Based in San Jose, California, Adobe Inc. provides software for creative professionals, consumers and enterprises. Its products are organized into three segments. The flagship Digital Media segment, comprising over 70% of revenue, includes the Creative Cloud and Document Cloud business, with such applications as Acrobat, Photoshop and Flash Player. The Digital Experience segment includes the legacy Omniture web analytics businesses. The third segment is the small Publishing and Advertising segment. The company acquired Omniture in October 2009. Adobe derives about 46% of its revenue from markets outside the U.S.

## Analyst's Notes

*Analysis by Joseph Bonner, CFA, June 13, 2025*

**ARGUS RATING: BUY**

- Raises guidance in an uncertain environment
- Adobe reported 13% non-GAAP EPS growth on 11% revenue growth in fiscal 2Q25.
- At its March Investor Day, Adobe both reinforced the continuity of its growth through product led innovation and pivoted toward a new strategy focus on serving specific user groups with combinations of products across its portfolio.
- Adobe continues to rapidly innovate, leveraging generative AI innovations across its product set with more to come.
- We are raising our FY25 non-GAAP EPS estimate to $20.70 from $20.60 and our FY26 forecast to $23.31 from $23.28.

### INVESTMENT THESIS

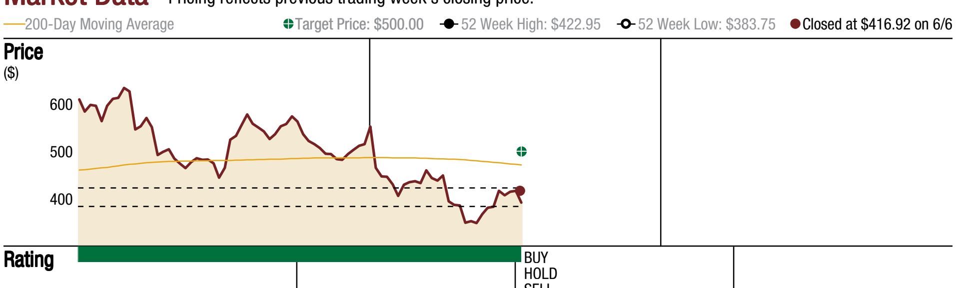
We are maintaining our BUY rating on Adobe Inc. (NGS: ADBE) but lower our target price to $500 from $600.

ADBE shares have been buffeted in 2025 from the markets perception of risks around uncertainty of the business environment and the possibility of disruption by ever more capable generative AI models. Of course, Adobe itself has adopted GenAI through its Firefly application and services as well as infusing AI throughout its product suite. While revenue growth has modestly slowed in FY25, the company did raise its full-year top and bottom line guidance with 2Q results.

We think that Adobe has positioned itself at the center of the exploding market for digital video content and advertising creation and management. The company has an admirable track record of innovation and a unique collection of software assets centered on its Creative Cloud tools, which enable enterprise, professional, and amateur users to create and manage digital content. With its Experience Cloud, Adobe has expanded from the initial analytics suite acquired through the Omniture merger into digital video

## Market Data

Pricing reflects previous trading week's closing price.




**EPS ($)**

| | 2023 Q1 | 2023 Q2 | 2023 Q3 | 2023 Q4 | 2024 Q1 | 2024 Q2 | 2024 Q3 | 2024 Q4 | 2025 Q1 | 2025 Q2 | 2025 Q3 | 2025 Q4 | 2026 Q1 | 2026 Q2 | 2026 Q3 | 2026 Q4 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Quarterly | 3.80 | 3.91 | 4.09 | 4.27 | 4.48 | 4.48 | 4.64 | 4.81 | 5.08 | 5.06 | 5.20 | 5.37 | 5.79 | 5.73 | 5.81 | 5.98 |
| Annual | 16.07 | | | | 18.42 | | | | 20.70 (Estimate) | | | | 23.31 (Estimate) | | | |

**Revenue ($ in Bil.)**

| | 2023 Q1 | 2023 Q2 | 2023 Q3 | 2023 Q4 | 2024 Q1 | 2024 Q2 | 2024 Q3 | 2024 Q4 | 2025 Q1 | 2025 Q2 | 2025 Q3 | 2025 Q4 | 2026 Q1 | 2026 Q2 | 2026 Q3 | 2026 Q4 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Quarterly | 4.7 | 4.8 | 4.9 | 5.0 | 5.2 | 5.3 | 5.4 | 5.6 | 5.7 | 5.9 | 5.9 | 6.1 | 6.2 | 6.4 | 6.5 | 6.7 |
| Annual | 19.4 | | | | 21.5 | | | | 23.6 (Estimate) | | | | 25.9 (Estimate) | | | |

FY ends Nov 30

## Argus Recommendations

| | | | |
|---|---|---|---|
| Twelve Month Rating | SELL | HOLD | **BUY** |
| Five Year Rating | SELL | HOLD | **BUY** |
| Sector Rating | Under Weight | Market Weight | **Over Weight** |

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

**The distribution of ratings across Argus' entire company universe is: 72% Buy, 28% Hold, 0% Sell.**

## Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

### Market Overview

| | |
|---|---|
| Price | $391.68 |
| Target Price | $500.00 |
| 52 Week Price Range | $332.01 to $587.75 |
| Shares Outstanding | 426.20 Million |
| Dividend | $0.00 |

### Sector Overview

| | |
|---|---|
| Sector | Information Technology |
| Sector Rating | OVER WEIGHT |
| Total % of S&P 500 Market Cap. | 31.60% |

### Financial Strength

| | |
|---|---|
| Financial Strength Rating | HIGH |
| Debt/Capital Ratio | 30.0% |
| Return on Equity | 76.7% |
| Net Margin | 30.4% |
| Payout Ratio | -- |
| Current Ratio | 1.07 |
| Revenue | $22.60 Billion |
| After-Tax Income | $6.87 Billion |

### Valuation

| | |
|---|---|
| Current FY P/E | 18.92 |
| Prior FY P/E | 21.26 |
| Price/Sales | 7.39 |
| Price/Book | 14.58 |
| Book Value/Share | $26.86 |
| Market Capitalization | $166.93 Billion |

### Forecasted Growth

1 Year EPS Growth Forecast
12.38%

5 Year EPS Growth Forecast
13.00%

1 Year Dividend Growth Forecast
N/A

### Risk

| | |
|---|---|
| Beta | 1.08 |
| Institutional Ownership | 81.27% |

Please see important information about this report on page 6

## Analyst's Notes ...Continued

advertising marketing and management, and e-commerce customer experience management. We think that Adobe will continue to ramp up investment in new product extensions, particularly around generative AI, as it pursues a rapidly expanding total addressable market.

We view Adobe's consistently strong revenue growth, high margins, and earnings momentum as strong positives, and note that management has typically under promised and overdelivered.

### RECENT DEVELOPMENTS

Adobe reported fiscal 2Q25 results (for the period ended May 30) on June 12 after the market close. Revenue beat the high end of management's guidance range by $53 million and the consensus forecast by $72 million, while non-GAAP EPS topped the high end of the guidance range by $0.06 and the consensus estimate by $0.08. The company also raised its FY25 revenue and EPS guidance. Revenue guidance increased by $175 million or 60 basis points of growth to 9.5% at the midpoints of the new range. Non-GAAP EPS increased by $0.25 or 150 basis points to 12% at the midpoint. ADBE shares were down 5% on June 13 intraday.

Second-quarter revenue rose 10.6% year over year to $5.87 billion, consistent with 2Q24's growth rate. Digital Media revenue rose 11% to $4.35 billion, also consistent with 2Q24 as the company reported strong adoption of the Acrobat and Express products by individuals, SMB's and enterprises across geographies and growing traction of the GenAI Firefly application. In 2Q25, Total Digital Media annual recurring revenue (ARR), a key performance indicator, rose 11% from the prior year to $18.09 billion, down from 15% in 2Q24. Digital Media continues to comprise the lion's share of total revenue at 74%. The Digital Experience segment saw 10% revenue growth to $1.46 billion, accelerating from 8.6% growth in 2Q24, driven by the company's integrated customer experience orchestration solutions and adoption of the GenStudio AI platform.

Non-GAAP operating income rose 9.5% from the prior year to $2.67 billion, decelerating from 12% growth in 2Q24. The non-GAAP operating margin narrowed by 40 basis points to 45.5% year over year. Headcount rose by 3% in 2Q25, in line with recent quarters. Non-GAAP EPS rose 13% from the prior year to $5.06. Share repurchases over the last year boosted non-GAAP EPS growth by almost six percentage points relative to growth in net income. GAAP EPS increased to $3.94 from $3.49 in fiscal 2Q24. Stock based compensation accounted for most of the difference between GAAP and non-GAAP results with amortization of intangibles expenses accounting for the rest.

Adobe changed the reporting of some of its key performance indicators with 1Q25 results. It has stopped reporting revenue for its Creative and Document Clouds as well as Creative ARR. Instead, it has begun reporting subscription revenue for 'Business Professionals and Consumers' and 'Creative and Marketing Professionals' as well as the total subscription revenue. Subscription revenue comprises 95% of total revenue and includes

## Growth & Valuation Analysis

### GROWTH ANALYSIS

| ($ in Millions, except per share data) | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Revenue | 12,868 | 15,785 | 17,606 | 19,409 | 21,505 |
| COGS | 1,722 | 1,865 | 2,165 | 2,354 | 2,358 |
| Gross Profit | 11,146 | 13,920 | 15,441 | 17,055 | 19,147 |
| SG&A | 4,559 | 5,406 | 6,187 | 6,764 | 7,293 |
| R&D | 2,188 | 2,540 | 2,987 | 3,473 | 3,944 |
| Operating Income | 4,237 | 5,802 | 6,098 | 6,650 | 7,741 |
| Interest Expense | 73 | 96 | 51 | -156 | -172 |
| Pretax Income | 4,176 | 5,705 | 6,008 | 6,799 | 6,931 |
| Income Taxes | -1,084 | 883 | 1,252 | 1,371 | 1,371 |
| Tax Rate (%) | — | 15 | 21 | 20 | 20 |
| Net Income | 5,260 | 4,822 | 4,756 | 5,428 | 5,560 |
| Diluted Shares Outstanding | 485 | 481 | 471 | 459 | 450 |
| EPS | 10.83 | 10.02 | 10.10 | 11.82 | 12.36 |
| Dividend | | | | | |
| **GROWTH RATES (%)** | | | | | |
| Revenue | 15.2 | 22.7 | 11.5 | 10.2 | 10.8 |
| Operating Income | 29.7 | 36.9 | 5.1 | 9.1 | 16.4 |
| Net Income | 78.2 | -8.3 | -1.4 | 14.1 | 2.4 |
| EPS | 80.5 | -7.5 | 0.8 | 17.0 | 4.6 |
| Dividend | — | — | — | — | — |
| Sustainable Growth Rate | 44.2 | 34.4 | 33.0 | 35.5 | 36.3 |
| **VALUATION ANALYSIS** | | | | | |
| Price: High | $536.88 | $699.54 | $575.00 | $633.89 | $638.25 |
| Price: Low | $255.13 | $420.78 | $274.73 | $318.60 | $432.47 |
| Price/Sales: High-Low | 20.2 - 9.6 | 21.3 - 12.8 | 15.4 - 7.3 | 15.0 - 7.5 | 13.3 - 9.0 |
| P/E: High-Low | 49.6 - 23.6 | 69.8 - 42.0 | 56.9 - 27.2 | 53.6 - 27.0 | 51.6 - 35.0 |
| Price/Cash Flow: High-Low | 45.5 - 21.6 | 46.6 - 28.0 | 34.6 - 16.5 | 39.8 - 20.0 | 35.7 - 24.2 |

## Financial & Risk Analysis

| FINANCIAL STRENGTH | 2022 | 2023 | 2024 |
|---|---|---|---|
| Cash ($ in Millions) | 4,236 | 7,141 | 7,613 |
| Working Capital ($ in Millions) | 868 | 2,833 | 711 |
| Current Ratio | 1.11 | 1.34 | 1.07 |
| LT Debt/Equity Ratio (%) | 28.8 | 24.3 | 31.8 |
| Total Debt/Equity Ratio (%) | 33.0 | 24.7 | 42.9 |
| **RATIOS (%)** | | | |
| Gross Profit Margin | 87.7 | 87.9 | 89.0 |
| Operating Margin | 34.6 | 34.3 | 36.0 |
| Net Margin | 27.0 | 28.0 | 25.9 |
| Return On Assets | 17.5 | 19.1 | 18.5 |
| Return On Equity | 33.0 | 35.5 | 36.3 |
| **RISK ANALYSIS** | | | |
| Cash Cycle (days) | — | — | — |
| Cash Flow/Cap Ex | 17.7 | 20.3 | 44.0 |
| Oper. Income/Int. Exp. (ratio) | 54.6 | 61.2 | 42.0 |
| Payout Ratio | | | |

Please see important information about this report on page 6

## Analyst's Notes ...Continued

revenue for software-as-a-service (SaaS), managed services, and term offerings. The Business Professionals and Consumers Group includes subscription revenue from Document Cloud, Acrobat in Creative Cloud, Adobe Express in Creative Cloud, all included within Digital Media. The Creative and Marketing Professionals Group includes subscription revenue from the Digital Experience Cloud as well as any remaining Creative Cloud revenue. Management's rationale for the change is that Adobe's future success will be driven by providing SaaS services to the two new customer groups and that the new metrics will provide clearer insight into Adobe's execution against this strategy. While we think the change in key performance indicators is an accurate reflection of the company's go-to-market strategy pivot, we also have to cynically note that in our experience, companies often abandon performance metrics when those metrics begin to turn south.

Creative and Marketing Professionals Group revenue rose 10% in 2Q25 year over year and Business Professionals and Consumer Group revenue rose 15% in 2Q25. Creative and Marketing Professionals comprised 72% of total subscription revenue with the remainder attributable to Business Professionals and Consumers.

### EARNINGS & GROWTH ANALYSIS

We are raising our FY25 non-GAAP EPS estimate to $20.70 from $20.60 and our FY26 forecast to $23.31 from $23.28. Our FY25 estimate is at the upper end of management's upwardly revised guidance range of $20.50-$20.70. Our estimates imply an average of 12.5% EPS growth over the next two years, just below our 13% long-term earnings growth rate forecast.

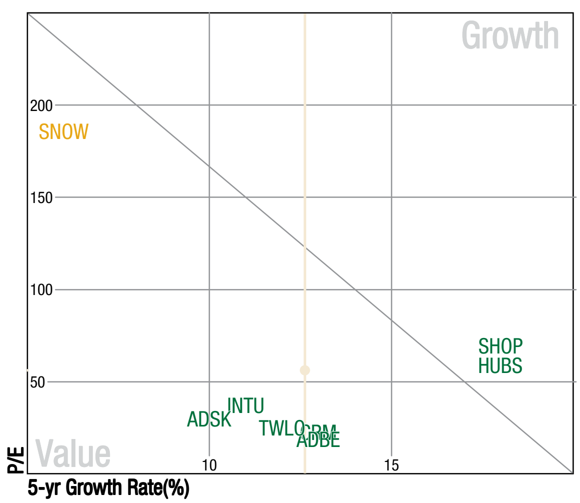
On March 18, in conjunction with its Adobe Summit user conference, the company held an investor meeting during which management reinforced points it made previously and fleshed out its pivot toward putting the new user group designations at the center of its business case strategy. Management made clear that while cross-sell/up-sell through the One Adobe go-to-market strategy and pricing its array of products properly to capture the value of increased user-functionality-often AI driven-remain priorities, subscriber growth remains the primary revenue driver for the company. What underlies these revenue drivers are product led innovation, again often AI driven and marketing to its user groups from consumers to enterprises at scale through digital, its internal salesforce, and global ecosystem of resellers and systems integrators.

The new official user groups are 'Business Professionals and Consumers' and 'Creative and Marketing Professionals.' However, Creative and Marketing Professionals is further bifurcated into actual media creators which the company views as its core user base and the marketing professionals who take that content to market through digital advertising and other emerging avenues. The products aimed at Business Professionals and Consumers are Adobe Acrobat and the Express application. These products provide a simple interface based on a freemium model, i.e. a free base use case with premium features requiring a paid subscription.

## Peer & Industry Analysis

**The graphics in this section are designed to allow investors to compare ADBE versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.**

- **The scatterplot shows how ADBE stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.**
- **The table builds on the scatterplot by displaying more financial information.**
- **The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how ADBE might fit into or modify a diversified portfolio.**




| Ticker | Company | Market Cap ($ in Millions) | 5-yr Growth Rate (%) | Current FY P/E | Net Margin (%) | 1-yr EPS Growth (%) | Argus Rating |
|---|---|---|---|---|---|---|---|
| CRM | Salesforce Inc | 247,030 | 13.0 | 22.8 | 16.1 | 10.6 | BUY |
| INTU | Intuit Inc | 210,320 | 11.0 | 37.5 | 19.1 | 11.9 | BUY |
| ADBE | Adobe Inc | 166,934 | 13.0 | 18.9 | 30.4 | 12.6 | BUY |
| SHOP | Shopify Inc | 128,322 | 18.0 | 69.8 | 17.2 | 21.9 | BUY |
| SNOW | Snowflake Inc | 69,470 | 6.0 | 185.9 | -36.4 | 47.3 | HOLD |
| ADSK | Autodesk Inc. | 62,522 | 10.0 | 29.9 | 15.9 | 12.0 | BUY |
| HUBS | HubSpot Inc | 29,248 | 18.0 | 59.1 | -.8 | 17.1 | BUY |
| TWLO | Twilio Inc | 17,312 | 12.0 | 25.4 | -.7 | 20.1 | BUY |
| **Peer Average** | | **116,395** | **12.6** | **56.2** | **7.6** | **19.2** | |


Please see important information about this report on page 6

## Analyst's Notes ...Continued

The Creative Cloud app and Firefly GenAI app are aimed at content creators while the company's Experience Cloud remains aimed at marketing professionals. Management expects GenAI to be both available in stand-alone apps like Firefly while also infused throughout its portfolio of products. Management cited AI-influenced annual recurring revenue (ARR) of $3.5 billion at the end of FY24. By our math, that was 20% of total Digital Media ARR. Further, management noted that its standalone new 'AI-first products,' Acrobat AI Assistant, Firefly App, Firefly Services, and GenStudio for Performance Marketing generated ending 1Q25 ARR of $125 million. Management forecasts this amount will double by the end of FY25.

Adobe seeks to be the leader in three of the most rapidly expanding areas of the digital economy: digital creativity, documents, and customer experience management. Adobe's Creative Cloud, with its software tools for creating all types of web content, is the company's flagship product and primary revenue stream. Digital documents rely on the venerable Adobe Acrobat pdf format, the de facto standard for digital documents, but also on innovations such as Adobe Sign, a cloud-based e-signature service, and Acrobat Liquid Mode, which uses artificial intelligence to improve document formats for mobile applications. Adobe Experience Cloud helps advertisers to manage and measure the effectiveness of digital advertising campaigns. Adobe expects its three industry categories to continue their rapid growth through 'product-led growth' as the digitization of commerce accelerates. Adobe's new GenStudio and Workfront applications look to knit all of its platforms together to enable customers to rapidly plan, create, store, deliver, and measure marketing content and drive greater spend efficiency.

Adobe management expects its total addressable market to grow at a compound average rate of 12.6% through 2027 to a TAM of $293 billion, consisting of $91 billion related to Creative Cloud, $47 billion to Document Cloud, and $155 billion to Experience Cloud.

Like many Tech companies and perhaps even more than many, Adobe went early into harnessing generative AI innovations throughout its product portfolio and is looking to Gen AI to become a critical growth factor going forward. Adobe announced the commercial availability of its Firefly generative AI models in September 2023, natively integrated across a number of its products including Creative Cloud, Experience Cloud, Adobe Express, Photoshop, and Illustrator. 2024 brought a number of new Firefly models. The company also introduced AI powered Adobe GenStudio for Enterprises and a new Firefly standalone web application. Adobe is continuing to release Firefly foundational models in areas including imaging, vector, video, design, and 3D, all areas where the company has rich data sets. A Firefly video commercial product became generally available in February. As opposed to other Gen AI models that have scraped the web for content and training, Adobe chose a differentiated approach limiting Firefly to its own proprietary data thereby solidifying its critical relationships to content creators. Adobe expects to enable customers to create their own customized models using proprietary assets to generate branded content and offers Firefly API's (application programming interfaces) so that customers can embed Firefly into their own content creation and AI automated workflows. Management is looking to monetize Gen AI in three ways, including new user growth, increased product value and engagement, and a combination of higher priced tiers, consumption and output-based pricing on new AI-powered products and services.

In its core Creative Cloud business, Adobe is looking to create new and expand existing product categories, while also growing its user base. Creative Cloud will deliver high-powered tools for creative professionals and 'lighter-touch,' template-driven platforms for a large base of less sophisticated creators. Management expects to drive the adoption and upselling of Adobe's flagship applications across desktop, web, and mobile, while also scaling emerging tools including Stock, Frame.io, and Substance 3D. New generative AI tools for applications including Firefly, GenStudio, Photoshop, Illustrator, and Express are increasing both value and ease of use as the company looks to monetize the new value add and extend its products from its professional user base to more casual users.

The Experience Cloud provides a comprehensive portfolio of tools for content production, real-time data, and management of the customer sales journey in order to provide a customized experience. Experience Cloud will rely on Gen AI in simplifying content production, fueling efficiency gains, and higher ROI for advertisers among other innovations. The acquisitions of Marketo and Magento Commerce should boost the reach of Experience Cloud in the mid-market enterprise segment. Adobe is looking to scale up Experience Cloud across its partner ecosystem and in different geographic regions and customer segments.

The company's adoption of a cloud SaaS model has enabled it to execute a faster product refresh cycle and rapidly introduce new and adjacent product offerings, raising the value of its products for existing customers. Indeed, management touts its 'innovation engine' as a primary long-term revenue growth driver. It has also increased the company's ability to attract and retain users through new offerings and enabled it to segment products to appeal to new classes of users. The Adobe Experience Platform brings together customer data from across the enterprise, creating real-time customer profiles to enable the activation and delivery of hyper-personalized customer experiences.

### FINANCIAL STRENGTH & DIVIDEND

Our financial strength ranking for ADBE is High. S&P gives Adobe ratings in the low A's, comfortably within investment grade, and the outlook is stable. Adobe repurchased 15.6 million shares for $6.75 billion in fiscal 1H25, well above the $4.5 billion pace in 1H24. At its March investor meeting, management noted that it intended to be 'opportunistic' with its share repurchases, indicating that as it sees ADBE shares as undervalued and it has certainly followed through on this intention recently. CFO Dan Durn noted that he expects to complete the current 4-year share repurchase authorization in three years, a good an indication as any of share repurchase acceleration. As always, we caveat that share repurchases remain at management's discretion. Adobe's share repurchase program has resulted in a declining share count over the last few years. The share count has fallen about 5% or by 22 million shares in the last year.

Adobe does not pay a dividend.

### MANAGEMENT & RISKS

Adobe's technology software market is intensely competitive. The company must continually update older products and launch new products for which customer demand is uncertain. The advent

## Analyst's Notes ...Continued

of generative AI with its remarkable image generation abilities is a new risk for Adobe. While the company itself has adopted GenAI in its Firefly and other applications, the ease with which third party GenAI models and applications can generate images and increasingly videos highlight the risk that Adobe's applications could one day be rendered obsolete as GenAI advances.

It is critical for Adobe to defend its intellectual property from other claimants and potential infringers. In addition, security is always a concern with software, and the company's reputation could be damaged by software-enabled security breaches.

Because Adobe is a successful growth company, its shares tend to trade at relatively high multiples of revenue, earnings and cash flow. Expectations are high, and if the company's financial results or projections fall short of expectations, investors could experience a significant and abrupt decline in market value. Other risks include unexpected pullbacks in software investment spending, adverse foreign exchange movements, and the impact of the macroeconomy on software spending.

On June 17, 2024, the U.S. Federal Trade Commission filed a civil complaint in federal court against Adobe and two of its executives alleging that Adobe hid the early termination fee for its most popular subscription plan, making it difficult for consumers to cancel their subscriptions. The hidden termination fee provided a disincentive to consumers who wanted to cancel their subscriptions. The FTC is asking the court for a permanent injunction to prevent further violations and monetary penalties for past violations. Adobe plans to fight the FTC's lawsuit. Whatever the outcome of the FTC litigation, it carries our usual caveats around a high degree of uncertainty and that it will likely drag on for years, Adobe's being branded as a deceptive, customer unfriendly company carries headline risk at a minimum.

Adobe named David Wadhwani as president of its Digital Media division on December 16, 2021. He was appointed EVP and chief business officer, Digital Media, on June 2, 2021. Digital Media contributes over 70% of company revenue, which makes the manager of this segment a key executive. Mr. Wadhwani returned to Adobe in June 2021 after a couple of years as a partner at Silicon Valley venture capital firm Greylock Partners. He also served as CEO of AppDynamics before it was acquired by Cisco for $4 billion in 2017. Mr. Wadhwani originally joined Adobe in 2005 and was senior vice president and general manager of Adobe's Digital Media segment from 2010 to 2015; he thus has a good understanding of the business. While CEO Shantanu Narayan is only three years older than Mr. Wadhwani, Mr. Wadhwani should be a fit successor for Mr. Narayan should he decide to retire. Mr. Narayan has been CEO of Adobe since 2007, an extraordinarily long tenure for a tech executive. Only about 12% of large cap company CEOs remain in office for 15 or more years according to executive intelligence research firm Equilar.

Dan Durn became the company's CFO on October 18, 2021. Mr. Durn had been CFO of smaller tech firm Applied Materials since 2017.

### COMPANY DESCRIPTION

Based in San Jose, California, Adobe Inc. provides software for creative professionals, consumers and enterprises. Its products are organized into three segments. The flagship Digital Media segment, comprising over 70% of revenue, includes the Creative Cloud and Document Cloud business, with such applications as Acrobat, Photoshop and Flash Player. The Digital Experience segment includes the legacy Omniture web analytics businesses. The third segment is the small Publishing and Advertising segment. The company acquired Omniture in October 2009. Adobe derives about 46% of its revenue from markets outside the U.S.

### VALUATION

ADBE shares have fallen 12% year-to-date (including a 5% decline since 2Q25 results) compared to a 1.6% capital gain for the S&P 500 and the S&P Information Technology index's 1% gain.

Adobe's forward enterprise value/EBITDA multiple of 14.5 is 31% below the peer average, compared to a two-year historical average discount of 13%. The lagging enterprise value/EBITDA multiple of 18.4 is well below the low end of the historical average range of 29.7-38.6. We are maintaining our BUY rating on ADBE but lowering our target price to $500 from $600.

On June 13, BUY-rated ADBE closed at $391.68, down $22.00.

Please see important information about this report on page 6

## About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

### THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

## Argus Research Disclaimer