

US EQUITY RESEARCH

22 August 2025

Adobe Inc

A High-Margin SaaS Leader Poised for Growth

Company Overview

Adobe Inc. is one of the largest and most diversified software companies in the world. The company offers a line of products and services used by professionals, communicators, businesses, and consumers for creating, managing, delivering, measuring, optimising, engaging, and transacting with content and experiences across various digital media formats. Business segments include Digital Media (73% of revenue), Digital Experience (25% of revenue), and Publishing and Advertising (2% of revenue). The company operates in the Americas (60% of revenue), Europe, Middle East and Africa (EMEA) (25% of revenue), and Asia-Pacific (APAC) (15% of revenue) as of FY23. The company offers many of the products via a Software-as-a-Service (SaaS) model or a managed services model through term subscriptions and pay-per-use.

Investment Overview

To benefit from continuous digitalisation. Adobe has an early mover advantage with its SaaS transformation in 2009, achieving above 80% SaaS revenue since 2017. The SaaS transformation triggered robust revenue growth along with margin improvement. In 1QFY11/25, ADOBE achieved a 38% operating margin, which is among the highest of its peers. The company offers high growth opportunities riding on the trend that businesses will continue to adopt digital solutions.

Equipped to capture the expanding addressable market. Adobe's total addressable market is projected to be USD205bn in 2024, and reach USD293bn by 2027, according to the management. The company's consistent innovations and strategic acquisitions, complemented with the introduction of Firefly in March 2023, a platform offering a variety of AI tools, position Adobe strongly to capture an expanding market share. After several months of beta testing, Adobe has unveiled the commercial plan for Firefly, featuring a new credit-based system that allows users to access its tools with subscription packs starting at USD9.99 per month.

Wide range of product offerings with high customer stickiness. Adobe offers a wide range of products with high value-add to both individual and corporate customers. Their Creative Cloud provides the tools necessary to create content in any format, Document Cloud contains its signature product Acrobat that helps customers to create fully digital workflows, and Experience Cloud offers a one-stop shop for businesses to sort their marketing, advertising, and analytics needs. Customer stickiness is also high for Adobe, which leads to more opportunities to upsell.

BUY Adobe with a revised TP of USD660 (prev USD703). Our revised TP is based on 12.3x (prev 16x) forward EV/Sales, above its 5-year historical average of 11.7x, as we believe the commercialisation of its Firefly AI platform will fuel future growth for the company. Potential share price catalysts include (1) product price increase and (2) higher operating margins.

Risks

Global economic uncertainty. An economic slowdown may lead to a reduction in enterprise spending on digital products.

Intensifying competition. Adobe participates in a highly competitive environment globally with a wide range of competitors in various industry segments. Intensifying competition could create downward pressure on product pricing and margins.

Analysts:

Andy YU | dbsvhk@dbs.com

Sachin MITTAL | groupresearch@dbs.com

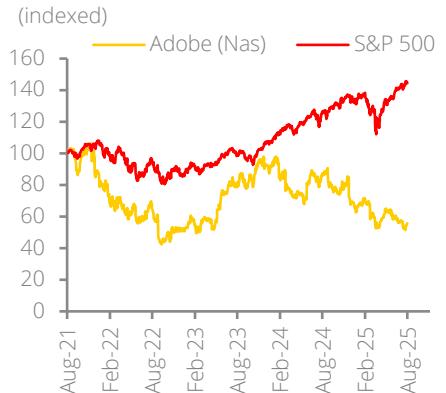
Key Financial Data

Bloomberg Ticker	ADBE US
	Information Technology
Sector	
Share Price (USD)	353.43
DBS Rating	BUY
12-mth Target Price (USD)	660.00
Market Cap (USDb)	149.9
Volume (m shares)	2,363.2
Free float (%)	99.7
Dividend yield (%)	na
Net Debt to Equity (%)	-13.0
Fwd. P/E (x)	17.2
P/Book (x)	13.2
ROE (%)	52.3

Closing Price as of 21 Aug 2025

Source: Bloomberg, DBS

Indexed Share Price vs Composite Index Performance



Source: Bloomberg

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Financial Summary (USD MN)

FY Dec	FY2022A	FY2023A	FY2024A	FY2025F	FY2026F
Sales	17,606	19,409	21,505	23,559	25,766
% y/y	11.5	10.2	10.8	9.6	9.4
Gross Profit	15,768	17,420	19,389	21,217	23,196
% y/y	11.3	10.5	11.3	9.7	9.4
EBITDA	8,801	9,790	10,876	11,501	12,511
% y/y	9.4	11.2	11.1	6.8	8.9
Net Profit (Loss)	6,457	7,377	8,281	8,757	9,600
% y/y	7.6	14.2	12.3	6.7	9.7
FCF	7,396	6,942	7,873	9,157	10,163
% y/y	7.3	(6.1)	13.4	16.4	11.0
CAPEX	442.0	360.0	183.0	257.3	307.9
% y/y	27.0	(18.6)	(49.2)	40.6	22.9
EBITDA Margin (%)	50.0	50.4	50.6	48.8	48.5
Net Margin (%)	36.7	38.0	38.5	37.2	37.3
ROA (%)	23.7	25.9	27.6	29.5	30.7
ROE (%)	44.8	48.3	54.1	67.3	73.8
Tax Rate (%)	18.0	18.5	18.5	18.6	18.7

Source: Visible Alpha

Valuation Metrics

FY Dec	FY2022A	FY2023A	FY2024A	FY2025F	FY2026F
P/E	34.2	51.7	41.7	22.3	19.9
P/B	11.6	17.0	16.4	12.7	9.3
EV/EBITDA (x)	18.1	28.1	20.7	13.3	12.2
FCF Yield %	4.6	2.5	3.4	5.9	6.7

Source: Visible Alpha

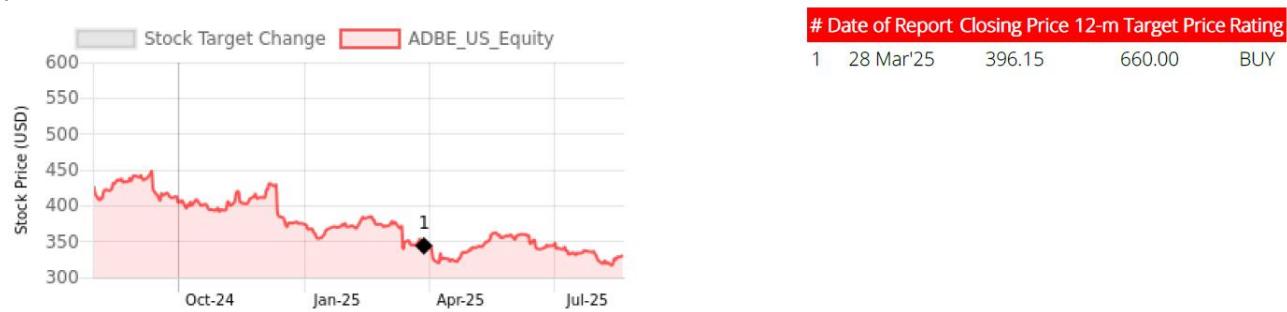
Credit & Cashflow Metrics

FY Dec	FY2022A	FY2023A	FY2024A	FY2025F	FY2026F
Debt / Equity	33.0	24.7	42.9	49.8	40.0
Net Debt / Equity	(0.1)	(0.2)	(0.1)	(0.1)	(0.3)
Debt / Assets	17.1	13.7	20.0	21.1	18.5
Net Debt / Assets	(0.1)	(0.1)	(0.1)	(0.0)	(0.2)
EBITDA / Int Exp	78.6	86.6	64.4	52.3	61.3
ST Debt / Total Debt	0.1	0.0	0.3	0.0	0.0
Debt / EBITDA	0.5	0.4	0.6	0.5	0.5
[Cash + CFO] / ST Debt	23.7	207.5	10.1	90.0	86.5
Receivables Days	42.8	41.8	35.2	34.8	34.8
Days Payable	7.9	5.9	6.1	6.0	5.7

Source: Visible Alpha

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Target Price & Ratings History



Source: DBS

Analysts: Andy YU
Sachin MITTAL

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)**FULLY VALUED** (negative total return, i.e., > -10% over the next 12 months)**SELL** (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

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DBS REGIONAL RESEARCH OFFICES

HONG KONG

DBS Bank (Hong Kong) Ltd

Contact: Dennis Lam
13th Floor One Island East,
18 Westlands Road,
Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

SINGAPORE

DBS Bank Ltd

Contact: Andy Sim
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
e-mail: groupresearch@dbs.com
Company Regn. No. 196800306E

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: William Simadiputra
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: indonesiaresearch@dbs.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
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