74.66	84.62	94.62	105.42	116.19	116.20	116.95	116.78
Plus Tax on Int Income	42.26	42.00	0.00	32.04	31.17	29.49	26.94	23.93	28.71	28.05	27.42	27.01
Minus Tax on Gains	14.83	3.74	4.60	6.02	7.30	5.42	5.84	6.14	6.17	5.89	6.01	6.06
<b>Adjusted Taxes:</b>	<b>363.51</b>	<b>-995.93</b>	<b>928.79</b>	<b>1570.54</b>	<b>1827.07</b>	<b>2162.58</b>	<b>2566.71</b>	<b>2943.02</b>	<b>3697.11</b>	<b>4345.23</b>	<b>4954.37</b>	<b>5286.01</b>
<b>Change in Deferred Taxes</b>	<b>93.80</b>	<b>-130.50</b>	<b>-5.00</b>	<b>660.28</b>	<b>59.06</b>	<b>-28.46</b>	<b>-41.46</b>	<b>24.77</b>	<b>-47.04</b>	<b>-55.34</b>	<b>42.23</b>	<b>23.02</b>
<b>NOPLAT:</b>	<b>2773.68</b>	<b>5261.31</b>	<b>5246.46</b>	<b>4911.48</b>	<b>4917.34</b>	<b>5569.81</b>	<b>5673.51</b>	<b>6720.31</b>	<b>9353.83</b>	<b>11792.79</b>	<b>14160.20</b>	<b>14905.95</b>
<b>Invested Capital Calculation</b>												
Net Operating Working Capital												
Operating Current Assets:												
Normal Cash	1935.99	2230.02	2735.54	3091.16	3585.75	4123.61	4742.15	5358.63	5948.08	6483.41	7002.08	7282.16
AR	1534.81	1398.00	1878.00	2471.76	2863.96	3270.95	3747.27	4224.55	4207.02	4111.93	4087.97	4071.95
Prepaid Expenses and Other Operating Assr	783.14	756.00	993.00	785.45	947.63	1098.93	1274.18	1479.47	1497.79	1558.60	1611.10	1555.44
Other Current Operating Assets	562.70	663.00	883.00	589.03	707.76	842.43	982.33	1117.97	1150.67	1204.95	1263.75	1234.38
Total Operating Current Assets	4816.63	5047.02	6489.54	6937.41	8105.09	9335.92	10745.92	12180.63	12803.56	13358.89	13964.90	14143.93
Operating Current Liabilities:												
AP	\$ 209.50	\$ 306.00	\$ 312.00	312.80	375.75	438.89	510.08	573.87	584.76	595.16	593.07	594.39
Accrued Expenses	\$ 1,398.55	\$ 1,422.00	\$ 1,736.00	2395.50	2775.02	3121.30	3485.92	3894.61	3893.42	3861.91	3863.36	3862.59
Income Taxes Payable	\$ 616.10	\$ 529.00	\$ 534.00	723.88	850.79	998.48	1180.10	1301.72	1334.51	1394.66	1321.08	1282.65
Total Operating Current Liabilities	2224.15	2257.00	2582.00	3432.18	4001.56	4558.67	5176.10	5770.20	5812.69	5851.72	5777.50	5739.62
Total Net Operating Working Capital	2592.48	2790.02	3907.54	3505.23	4103.52	4777.25	5569.82	6410.43	6990.87	7507.16	8187.40	8404.30
Add Net PPE	1293.02	1517.00	1673.00	2478.36	2850.26	3218.44	3553.28	3909.01	3868.78	3858.86	3889.15	3920.17
Add LT Operating Assets												
Net Intangible Assets	12411.76	12101.00	14488.00	14830.70	15171.52	15479.81	15915.04	16375.23	16527.07	16749.66	16473.47	16377.78
PV of OP leases	0.00	499.00	453.00	601.79	645.93	772.81	871.49	994.52	989.65	992.09	990.87	991.48
Other operating Assets	562.70	663.00	883.00	589.03	707.76	842.43	982.33	1117.97	1150.67	1204.95	1263.75	1234.38
Total LT Operating Assets	12974.46	13263.00	15824.00	16021.53	16525.21	17095.05	17768.86	18487.72	18667.40	18946.70	18728.09	18603.63
Less LT Operating Liabilities												
Deferred Revenues, non-current	122.73	130.00	145.00	213.62	245.28	279.03	315.10	358.72	358.08	356.37	346.48	347.16
Other Liabilities	173.06	223.00	252.00	298.98	352.20	404.89	460.10	514.73	514.75	513.21	514.19	517.71
Total LT Operating Liabilities	295.78	353.00	397.00	512.60	597.49	683.92	775.20	873.45	872.83	869.58	860.67	864.87
<b>Invested Capital</b>	<b>16564.17</b>	<b>17217.02</b>	<b>21007.54</b>	<b>21492.51</b>	<b>22881.51</b>	<b>24406.82</b>	<b>26116.77</b>	<b>27933.71</b>	<b>28654.22</b>	<b>29443.13</b>	<b>29943.96</b>	<b>30063.23</b>
<b>Free Cash Flow (FCF):</b>												
NOPLAT	2773.68	5261.31	5246.46	4911.48	4917.34	5569.81	5673.51	6720.31	9353.83	11792.79	14160.20	14905.95
Change in IC	1501.26	652.85	3790.52	484.97	1388.99	1525.31	1709.95	1816.94	720.51	788.92	500.83	119.27
<b>FCF</b>	<b>1272.42</b>	<b>4608.46</b>	<b>1455.94</b>	<b>4426.51</b>	<b>3528.35</b>	<b>4044.50</b>	<b>3963.57</b>	<b>4903.37</b>	<b>8633.33</b>	<b>11003.87</b>	<b>13659.37</b>	<b>14786.68</b>
<b>Return on Invested Capital (ROIC):</b>												
NOPLAT	2773.68	5261.31	5246.46	4911.48	4917.34	5569.81	5673.51	6720.31	9353.83	11792.79	14160.20	14905.95
Beginning IC	15062.92	16564.17	17217.02	21007.54	21492.51	22881.51	24406.82	26116.77	27933.71	28654.22	29443.13	29943.96
<b>ROIC</b>	<b>18.41%</b>	<b>34.93%</b>	<b>30.47%</b>	<b>23.38%</b>	<b>22.88%</b>	<b>24.34%</b>	<b>23.25%</b>	<b>25.73%</b>	<b>33.49%</b>	<b>41.16%</b>	<b>48.09%</b>	<b>49.78%</b>
<b>Economic Profit (EP):</b>												
Beginning IC	15062.92	16564.17	17217.02	21007.54	21492.51	22881.51	24406.82	26116.77	27933.71	28654.22	29443.13	29943.96
x (ROIC - WACC)	0.11	0.28	0.23	0.16	0.16	0.17	0.16	0.18	0.26	0.34	0.41	0.42
<b>EP</b>	<b>1662.39</b>	<b>4563.64</b>	<b>3976.25</b>	<b>3361.63</b>	<b>3331.71</b>	<b>3881.70</b>	<b>3872.87</b>	<b>4793.52</b>	<b>7292.99</b>	<b>9678.79</b>	<b>11988.00</b>	<b>12696.81</b>

**Adobe Inc.***Weighted Average Cost of Capital (WACC) Estimation***Adobe Inc. (ADBE)****Cost of Equity:**

Risk-Free Rate	2.50%
Beta	1.05
Equity Risk Premium	4.72%
<b>Cost of Equity</b>	<b>7.46%</b>

**Cost of Debt:**

Risk-Free Rate	2.50%
Implied Default Premium	2.50%
Pre-Tax Cost of Debt	5.00%
Marginal Tax Rate	29%
<b>After-Tax Cost of Debt</b>	<b>3.56%</b>

**Market Value of Common Equity:**

Total Shares Outstanding	477.00
Current Stock Price	\$466.33
<b>MV of Equity</b>	<b>222,439.41</b>

**MV Weights**

97.99%

**Market Value of Debt:**

Short-Term Debt	
Current Portion of LTD	
Long-Term Debt	\$ 4,117.00
PV of Operating Leases	\$ 453.00
<b>MV of Total Debt</b>	<b>4,570.00</b>

2.01%

**Market Value of the Firm**

227,009.41

100.00%

**Estimated WACC****7.38%**

**Adobe Inc.**

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

**Adobe Inc. (ADBE)**

## Key Inputs:

CV Growth of NOPLAT	4.00%
CV Year ROIC	49.78%
WACC	7.38%
Cost of Equity	7.46%

**Fiscal Years Ending Dec. 31**

2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029	2030CV
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**DCF Model:**

Free Cash Flow (FCF)	4426.5	3528.4	4044.5	3963.6	4903.4	8633.3	11003.9	13659.4	14786.7
Continuing Value (CV)									405855.1
PV of FCF	4122.4	3060.2	3266.8	2981.5	3435.0	5632.4	6685.7	7729.0	229647.2
Value of Operating Assets:	266560.1								
Excess Cash	3091.2								
Other Liabilities	(299.0)								
Notes Payable	(312.8)								
ESOP	(172.7)								
PV Leases	(601.8)								
Value of Equity	268265.0								
Shares Outstanding	477.0								
Intrinsic Value of Last FYE	\$ 562.40								
<b>Implied Price as of Today</b>	<b>\$ 572.24</b>								

**EP Model:**

Economic Profit (EP)	3361.6	3331.7	3881.7	3872.9	4793.5	7293.0	9678.8	11988.0	12696.8
Continuing Value (CV)									375911.1
PV of EP	3130.7	2889.6	3135.3	2913.3	3358.0	4758.0	5880.6	6783.2	212703.8
Total PV of EP	245552.6								
Invested Capital (last FYE)	21007.5								
Value of Operating Assets:	266560.1								
Excess Cash	3091.2								
Other Liabilities	(299.0)								
Notes Payable	(312.8)								
ESOP	(172.7)								
PV Leases	(601.8)								
Value of Equity	268265.0								
Shares Outstanding	477.0								
Intrinsic Value of Last FYE	\$ 562.40								
<b>Implied Price as of Today</b>	<b>\$ 572.24</b>								

**Adobe Inc.**

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

**Adobe Inc. (ADBE)**

**Fiscal Years Ending Dec. 31**      2022E   2023E   2024E   2025E   2026E   2027E   2028E   2029E   2030E   2031E

EPS      \$ 11.49   \$ 13.43   \$ 16.12   \$ 19.39   \$ 22.48   \$ 28.63   \$ 34.16   \$ 39.47   \$ 42.56

**Key Assumptions**

CV growth of EPS      7.85%  
 CV Year ROE      25.00%  
 Cost of Equity      7.46%

**Future Cash Flows**

P/E Multiple (CV Year)										24.31	
EPS (CV Year)										\$ 42.56	
Future Stock Price										\$ 1,034.48	
Dividends Per Share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,034.48	
Discounted Cash Flows	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	581.94	
	1	2	3	4	5	6	7	8		8	

<==  $P/E = (1-(g/ROE))/(Re-g)$

<== Discount future stock price by 1 period less.

Intrinsic Value as of Last FYE

\$ 581.94

**Implied Price as of Today**

**\$ 592.12**

Adobe Inc.  
Relative Valuation Models

Adobe Inc. (ADBE)

Ticker	Company	Price	EPS 2022E	EPS 2023E	P/E 22	P/E 23	Est. 5yr EPS gr.	PEG 22	PEG 23	Market Cap (Billions)	Sales 2022E	P/S 22	P/S 23
MSFT	Microsoft	\$315.41	\$9.35	\$10.75	33.70	29.30	13.90%	2.40	2.10	2346.60	198.73	11.80	10.40
ORCL	Oracle	\$84.29	\$4.75	\$5.23	17.75	16.12	12.50%	1.40	1.30	224.90	30.38	5.30	5.00
CRM	salesforce.com	\$221.29	\$4.78	\$4.67	46.29	47.39	17.50%	2.80	2.70	219.10	26.49	8.60	6.60
DASTY	Dassault Systemes	\$51.11	\$1.14	\$1.26	44.83	40.56	11.20%	4.00	3.60	66.62	5.38	11.30	10.30
ADSK	Autodesk	\$223.00	\$5.07	\$6.77	43.98	32.94	30.00%	1.60	1.10	48.61	4.39	12.50	9.50
TTD	Trade Desk	\$73.33	\$0.94	\$1.16	78.01	63.22	17.70%	4.40	3.60	34.73	1.59	21.90	17.40
	Average				<b>44.09</b>	<b>38.25</b>		<b>2.77</b>	<b>2.40</b>			<b>11.90</b>	<b>9.87</b>
ADBE	Adobe Inc.	\$466.33	\$ 11.49	\$ 13.43	40.6	37.7	16.58	2.1	1.7	220.30	17.84	37.23	48.36

Implied Relative Value:

P/E (EPS22)	\$	506.74
P/E (EPS23)	\$	513.71
PEG (EPS22)	\$	527.22
PEG (EPS23)	\$	534.43
P/S (EPS22)	\$	427.88
P/S (EPS23)	\$	649.39



**Adobe Inc.****Adobe Inc. (ADBE)***Valuation of Options Granted under ESOP*

Look in 10k

Current Stock Price	\$466.33
Risk Free Rate	2.50%
Current Dividend Yield	0.00%
Annualized St. Dev. of Stock Returns	34.20%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	7	411.52	1.25	\$ 104.65	\$ 173
Range 2				\$	-
Range 3				\$	-
Range 4				\$	-
Range 5				\$	-
Range 6				\$	-
Range 7				\$	-
Range 8				\$	-
Range 9				\$	-
<b>Total</b>	<b>7</b>	<b>\$ 411.52</b>	<b>1.25</b>	<b>\$ 104.65</b>	<b>\$ 173</b>





**Adobe Inc.****Adobe Inc. (ADBE)***Present Value of Operating Lease Obligations*

Imputed interest in millions 54

<b>Fiscal Years Ending Dec. 31</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Year 1	45.2	60.5	88.6	98.2	104.0	108.0
Year 2	40.8	62.3	93.5	91.9	90.0	87.0
Year 3	41.3	63.3	80.4	81.5	72.0	68.0
Year 4	39.8	53.7	71.4	68.5	59.0	65.0
Year 5	32.8	44.0	56.5	60.7	60.0	60.0
Thereafter	177.5	251.5	311.9	337.9	272.0	216.0
Total Minimum Payments	377.4	535.3	702.3	738.7	657.0	604.0
Less: Cumulative Interest	83.9	120.0	151.6	161.3	132.0	111.5
<b>PV of Minimum Payments</b>	<b>293.5</b>	<b>415.3</b>	<b>550.7</b>	<b>577.4</b>	<b>525.0</b>	<b>492.5</b>
<b>Implied Interest in Year 1 Payment</b>		<b>14.7</b>	<b>20.8</b>	<b>27.5</b>	<b>28.9</b>	<b>26.2</b>
Pre-Tax Cost of Debt	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Years Implied by Year 6 Payment	5.4	5.7	5.5	5.6	4.5	3.6
Expected Obligation in Year 6 & Beyond	32.829	44.016	56.49	60.691	60	60
<b>Present Value of Lease Payments</b>						
PV of Year 1	43.0	57.6	84.3	93.5	99.0	102.9
PV of Year 2	37.0	56.5	84.8	83.3	81.6	78.9
PV of Year 3	35.7	54.7	69.5	70.4	62.2	58.7
PV of Year 4	32.7	44.2	58.8	56.4	48.5	53.5
PV of Year 5	25.7	34.5	44.3	47.6	47.0	47.0
PV of 6 & beyond	119.3	167.8	209.1	226.2	186.6	151.5
Capitalized PV of Payments	293.5	415.3	550.7	577.4	525.0	492.5