

# Adobe Inc.

**US CORE HOLDING\***

Recommended since 30.09.21

06.01.2025



<b>Country</b> US	<b>Market capitalization (bn)</b> USD 193,07
<b>Sector</b> Services IT	<b>Free float</b> 99,6%
<b>Factset</b> ADBE-US	<b>Closing price</b> USD 430,57
<b>ISIN</b> US00724F1012	<b>ESG Risk score*</b> 14,1 Low risk

<b>Perf. since reco. (%)</b>
Adobe Inc. -25,2
Sector 44,5



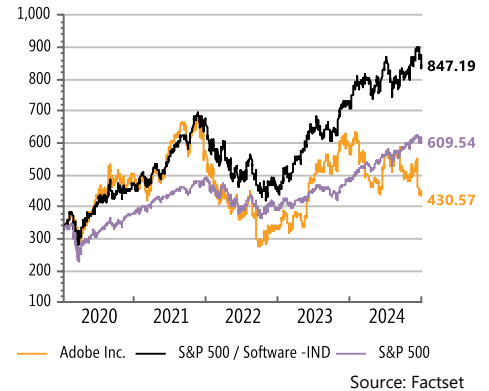
*\*From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.*

## Profile

Founded in 1982, Adobe is one of the world's largest and most diversified software companies, generating revenue of over \$19,4bn in FY 2023. Its products are ubiquitous in the internet age: graphic design, photo and video editing, animation, document design, printing, publishing, mobile applications and even e-commerce. The business is structured into three segments: Digital Media, Digital Experience and Publishing & Advertising. The group's flagship products are Photoshop, Acrobat, InDesign and Illustrator.

## Market - competition - positions - barriers to entry

Adobe boasts strong brand recognition and industry-leading creative offerings. Its increasing integration into collaborative environments further strengthens its influence in the digital market. To maintain its leadership amid growing competition, the company must stay at the forefront of emerging technologies (VR, AI).



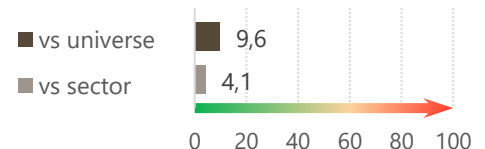
## Investment case

- Adobe has been a pioneer in cloud adoption since launching Creative Cloud in 2012, enabling a shift to a monthly subscription model that provides strong revenue visibility and recurrence. By the end of fiscal year 2023, 90% of its sales relied on subscriptions, generating around a 40% free cash flow margin. To address the growing digitalization of the economy, Adobe focuses on three divisions: Digital Media (73,2% of FY2022 revenue) including Creative Cloud and Acrobat & Document Cloud, Digital Experience (25,3% of revenue) centered on data analytics for marketing and personalization, and Publishing & Advertising (1,5% of revenue) dedicated to technical and commercial content creation.
- Adobe's total addressable market in 2024 is estimated at \$128 billion, including \$31 billion for Creative Cloud, \$13 billion for Document Cloud, and \$84 billion for Experience Cloud. As demand for digital content accelerates, the company benefits from the broad adoption of its formats (PDF, PSD, etc.) and a range of SaaS offerings covering a wide spectrum of use cases. Strategic partnerships, notably with Microsoft for electronic signatures, further expand Adobe's reach and potential for market share gains.
- To bolster its leadership, Adobe invests heavily in artificial intelligence through Adobe Sensei and emerging features like FireFly, aiming to automate and enhance both creative workflows and operational efficiency. By integrating these capabilities into its flagship software (Photoshop, Illustrator, etc.), Adobe sustains robust growth and profitability prospects, supported by its extensive cloud ecosystem, the rise of AI, and continued demand for digital solutions.

## ESG - risks and key points

- Notable key risks include fierce competition in the group's various markets and technological change: creative apps (Apple, Microsoft, Autodesk and social media), advertising (Google, Facebook) and documents (Google, Microsoft, Dropbox, DocuSign).
- The regulatory hurdles encountered during the attempted acquisition of Figma (\$20 bn) have underscored the complexity of such transactions and may limit Adobe's ability to further establish itself in the collaborative software domain.

## ESG risk vs. universe & sector (percentile)\*



Source: Sustainalytics

## Valuation\*\* in USD

Current price	<b>Value Bordier Scenario</b>
431	<b>578</b>

Our scenario assumes US 10-year yields of 3.50%, sales growth averaging 10% a year out to 2033 and growth in the EBIT margin stabilising at around 46% by 2026.

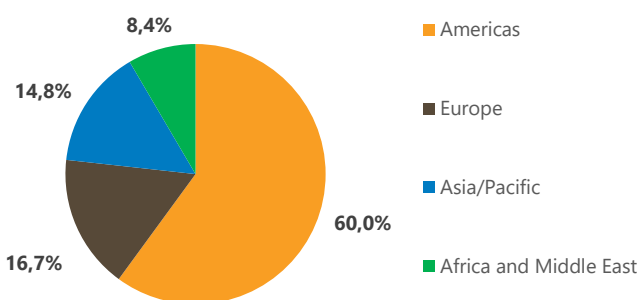
\*\* The theoretical value reflects the company's business model, our baseline growth and profit scenario and market data, exogenous to the company (risk-free rate and equity risk premium). It does not in itself constitute a target price.

"Bordier Core Holding" indicators

In millions of USD	2022	2023	2024e	2025e	2026e
Sales revenue	17 606	19 409	21 544	24 086	26 977
Sales growth %	13,0%	10,2%	11,0%	11,8%	12,0%
a/w organic	13,0%	10,2%	11,0%	11,8%	12,0%
EBIT adjusted	7 945	8 918	9 899	11 037	12 472
% of sales	45,1%	45,9%	45,9%	45,8%	46,2%
Net income	6 457	7 377	8 199	9 117	10 282
Adjusted EPS	13,71	16,07	17,86	19,86	22,40
Adjusted EPS growth	9,9%	17,2%	11,1%	11,2%	12,8%
Capex/Sales	2,8%	2,1%	2,1%	2,1%	2,0%
Free cash-flow	7 350	6 889	8 914	9 792	10 934
FCF/Sales	41,7%	35,5%	41,4%	40,7%	40,5%
Dividend per share	0,00	0,00	0,00	0,00	0,00
Dividend yield	0,0%	0,0%	0,0%	0,0%	0,0%
ROCE - WACC	44,1%	36,6%	24,5%	18,0%	14,2%
ROE (%)	46,0%	44,7%	33,2%	26,9%	23,3%
Net debt/Ebitda	-1,2%	-35,8%	-115,3%	-186,3%	-248,2%

Source: Factset, Bordier estimates

Sales breakdown - 11/2023



Ratios

	Adobe Inc.	S&P 500 Sector	S&P 500 Market
PE (x)***	2023	37,1	23,5
	2024e	24,1	25,0
	2025e	21,7	21,8
P/B (x)***	2023	15,9	4,8
	2024e	7,7	5,1
	2025e	5,6	4,6
<b>Beta (2Y, daily) vs market:</b>		1,18	

\*\*\*) The valuation ratios set out are provided for information only. They do not constitute the criteria based upon which Core Holdings are selected, and may present significant premi-ums representing the quality of the company's business model.

Governance and ownership structure

Since 2007, CEO Shantanu Narayan.

Key shareholders (if any):

The Vanguard Group 7.55% / BlackRock Fund Advisors 5.18% / Fidelity Management & Research 4.71%.

Agenda

- 13.03.2025: Earnings Q1-2025 - 12.06.2025: Earnings Q2-2025
- 23.09.2025: Earnings Q3-2025

Any special characteristics of ownership (multiple voting rights, controlling holding company, shareholders' agreements)

Glossary

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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