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Equity Research Report – **Adobe Inc.**

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Current Price: \$262.41	As of 28 th February 2026
Target Price: \$408.12	Recommendation: BUY
Upside: 55.5%	

EXECUTIVE SUMMARY

Figure 1: Summary

Source: Team Analysis

RECOMMENDATION	BUY
Valuation Date	28.02.2026
Target Price	\$ 408.1
Current Price*	\$ 262.4
Upside	% 55.5%
Market Capitalization	bn \$ 107.1
Shares Outstanding	mn 410.5
52 Week High	\$ 453.8
52 Week Low	\$ 251.1

*Closing Price as of 28.02.2026

Figure 2: S&P North America Technology & Software ETF \$ Price 6M

Source: Team Analysis | Google Finance



*-20.48% over the past 6 months

Figure 3: Adobe's Key Value Drivers

Source: Team Analysis | Company Report

Subscription Revenue Core

Primary profit engine, driving consistent sales. Represents 96% of FY2025 rev.

Capital Allocation

No short-term debt, 21% D/A ratio and a AAA synthetic credit rating. Major share buybacks upwards of 100% of FCFs

Deep Competitive Moat

Deep ecosystem integrations & high switching costs. Defending market leadership against alternatives

Native AI Features

Proprietary tools like Firefly & Acrobat AI assistant with high adoption rates

Strong Free Cashflow

Consistently high FCF margins (41.4%). Outperforming peers by 20%+

Strategic Acquisitions

Adobe strategically acquires companies to keep up with agentic AI and competition, allowing for Adobe to remain competitive

We initiate coverage of Adobe Inc. (NASDAQ: ADBE) with a **BUY** recommendation and a **12-month price target of \$408.12**, representing **55.5% upside** from the closing price of \$262.41 on February 28, 2026. Our valuation is based on a discounted cash flow analysis weighted at 100%, with confirmation from relative valuation indicating 109% upside to a median peer-based price of \$536. (Figure 1)

Adobe is a global technology leader best known for creating the industry-standard tools for digital creativity, such as **Photoshop** and the **PDF** format. Beyond creative work, Adobe also offers **enterprise-grade solutions** for electronic signatures and data analytics, helping businesses **automate their entire digital workflow**.

THESIS 1 – EXPLOITING THE SOFTWARE DE-RATING

Adobe is currently a victim of an extremely broad sector-wide sell-off affecting the whole SaaS industry. While the market has heavily discounted such companies on **fear of AI substitution**, as highlighted in Goldman Sachs' February 2026 research, Adobe's fundamentals and numbers suggest that this fear is decoupled from reality.

Market Mispricing: According to Goldman's findings, the recent software rout, with the **sector around 20% down YTD** (Figure 2), reflects a shift in sentiments towards **heavy asset, low obsolescence** (HALO) stocks rather than a deterioration in software earnings. **Valuation Gap:** Currently, Adobe is trading at a significant discount when compared with peers across all metrics. Most notably, **EV/EBITDA of 11.3x** vs. peer median of **18.7x**. **Fundamental Resilience:** Unlike at-risk SaaS firms, Adobe has maintained a **41.4% FCF margin** (Figure 27) and a **57.3% ROIC** (Figure 31) throughout the fiscal year of 2025. This creates a valuation spring where any evidence of sustained AI monetization will likely trigger a rapid upward re-rating towards the **target price of \$408.12**.

THESIS 2 – THE GENERATIVE AI MOAT EXPANDER

Generative AI is not a threat to Adobe. It is a **defensive and offensive moat** that increases user stickiness and average revenue per user (ARPU). **Enterprise Safety:** Large corporations cannot rely on open-source or generic AI due to copyright and legal risks. Adobe's Firefly is trained on licensed data and offers legal indemnification, making it a **unique and viable choice** for Fortune 500 companies.

Monetization Success: Approximately **90% of Adobe's top 50 clients have adopted** Firefly or GenStudio. This has led to a **4x increase in content volume** for these clients, pivoting Adobe from a per-seat model to a more lucrative **consumption-based monetization** (Figure 20). **Increased Switching Costs:** By embedding AI natively into Photoshop, Illustrator, and Premiere Pro, Adobe has made the cost of switching to an AI-only competitor **prohibitively high** for professional workflows.

THESIS 3 – THE CREATIVE INTEGRATION

Adobe is the only player that successfully bridges the gap between **content creation/digital media**, and **content activation/experience cloud**. This creates a **creative supply chain** that competitors like Salesforce or Canva cannot easily replicate.

The Synergistic Flywheel: The **integration of Semrush** (Figure 6), expected to close 2026, and the **rise of autonomous marketing agents** allows users to create an asset in creative cloud and instantly deploy/optimize it via the experience cloud. **Experience Cloud Dominance:** Digital Experience Revenue grew to **\$5.8 billion** in FY2025 (Figure 5). By linking the creation of an asset to its real-time performance, Adobe captures the entire enterprise marketing spend. **Efficiency Gains:** Enterprises using Adobe GenStudio report **75% faster production speeds** (Figure 20). In a high inflation, margin-conscious environment, this productivity gain makes Adobe an essential utility rather than a discretionary expense.

BUSINESS DESCRIPTION

Figure 4: Revenue per Segment

Source: Team Analysis | FY2025 Rev

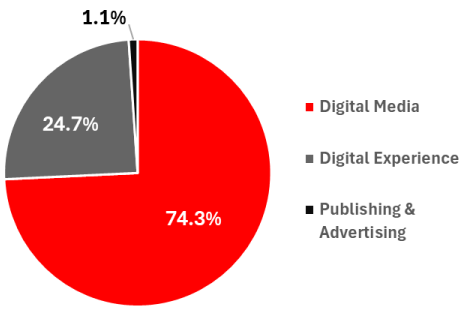


Figure 5: Historical Revenue Mix

Source: Team Analysis

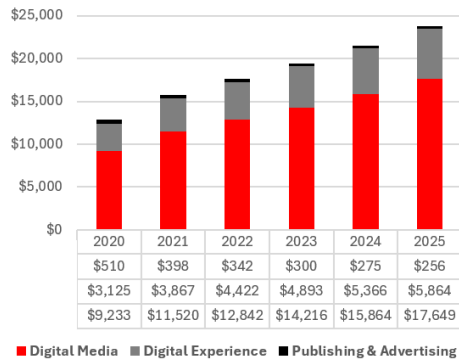


Figure 6: Adobe's Acquisition History

Workfront \$1.5B Nov. 2020	Frame.io \$1.275B Oct. 2021	ContentCal Undisclosed Dec. 2021
Abstract Undisclosed Dec. 2021	Figma (Blocked) \$20B Dec. 2023	Rephrase ai Undisclosed 2023
Film Impact Undisclosed Sep. 2025	Semrush \$1.9B Nov. 2025	Source: Team Analysis Adobe Newsroom

Figure 7: Geographic Revenue Mix

Source: Team Analysis

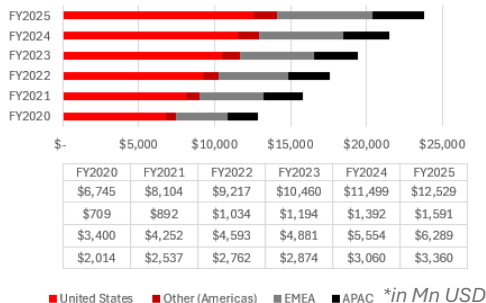


Figure 8: Customer Segment Subscription Revenue Mix

Source: Company Report

Customer Group	2025 (\$M)	2024 (\$M)	2023 (\$M)
Creative & Marketing Professionals	\$16,303	\$14,749	\$13,425
Business Professionals & Consumers	\$6,495	\$5,662	\$4,744
Total DM & DE Revenue	\$22,798	\$20,411	\$18,169

Founded in 1982 by John Warnock and Charles Geschke, Adobe Inc. (NASDAQ: ADBE) evolved from pioneering the PDF standard and building the creative industry's toolset into one of the most successful SaaS transitions in enterprise software history. Renowned for industry-leading margins, robust free cash flow, and an aggressive share buyback program, Adobe today stands as a **mega-cap constituent of the S&P 100 and NASDAQ-100**.

BUSINESS MODEL

Adobe operates a **subscription-based SaaS** model across three reportable segments, generating a **revenue mix that is overwhelmingly recurring in nature** and provides strong visibility into forward earnings.

- Digital Media** is Adobe's flagship segment and primary profit engine, contributing **74.3% of total revenue in FY2025 (\$17.6 Billion)** (Figure 5) with consistent double digit YoY growth since FY2020. It houses both the **Creative Cloud and Document Cloud**. Creative Cloud encompasses the industry-standard creative suite including **Photoshop, Illustrator, Premiere Pro, After Effects, and InDesign**, serving creative professionals, enterprises, social media creators, and consumers across image editing, video production, and graphic design workflows. Adobe has recently embedded its proprietary **generative AI models under the Firefly brand** natively across these applications, deepening product value and **reinforcing switching costs**. Document Cloud, also within this segment, centers on **Acrobat and Adobe Sign** for PDF creation, editing, and e-signatures, serving both individuals and enterprises seeking to digitize document workflows.
- Digital Experience** is Adobe's enterprise-facing segment, offering an integrated platform of marketing and commerce tools including **Adobe Analytics, Target, and Experience Manager**. The segment generated **24.7% of revenue in FY2025 (\$5.8 Billion)** (Figure 5) mainly serving marketers, brand managers, data analysts, and C-suite executives seeking to manage, personalize, and optimize the full customer journey. **Sold primarily through multi-year enterprise contracts**, this segment competes with Salesforce and Oracle in the broader marketing technology landscape.
- Publishing and Advertising** is Adobe's smallest and most mature segment, containing legacy products across **eLearning, technical publishing, web conferencing, and Adobe Advertising**. This segment is not a growth driver accounting for only **1.1% of total revenue in 2025** (Figure 4) with consistent negative YoY growth since FY2020 and, is best understood as a collection of heritage offerings that Adobe continues to maintain.

GEOGRAPHIC MIX

Adobe generates revenue across **four geographic regions**, with the United States remaining the dominant market throughout the period. In FY2025, **the US accounted for 52.7% of total revenue at \$12.5bn**, (Figure 7) a share that has remained broadly stable since FY2020. **EMEA is the second largest region, contributing \$6.3bn** (Figure 7) or roughly 26% of total revenue in FY2025, while **APAC contributed \$3.4bn** (Figure 7) at approximately 14%. The remaining Americas markets accounted for \$1.6bn or around 7%. All four regions have grown consistently over the period, with total revenue nearly doubling from \$12.9bn in FY2020 to \$23.8bn in FY2025.

CUSTOMER MIX

Adobe serves **two primary customer groups** across its Digital Media and Digital Experience segments. "**Creative and Marketing Professionals**", the larger cohort at **\$16.3bn in FY2025** subscription revenue (Figure 8), require comprehensive, AI-enabled solutions for high-volume content creation, served through flagship **Creative Cloud applications** such as Photoshop, Illustrator, and Lightroom alongside Experience Cloud offerings and newer generative AI tools including **Firefly and GenStudio**. "**Business Professionals and Consumers**", contributing \$6.5bn (Figure 8), seek accessible web and mobile applications with intuitive AI capabilities, primarily served through **Acrobat and Adobe Express**.

INDUSTRY OVERVIEW

Figure 9: Global E-Signature Market Size

Source: Fortune Business Insights

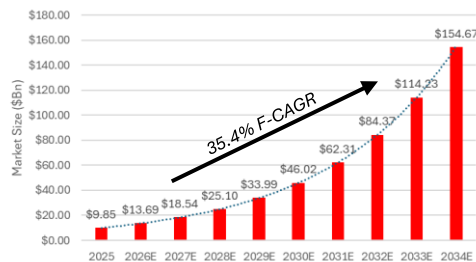


Figure 10: Average Marketing Budget as a % of Total Revenue

Source: Gartner

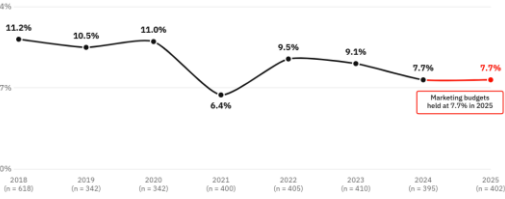


Figure 11: FY2025 Geographic Revenue Mix

Source: Team Analysis | Company Report

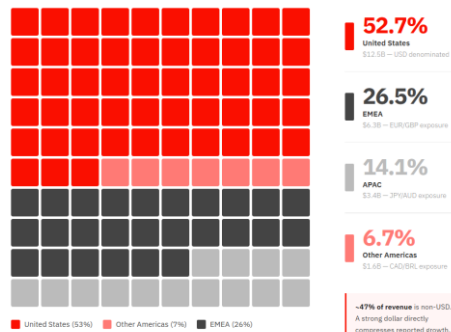


Figure 12: Work Locations for U.S. Employees With Remote-Capable Jobs

Source: Gallup

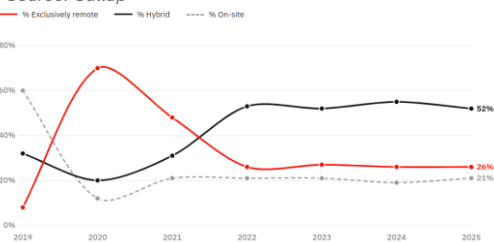


Figure 13: Data Sovereignty & Digital Policy Regulatory Burden by Region across 3 Key Dimensions

Sources: EU GDPR / eIDAS 2.0 | China PIPL / CAC regulations | Saudi Arabia PDPL | India DPDP Act 2023 | UK DPDI Bill | US USMCA / ESIGN Act | EU AI Act 2024



Adobe is in the **global application software industry**, specializing in systems and subscriptions software (Annex 4). We define Adobe's industry as the '**Global Digital Content Creation & Customer Experience (CX) Software Industry**'.

The industry landscape for Adobe in 2026 is defined by a paradoxical shift. While the demand for digital content has reached an all-time high with a forecasted CAGR of 13.8% till 2034, the traditional barriers to creating that content have never been lower. This dynamic has fundamentally altered the competitive forces acting upon the company. (Annex 5)

MARKET DYNAMICS

POLITICAL

- Data sovereignty & digital policy:** Governments increasingly regulate where data can be stored and processed (EU, China, Middle East). This raises compliance costs for global SaaS vendors but favors scaled incumbents that can localize infrastructure.
- Public sector digitization:** Governments are increasingly adopting digital documents, e-signatures, and automated workflows. This shift is materially expanding demand for digital signature solutions, with the global e-signature market projected to grow from roughly **\$5-6 billion today to over \$150 billion by 2034** (Figure 9), driven by regulatory acceptance and ongoing public-sector modernization.

ECONOMIC

- IT budget cyclicality:** Creative and marketing spend is **discretionary**, making the industry somewhat sensitive to enterprise and SMB budget tightening during economic slowdowns (Figure 10).
- Subscription resilience:** High recurring revenue and mission-critical workflows provide earnings durability vs. cyclical software peers.
- FX exposure:** Significant revenue outside the U.S (Figure 11). i.e. currency volatility impacts reported growth. U.S. dollar volatility under Trump may affect reported revenue given Adobe's significant international exposure..

SOCIAL

- Creator economy growth:** Explosion of digital creators, social media, video, and content marketing expands the industry's TAM.
- Remote & hybrid work:** Sustains demand for cloud-based collaboration, PDFs, e-signatures, and digital workflows due to increasing trend of remote/hybrid work (Figure 12).
- Democratization of creativity:** Rise of non-professional creators expands the market but introduces **down-market competitive pressure**. I.e. Design literacy becoming mainstream increases competition from simpler tools like Canva.

TECHNOLOGICAL

- Generative AI disruption:** Rapid advances in generative AI are reshaping creative workflows, lowering skill barriers, and accelerating product innovation cycles. This introduces both opportunity and risk, including potential shifts toward usage-based pricing models.
- Cloud-native development:** Browser-based, collaborative-first tools enable faster iteration and lower distribution costs, intensifying competition and reducing switching frictions for users.
- Platform vs. point-solution dynamics:** Vendors must choose between broad, integrated platforms and best-in-class point solutions, with technology driving frequent changes in competitive advantage.

ECOLOGICAL

- Low direct environmental exposure:** Software-based business models have limited physical environmental impact compared to hardware or industrial sectors.
- Cloud infrastructure sustainability:** Growing scrutiny of data center energy usage and emissions indirectly affects the industry through reliance on third-party cloud providers.

LEGAL (Figure 13)

- Intellectual property and copyright:** Creative software providers face increasing legal complexity around content ownership, licensing, and AI training data, particularly as generative tools proliferate.
- Privacy and data protection laws:** Regulations such as GDPR and CCPA increase compliance costs but also raise barriers to entry, favoring vendors with robust legal and compliance capabilities.

Figure 14: Competitive Positioning | Adobe vs. Peers

Source: Team Analysis

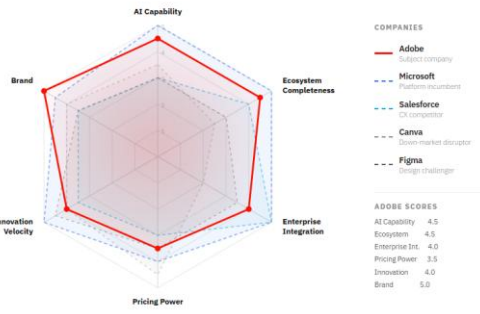


Figure 15: Porter's 5 Forces Summary

Source: Team Analysis

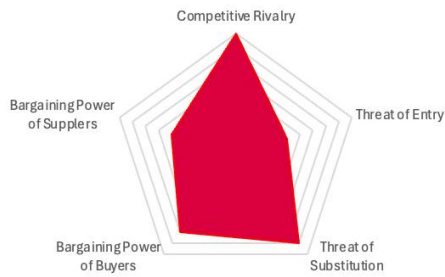


Figure 16: SaaS Industry Average R&D Investment

Source: Team Analysis | Gartner | IDC | Zyto | BVP Cloud Indices

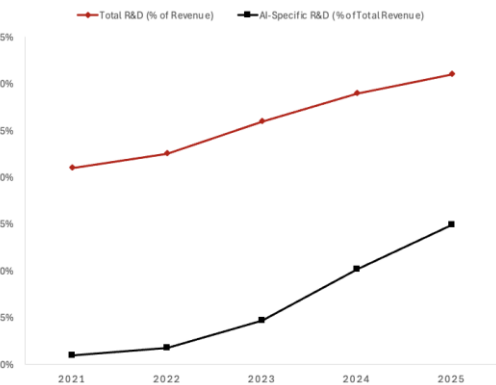


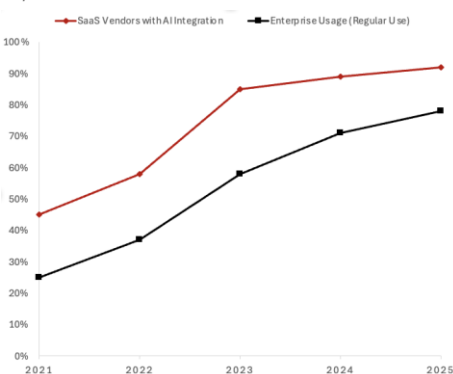
Figure 17: Regulatory Snapshot

Source: Team Analysis | Company Report

Focus Area	AI Transparency	Data Sovereignty	Climate/Audit
Regulation	EU AI Act	GDPR/Data Act	CSRD/SEC
Max Potential Penalty	7% of Global Turnover	4% of Global Revenue	Varies (Licence Revocation)

Figure 18: Global AI Integration in SaaS Adoption

Source: Team Analysis | Gartner | IDC | Gitnux Market Reports



INDUSTRY FORCES

COMPETITIVE RIVALRY - HIGH

Competitive rivalry is high and increasingly centered on ecosystem-level competition rather than individual tools. As AI-driven convergence collapses marketing, analytics, and workflow software into an integrated content supply chain, competition has shifted from feature differentiation to platform-scale execution. Leading incumbents compete primarily on ecosystem completeness, depth of integration, and their ability to orchestrate end-to-end workflows.

Despite an oligopolistic market structure, rivalry remains intense due to overlapping product roadmaps and rapid innovation cycles. File formats, embedded workflows, and organizational adoption create meaningful switching frictions, which moderate price-based competition and help sustain industry profitability even as rivalry intensifies.

High fixed costs in AI R&D (Figure 16), cloud infrastructure, and ecosystem investment, combined with near-zero marginal costs, incentivize continuous feature expansion, bundling, and aggressive roadmap execution. Significant exit barriers arising from sunk investments in said infrastructure further reinforce competitive intensity, as incumbents are structurally incentivized to defend share rather than exit. While rivalry is high in innovation spend and strategic positioning, it is less destructive in pricing due to disciplined competition among scaled incumbents and enterprise lock-in.

THREAT OF ENTRY - MEDIUM

The threat of new entrants in the digital content and experience industry is moderate and structurally bifurcated. Technological advances such as AI have lowered barriers to entry for launching new creative and marketing tools, particularly at the prosumer and SMB level. This enables small teams to introduce feature-rich products with limited upfront capital. This dynamic contributes to ongoing feature-level fragmentation and localized price pressure but does not meaningfully undermine the position of scaled platform incumbents.

In contrast, barriers to entry at the enterprise platform level remain high and continue to rise. Competing for global enterprise customers requires significant scale, deep workflow integration across content creation and activation, global sales and support capabilities, and long-term operational credibility. Regulatory and compliance requirements related to data security, privacy, and AI governance (Figure 17) create additional hurdles, as enterprise buyers increasingly demand formal certifications, and enforceable safeguards.

Entrenched incumbents such as Adobe further benefit from switching costs embedded in proprietary file formats, accumulated content archives, organizational training, and deeply integrated workflows. As a result, while entry at the tool and feature level is frequent and persistent, meaningful entry into the core enterprise profit pool remains constrained, reinforcing the durability of incumbent platforms' revenue and margins.

THREAT OF SUBSTITUTES - HIGH

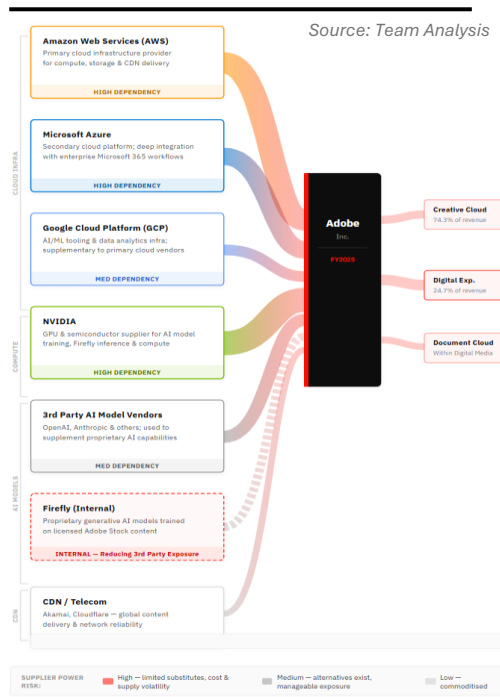
The threat of substitutes in the digital content and experience industry is rising, driven primarily by AI-enabled workflows rather than direct competitor software (Figure 18). Generative AI platforms, automated content engines, and low-cost tools increasingly perform specific content production tasks without reliance on professional creative software, particularly where speed and scale matter more than manual control.

Substitution pressure is highest for high-volume, low-stakes, and mid-market use cases, where automated solutions can meet functional requirements at lower cost and with fewer licenses. By contrast, substitution remains limited for brand-critical, regulated, and complex enterprise workflows that require governance, collaboration, and quality control. The primary impact of substitutes is sustained pressure on pricing models and seat expansion rather than immediate displacement of enterprise platforms, shifting differentiation toward integrated workflows, data, and ecosystem lock-in.

BARGAINING POWER OF BUYERS - HIGH

Buyer power in the digital content and experience industry has increased materially, driven by AI-enabled productivity gains and the concentration of spend among large enterprises and agencies. Automation allows organizations to produce more content with fewer licenses, weakening the traditional per-seat pricing model and giving buyers greater leverage to negotiate flexible, outcome-based, or hybrid pricing structures.

Figure 19: Industry Supplier Dependency Map



While **switching costs** remain meaningful at the workflow and organizational level, functional capabilities at the tool level are increasingly standardized, improving buyers' negotiating position. Large customers further amplify their influence through vendor consolidation, sophisticated procurement processes, and the ability to supplement commercial software with **in-house or AI-driven solutions**. As a result, buyers exert sustained pressure on pricing, contract terms, and roadmap prioritization, increasing competitive intensity **without fully eliminating incumbent platform advantages**.

BARGAINING POWER OF SUPPLIERS - MEDIUM

Supplier power in the digital content and experience industry (Figure 19) has increased with the shift toward **AI-driven, cloud-intensive workflows**. Key suppliers include cloud infrastructure providers, GPU and semiconductor manufacturers, and select AI technology vendors, many of which are concentrated and exert **influence over input availability and pricing**. Dependence on high-performance computing introduces cost volatility, particularly through usage-based cloud pricing and periodic hardware constraints.

However, supplier power is moderated for large incumbents by scale advantages, multi-cloud strategies, long-term contracts, and the ability to develop or fine-tune models in-house. While these dynamics pressure margins and **increase operational complexity**, they do not confer sustained strategic control to suppliers. As a result, supplier power primarily affects **cost variability and capital allocation** rather than long-term competitive positioning.

COMPETITIVE LANDSCAPE

Figure 20: Adobe GenStudio Statistics

Source: Team Analysis | Company Report

Metric	Data Point	Context
Enterprise Penetration	~90%	Percentage of Adobe's top 50 clients that have adopted GenStudio or Firefly.
Financial Growth	>25% YoY	ARR growth for the GenStudio product line exiting FY2025.
Production Speed	75% Faster	Average time to market for creative assets, dropping from 3 weeks to 3 days.
Content Volume	4x Increase	Content variations produced per campaign compared to pre-GenStudio.
User Efficiency	76%	Organizations reporting "moderate to significant" improvements.

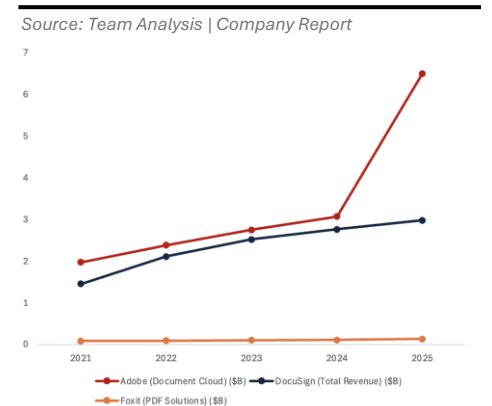
CREATIVE CLOUD'S SCALE-BASED MOAT

The **Creative Cloud** is positioned as one of the main professional-grade ecosystems that offers IP-safe generative AI, a critical differentiator from the scrapped models of competitors like Midjourney or Flux. While the industry analysis highlighted the high threat of substitutes like Canva and Google's Nano Banana Pro, Adobe defends its moat by offering full **legal indemnification** to Fortune 500 clients, a requirement that low-cost startups currently cannot meet. The segment's primary future threat remains "seat-count compression" from AI efficiency. However, Adobe is converting this into an opportunity by pivoting toward **consumption-based monetization and Adobe GenStudio** (Figure 20), which automates high-volume performance marketing tasks that were previously too manual for the core creative suite to capture.

DOCUMENT CLOUD'S AI PIVOT

Document Cloud has moved beyond the "PDF utility" classification to become an AI-powered productivity engine for knowledge workers. While it faces intense pressure from larger firms, as established in the industry analysis, Adobe positions Acrobat as a platform-neutral "universal language" that lives outside the Windows silo, dominating fellow specialists (Figure 21). The competitive advantage here is the **Acrobat AI Assistant**, which has successfully transformed static documents into searchable knowledge hubs. The future opportunity lies in the transition to **intelligent insights**, where the platform moves from simple e-signatures to auditing thousands of contracts autonomously, allowing Adobe to maintain high Net Revenue Retention (NRR) even as basic PDF editing becomes a commoditized feature in free office suites.

Figure 21: Document Cloud Revenue Peer Comparison



EXPERIENCE CLOUD'S UNIQUE INTEGRATION

In the **Experience Cloud**, Adobe is positioned as the content-to-commerce leader, fighting a direct war for the enterprise with Salesforce and Oracle (Figure 22). While rivals focus on the customer relationship management record, Adobe leverages its dominance in the Creative Cloud to position itself as the unique provider that can link the *creation* of an asset to its *real-time performance*. The recent announcement of the **integration of Semrush** is forecasted to provide a unique competitive edge by embedding marketing visibility and SEO insights directly into the workflow. The major future opportunity for this segment is the shift from autopilots to **autonomous marketing agents**, which allows enterprise clients to bypass traditional agency costs by using Adobe's platform to plan, execute, and optimize global campaigns at a speed that standalone competitors cannot match.

Figure 22: Experience Cloud Peer Differentiator

Source: Team Analysis | Company Report

Feature	Adobe Experience Cloud	Salesforce Data Cloud	Oracle Advertising & CX
Identity Moat	Anonymous web data	CRM data	Back-office/ERP data
Real-Time Speed	Sub-second (Native streaming)	Minutes to Hours (Metadata-driven)	Batch-focused (Database-driven)

FINANCIAL ANALYSIS

Figure 23: Key Financials

Source: Team Analysis

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
DuPont Analysis											
Gross Margin	86.6%	88.2%	87.7%	87.9%	89.0%	89.3%	88.4%	88.4%	88.9%	89.4%	89.6%
EBIT Margin	32.9%	36.8%	34.6%	34.3%	31.3%	36.6%	31.6%	33.6%	37.2%	38.2%	38.7%
EBITDA Margin	38.8%	41.7%	39.5%	38.8%	35.3%	40.1%	35.0%	36.9%	40.5%	41.6%	42.1%
Net Margin	40.9%	30.5%	27.0%	28.0%	25.9%	30.0%	25.8%	27.4%	30.3%	31.2%	31.5%
FCF Margin	41.2%	43.6%	42.0%	35.8%	36.6%	41.4%	35.6%	40.0%	41.7%	43.5%	42.9%
Asset Turnover	0.53x	0.61x	0.65x	0.68x	0.72x	0.80x	0.92x	1.03x	1.07x	1.07x	1.07x
Return on Equity (ROE)	39.7%	34.4%	33.0%	35.5%	36.3%	55.4%	62.6%	79.6%	88.6%	85.0%	80.5%
Return on Assets (ROA)	21.7%	18.7%	17.5%	19.1%	18.5%	23.9%	23.6%	28.2%	32.4%	33.4%	33.8%
Return on Inv. Capital (ROIC)	41.4%	32.5%	34.6%	40.8%	44.6%	57.3%	59.4%	68.1%	83.8%	106.6%	127.4%
FCF Return on Equity	22.6%	28.6%	32.0%	30.9%	34.2%	45.1%	47.9%	57.0%	63.5%	65.5%	65.2%
Liquidity											
Current Ratio	1.48x	1.25x	1.11x	1.34x	1.07x	1.00x	0.80x	0.80x	0.94x	1.08x	1.23x
Quick Ratio	1.34x	1.11x	1.00x	1.22x	0.95x	0.88x	0.68x	0.68x	0.83x	0.97x	1.13x
Cash Flow Quality											
FCF Conversion (FCF / Net Income)	100.9%	142.7%	155.5%	127.9%	141.6%	138.2%	138.1%	146.1%	137.7%	139.5%	136.0%
Quality of Earnings (CFO / Net Income)	108.9%	149.9%	164.8%	134.5%	144.9%	140.7%	143.9%	151.2%	142.0%	143.4%	139.8%
FCF / EBITDA	106.3%	104.4%	106.4%	92.3%	103.6%	103.4%	101.8%	108.4%	103.2%	104.6%	101.8%
Leverage & Solvency											
Total Debt / Equity	0.31x	0.28x	0.26x	0.22x	0.29x	0.53x	0.59x	0.56x	0.46x	0.38x	0.31x
Net Debt / EBITDA	(0.07x)	0.04x	(0.09x)	(0.47x)	(0.46x)	0.08x	0.16x	0.16x	(0.02x)	(0.24x)	(0.41x)
Equity / Total Assets	54.6%	54.3%	51.7%	55.5%	46.7%	39.4%	35.8%	34.9%	38.1%	40.4%	43.5%
Total Debt / Total Assets	17.0%	15.1%	13.4%	12.2%	13.7%	21.1%	21.3%	19.7%	17.3%	15.2%	13.4%

OVERALL ASSESSMENT

Adobe exhibits **one of the strongest financial profiles** in the global software sector. In FY2025, Adobe generated an FCF margin of 41.4% (Figure 27), materially ahead of Microsoft (25%), Salesforce (32%), and Workday (24%), placing it in a select group of cash-generative enterprise software franchises. The company combines **predictable recurring revenue, strong operating leverage, and exceptional free cash flow generation with disciplined capital allocation**, reflected in an **ROIC of 57.3%** in FY2025 (Figure 31). Our forecasts indicate the company can sustain high-single-digit revenue growth through FY2030, with EBIT margins recovering from a near-term AI investment trough of **31.6%** in FY2026 toward **38.7%** by FY2030 (Figure 23), and free cash flow expanding from \$9.85B in FY2025 to \$15.6B, a **58% cumulative increase** (Figure 23) driven by operating leverage on a near-fixed cost base. This financial profile supports Adobe's positioning as a **durable long-term compounder** with strong earnings visibility and significant capacity to reinvest in innovation while continuing to return capital to shareholders.

Figure 24: Revenue Mix & Growth

Source: Team Analysis

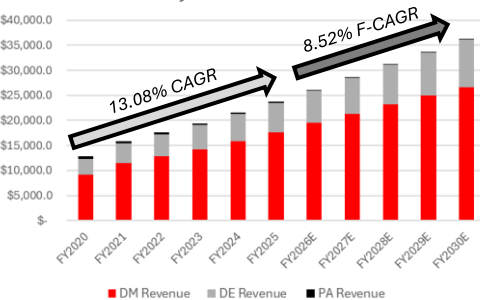


Figure 25: Capital Return Evolution

Source: Team Analysis

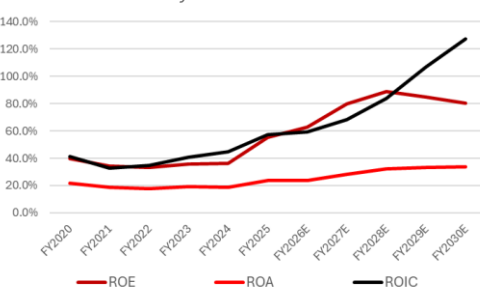


Figure 26: Capital Return Growth Rates

Avg Growth Rate FY2020-30

ROE	8.7%
ROA	5.2%
ROIC	12.9%

REVENUE DYNAMICS & BUSINESS MIX

Adobe has transitioned from a high-growth software provider to a durable compounder, with revenue growing from \$19.4B in FY2023 to \$23.8B in FY2025 and forecast to reach \$36.3B by FY2030, implying a **high-single-digit forward CAGR**. Revenue quality is exceptional with **subscription revenue representing 96%** of total sales, with deferred revenue balances providing strong forward visibility. Profitability is industry-leading. **Gross margins of 89%** (Figure 23) in FY2025 reflect a highly scalable infrastructure, though EBIT margins will temporarily compress to 31.6% in FY2026 (Figure 23) as AI-related R&D and sales investments ramp, before recovering to 38.7% by FY2030 (Figure 23) as operating leverage reasserts. **Net margins remain structurally anchored near 30%** (Figure 23). Digital Media (75% of revenue) remains the primary earnings driver while Digital Experience (25%) and Legacy publishing stays immaterial to long-term valuation.

DUPONT DECOMPOSITION ANALYSIS

The DuPont decomposition illustrates that **Adobe's rising ROE is driven primarily by strong net margins and the equity multiplier effect** from sustained share repurchases, rather than increased financial risk. Net margins of 30% in FY2025, among the **highest in enterprise software**, remain the core profitability driver, supported by high gross margins and operating leverage. ROA expanding from 23.9% in FY2025 to 33.8% by FY2030 (Figure 25) confirms that **asset productivity is genuinely improving independently of the leverage effect**, while asset turnover reaches 1.07x by FY2030 (Figure 23) within the asset-light SaaS model. **ROE increases** from 55.4% in FY2025 to a **projected peak of 88.6% in FY2028** (Figure 25) before moderating as buyback intensity normalizes, confirming return expansion is structurally supported by operating strength rather than excessive leverage. ROIC of 57.3% in FY2025 (Figure 25), **expanding materially through the forecast period**,

Figure 27: Free Cash Flow Generation

Source: Team Analysis

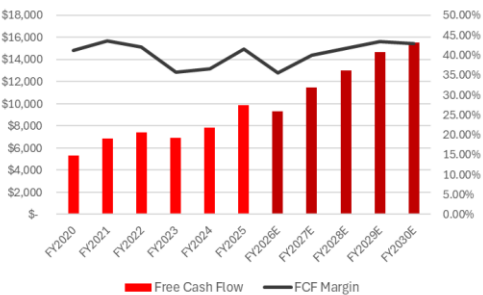


Figure 28: Peer FCF Margin

Source: Team Analysis

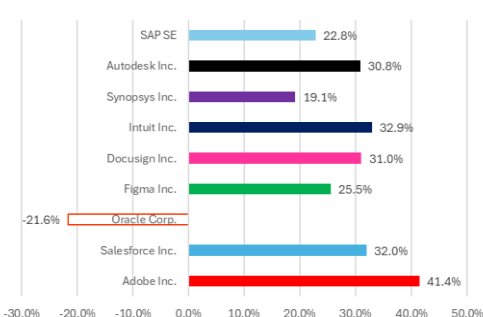


Figure 29: FY2025 Debt Profile (ADBE)

Source: Team Analysis

Metric	FY2025
Debt Ratio	21.1%
Net Debt / EBITDA	0.08x

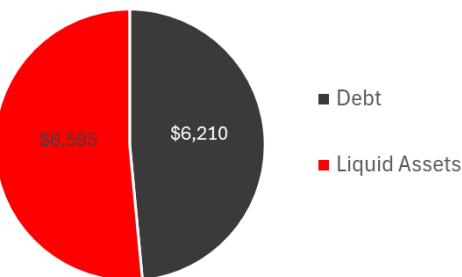


Figure 30: Share Repurchase & Comp

Source: Team Analysis

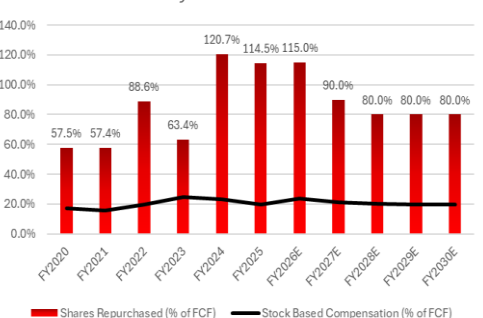
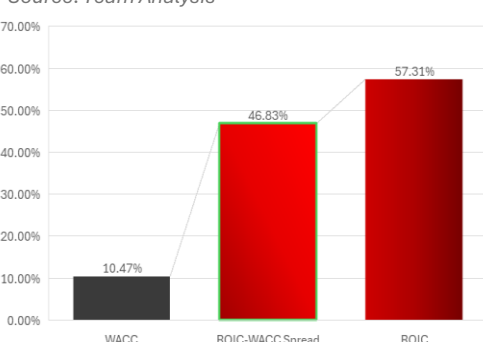


Figure 31: FY2025 ROIC-WACC Spread

Source: Team Analysis



further reinforces that capital deployment generates returns well in excess of Adobe's cost of capital.

CASH FLOW AND EARNINGS QUALITY

Adobe's cash flow generation remains a **defining strength** when compared to peers (Figure 28). Operating cash flow **exceeded \$10B in FY2025**, while free cash flow reached \$9.85B, (Figure 27) **corresponding to an FCF margin of 41%**, (Figure 23) **outperforming peers by an average of 20%**. Free cash flow consistently exceeds net income, **with conversion ratios above 1.3x** across both the historical and forecast period, reflecting favorable working capital dynamics underpinned by recurring subscription billing structures, significant deferred revenue inflows, and minimal capital intensity. **CapEx remains modest at 1–1.5% of revenue** through the forecast period, preserving Adobe's structurally high cash conversion. **We forecast a modest 6% decline in FCF during FY2026**, reflecting elevated sales and marketing investments as the company competes with firms implementing AI capabilities and accelerates client adoption of Firefly and future AI integrations. This near-term pressure proves temporary. **Our projections show free cash flow expanding to \$15.5B by FY2030** (Figure 27), underpinned by sustained revenue growth and operating margin recovery as AI investments mature. This trajectory enables **substantial discretionary capital deployment** through share repurchases and strategic reinvestment while preserving balance sheet strength.

DEBT & CAPITAL ALLOCATION

Debt Structure: Adobe maintains a **near net-cash position**, with \$6.6B in liquid assets offsetting \$6.2B in long-term debt as of FY2025, **resulting in a Net Debt/EBITDA of just 0.08x** (Figure 29). The company carries **no short-term debt** and is not expected to issue new debt through FY2030, with scheduled long-term repayments declining from \$340M in FY2026 to \$260M by FY2030 representing the only debt service activity in our model. **Interest coverage remains extremely strong**, and the **combination of minimal leverage and robust FCF generation** provides **significant financial flexibility** and insulation from credit market volatility.

Share Repurchase Program & Stock-Based Compensation: Share repurchases remain Adobe's **primary capital return mechanism**; the company has **never paid a dividend**. \$11.2B of stock was repurchased in FY2025, representing **115% of free cash flow** (Figure 30), driven by the company's **\$25B repurchase program** and reflecting management's **confidence in long-term intrinsic value**. Buybacks are modelled to remain elevated through FY2026, supporting further equity base compression and ROE expansion, before moderating as the program matures. **Stock-based compensation runs at 8–9% of revenue historically**, partially offsetting repurchase activity on a gross dilution basis, though net share count reduction remains a consistent and meaningful contributor to EPS growth.

RETURNS ON CAPITAL

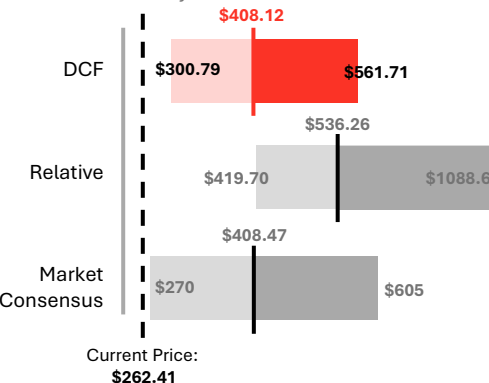
Adobe **generates exceptional returns on capital**, reflecting **strong margins** and an **asset-light business model**. ROIC reached 57.3% in FY2025 (Figure 31), and is forecast to expand materially through the forecast period, as rising NOPAT compounds against a shrinking invested capital base **driven by sustained buyback activity**. Against a WACC of 10.48%, **the ROIC-WACC spread of 46.8%** (Figure 31), **in FY2025 is one of the widest in global enterprise software**, and widens further through the forecast horizon. ROE of 55.4% in FY2025 and ROA of 23.9% (Figure 23), **both expanding materially** through FY2030 confirming that return improvement is broad-based rather than leverage-driven, with asset productivity genuinely improving as revenue compounds on a relatively stable and low-intensity asset base.

The substantial and widening ROIC-WACC spread confirms consistent economic value creation across the forecast horizon. The subscription model's operating leverage means each incremental revenue dollar generates a disproportionate increment in NOPAT, sustaining the spread even as absolute ROIC levels normalize post-peak. This structural value creation dynamic **is the primary analytical justification for Adobe's premium valuation positioning relative to software peers.**

Valuation

Figure 32: Valuation Football Field

Source: Team Analysis



We issue a **BUY** recommendation for ADBE based on a rigorous valuation analysis using **two different approaches**, a DCF and relative valuation, to arrive at a **12-month target price of \$408.12 per share** (Figure 32), a **55.5% upside** from ADBE's closing price of 262.41 on February 28th, 2026. Our methodology assigns a **weighting of 100% on our DCF approach** due to its superior ability to capture the company's long-term intrinsic value through detailed cash flow forecasts, operational insights, and financial projections, and the relative differences and complexity of the software industry. Our other approach alongside a market consensus also **confirms our buy** recommendation for ADBE.

DCF VALUATION - \$408.12

Revenue: Multi-segment growth driven by AI monetization and strategic M&A

Digital Media (74.3% of 2025 revenue): We forecast revenue growth decelerating from 10.5% in 2026 to 7.0% by 2030 (Figure 33, Annex 1), **reaching \$26.7B**. Key drivers include: a) sustained adoption of Firefly generative AI across Creative Cloud, driving both user acquisition and ARPU expansion; b) Acrobat AI Assistant penetration among enterprise customers; and c) market maturation offsetting AI-driven tailwinds in later forecast years. Our projections reflect the reality that Digital Media is Adobe's largest but most mature segment, where AI represents an incremental growth driver rather than a fundamental reacceleration.

Digital Experience (25% of 2025 revenue): We project more robust growth of 8.8%–11.2% through 2027, moderating to 9.5% by 2030 (Figure 33, Annex 1), **reaching \$9.5B**. The **Semrush acquisition**, set to close in 2026, provides a full-year revenue tailwind and meaningful cross-sell opportunities starting in 2026, particularly in SEO-integrated marketing workflows. Beyond M&A, organic growth stems from Experience Cloud's expanding enterprise footprint and GenStudio's workflow consolidation capabilities.

Publishing and Advertising (1% of 2025 revenue): This legacy segment continues its secular decline, contracting at an accelerating rate from -6% in 2026 to -22% by 2030 (Figure 33, Annex 1), **reaching \$129M**. By 2030, this segment is **essentially negligible** as legacy contracts have been exited or migrated to Experience Cloud offerings.

Gross Margins: We project stable Digital Media gross margins around 95.0%–95.9% (Figure 34, Annex 1) as AI-driven COGS remain contained through cloud infrastructure efficiencies. Digital Experience margins expand from 69% in 2026 to 72% by 2030 (Figure 34, Annex 1), reflecting operational leverage from the Semrush integration and Adobe's shift toward higher-margin Experience Cloud modules. Blended gross margins stabilize at 89.4%–89.6% across the forecast horizon (Figure 34, Annex 1).

Figure 33: YoY Forecasted Revenue Growth Mix

Source: Team Analysis

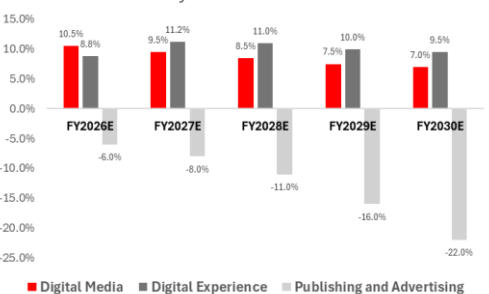


Figure 34: Gross Margin Evolution by Segment

Source: Team Analysis

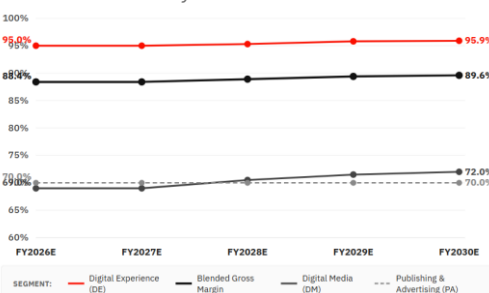
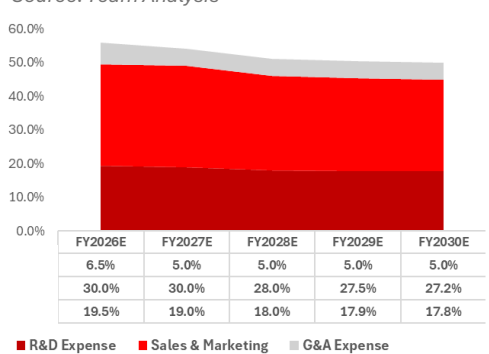


Figure 35: Forecasted Operating Expense Mix

Source: Team Analysis



Operating Expenses: Strategic investment phase followed by operating leverage

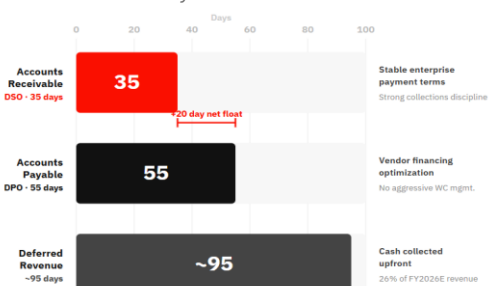
R&D Expense: Initially elevated at 19.5% of revenue in 2026, reflecting management's explicit guidance on **"outsized investment"** in GPU-optimized software, autonomous agents, and next-generation AI capabilities. We model gradual efficiency gains, with R&D declining to 17.8% of revenue by 2030 (Figure 35, Annex 1) as **core AI infrastructure matures** and the company transitions from foundational R&D to incremental refinement.

Sales & Marketing: Maintained at 30% in 2026–2027 to support **aggressive conversion of Firefly free users into paying AI subscriptions** and to establish GenStudio in enterprise workflows. We anticipate operating leverage thereafter as Adobe shifts toward **upselling existing customers**, with S&M declining to 27.2% of revenue by 2030 (Figure 35, Annex 1).

G&A Expense: Modeled at 6.5% in 2026, incorporating **elevated legal and compliance costs associated with implementing AI trust architectures** and NIS 2 directive requirements. G&A stabilizes at 5.0% of revenue from 2027 onward (Figure 35, Annex 1), consistent with Adobe's historically lean corporate overhead.

Figure 36: Working Capital Days

Source: Team Analysis



Net Working Capital:

Deferred Revenue: Represents 26% of revenue in 2026–2027 (Figure 36, Annex 1), gradually declining to 24% by 2030. This modest compression reflects Adobe's evolving customer mix as enterprise contracts, constitute a larger portion of total revenue, partially offset by continued SaaS subscription stability.

Receivables and Payables: Accounts receivable are held constant at 35 credit days

Figure 37: ADBE vs S&P500 weekly 5 yr returns regression analysis

Source: Team Analysis

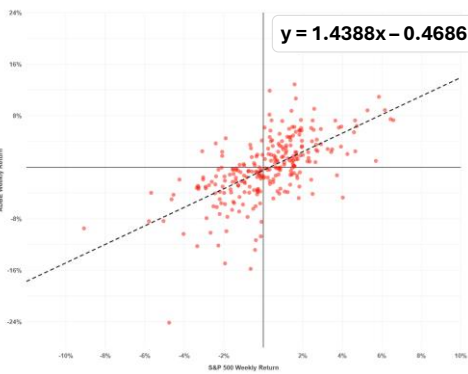


Figure 38: WACC Calculation

Source: Team Analysis

WACC		
Equity - Weight	%	94.52%
Debt - Weight	%	5.48%
Tax	%	18.50%
Cost of Equity	%	10.88%
Cost of Debt	%	3.55%
WACC	%	10.48%

Figure 39: Relative Valuation Metrics

Source: Team Analysis

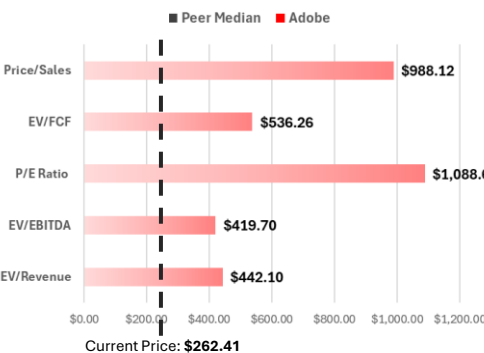
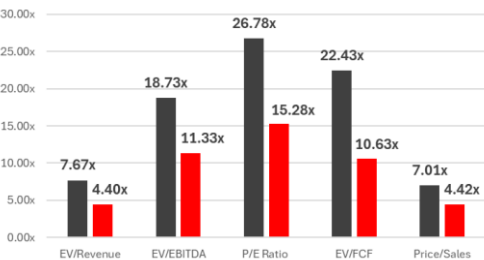


Figure 40: Sensitivity Analysis – WACC/Terminal Growth Rate

Source: Team Analysis

WACC	Terminal Growth Rate				
	1.50%	2.00%	2.50%	3.00%	3.50%
8.48%	485.9	516.2	551.5	593.4	643.6
9.48%	422.1	444.2	469.5	498.7	532.8
10.48%	372.6	389.3	408.1	429.5	453.9
11.48%	333.1	346.0	360.5	376.6	394.8
12.48%	300.8	311.1	322.4	335.0	348.9

	Bear	Base	Bull
Share Price	\$300.79	\$408.12	\$561.71
Upside	14.63%	55.53%	114.06%
WACC	12.48%	10.48%	8.98%
TGR	1.50%	2.50%	3.25%

(Figure 36, Annex 1), reflecting stable enterprise payment terms and Adobe's strong collections discipline. Accounts payable remain at 55 days (Figure 36, Annex 1), capturing modest vendor financing optimization without aggressive working capital management.

Other Working Capital Items (Annex 1): Accrued expenses are maintained at 10.9% of revenue, consistent with Adobe's historical operational patterns. Other current liabilities grow at a steady 5% annually, while other long-term liabilities grow at 3% annually. Deferred tax liabilities decline by 2% A per year, reflecting gradual utilization of existing tax positions.

BETA, WACC & TERMINAL GROWTH

Beta: We employ a weighted beta of 1.26, derived from four distinct methodologies (Annex 14) to ensure robustness: Houses of finance average, beta from peers, a 5-year regression beta vs. S&P 500 (Figure 37) adjusted to deflate beta from the Figma deal collapse, and Damodaran's industry beta estimate. **Cost of Equity (CoE):** 10.96% (Annex 11), calculated using the Capital Asset Pricing Model (CAPM) with a risk-free rate of 4.21% (10-year U.S. Treasury yield as of February 2026) and an equity risk premium of 5.40%. **Cost of Debt (CoD):** 3.57% (after-tax) (Annex 12), derived through a blended approach using interest-bearing liabilities method and synthetic credit rating method which corresponded to an AAA rating and a 75 bps credit spread over the risk-free rate. **WACC:** Estimated at 10.48% (Figure 38, Annex 13), reflecting Adobe's capital structure with equity representing 94.5% of enterprise value and debt representing 5.5%. This WACC is applied consistently across the explicit forecast period to discount unlevered free cash flows.

The base case **terminal growth rate** is set at 2.5% (Annex 13), positioned above long-term inflation (2.0%) but below nominal GDP growth (3.5%–4.0%). This reflects: a) Adobe's entrenched position in creative and marketing workflows, providing durable competitive moats; b) the maturation of core Creative Cloud and Experience Cloud markets, limiting Adobe's ability to sustain historical growth rates in perpetuity; and c) the expectation that AI-driven productivity gains will support modest real growth beyond 2030. This assumption is intentionally conservative given Adobe's historically strong ROIC averaging above 20%, but accounts for eventual market saturation and intensifying competition from AI-native entrants

RELATIVE VALUATION - \$536.26

We valued Adobe using comparable companies' valuation multiples of EV/Revenue, EV/EBITDA, P/E ratio, EV/FCF, and Price/Sales. EV/EBITDA and EV/FCF reflect operational performance and cash generation, while P/E captures equity-specific factors, offering a balanced perspective. The peer median multiples were 7.7x EV/Revenue, 18.7x EV/EBITDA, 26.8x P/E, 22.4x EV/FCF, and 7.0x Price/Sales (Figure 39, Annex 15). Adobe currently trades at a **significant discount to peers** across all metrics. The company's EV/EBITDA multiple of 11.3x represents a 40% discount to the peer median of 18.7x, while its P/E ratio of 15.3x trades 43% below the peer median of 26.8x (Figure 39). This discount is striking given Adobe's superior EBITDA margin of 38.9%, which exceeds the peer median of 28.0% by 39%. The relative valuation yielded implied prices ranging from \$420 to \$1,089, with a **median of \$536** indicating **109% upside** (Figure 39, Annex 15). The relative valuation was not used for the final price calculation but supplements our **BUY** view on Adobe.

SENSITIVITY ANALYSIS

We conducted a sensitivity analysis varying **two key valuation drivers** simultaneously: WACC and the terminal growth rate (Figure 40, Annex 16). The analysis demonstrates that a 50 bps increase in WACC from our base case of 10.48% to 10.98% reduces the implied share price by approximately 5% to \$383, while a 50 bps decrease to 9.98% increases the price by 7% to \$437. Terminal growth rate changes exhibit similar but slightly less pronounced effects, with a 50 bps increase from 2.50% to 3.00% raising the price by 5% to \$429. **Our Bear Case** (\$301, 14.6% upside): Assumes WACC of 12.48% and terminal growth of 1.50% (Figure 40, Annex 16). **Our Bull Case** (\$561, 114.0% upside): Assumes WACC of 8.48% and terminal growth of 3.25% (Figure 40, Annex 16). The sensitivity analysis confirms that our base case valuation of \$408 is positioned conservatively within the range of plausible outcomes, and even under pessimistic scenarios, Adobe's implied valuation supports meaningful upside from the current \$262 market price.

ENVIRONMENTAL, SOCIAL, & GOVERNANCE

Figure 41: Current ESG Regulation Alignment Status

Source: Team Analysis | Company Report

Regulatory Framework	Status	Key Mechanism
EU CSRD / ESRS	In Progress (Double Materiality Assessment underway)	ESG Committee oversight; ESRS gap analysis
TCFD	Fully Aligned	Annual TCFD-aligned disclosures in CDP responses
SASB / GRI	Core Reporting Standards	Detailed data tables in annual CSR reports
EU GDPR	Fully Compliant	Privacy by Design; Common Controls Framework (CCF)
SEC Climate Rule	Preparation Phase	Alignment of Scope 1, 2, and 3 targets with 1.5°C scenario

Adobe represents a critical case study in the evolution of **ESG factors as a primary indicator of long-term resilience** and competitive advantage (Annex 17). This is due to the organization navigating a transitional era defined by the rapid adoption of generative artificial intelligence and the **tightening of global sustainability regulations**. For the institutional investor, Adobe's ESG performance is no longer a peripheral consideration but a fundamental component of its **enterprise risk management and product differentiation strategy**.

ALIGNMENT TO ESG REGULATION

The global regulatory landscape is currently undergoing a shift from voluntary disclosure to mandatory, audit-ready reporting standards. Adobe's compliance strategy for the European Union's **Corporate Sustainability Reporting Directive (CSRD)** involves mapping its existing ESG reporting, data collection, and internal controls against the **European Sustainability Reporting Standards (ESRS)**. The **double materiality assessment (DMA)** process includes a comprehensive of sustainability-related **impacts, risks, and opportunities (IROs)** across the global supply chain. By setting **internal thresholds for IRO scores**, Adobe ensures that material issues are addressed with the same rigor as financial liabilities. (Figure 41)

Beyond climate-related mandates, Adobe's regulatory alignment is heavily weighted towards **data sovereignty and privacy**. The firm's adherence to the **General Data Protection Regulation (GDPR)** and the **California Consumer Privacy Act (CCPA)** is built on its philosophy: **"privacy by design"**. Adobe's **Common Controls Framework (CCF)** rationalizes **over 1350 global regulatory requirements** into a set of Adobe-specific controls, allowing the company to maintain a broad range of certifications, including **SOC 2, ISO 27001, and FedRAMP**, which are critical for its enterprise and government contracts.

ENVIRONMENTAL PERFORMANCE ANALYSIS

Adobe's environmental strategy is characterized by an ambitious transition from carbon offsetting to fundamental carbon reduction, targeting **net-zero emissions by 2050**. The organization's interim 2030 targets are aligned with the 1.5°C scenario of the Paris Agreement, necessitating a **42% absolute reduction in Scope 1 and 2 emissions from a 2022 base year**. However, it comes to stand that the company's Scope 3 emissions dwarf both its Scope 1 and 2 emission values (Figure 42 and 43), making the firm's net-zero commitment a tougher goal. Furthermore, although the firm is in the top 88% of evaluated companies, compared to its peers, Adobe's DitchCarbon Score sits at the middle of the spectrum at 79/100 (Figure 44).

A central pillar of Adobe's environmental performance has been its commitment to **100% renewable electricity by 2025**, which it has indeed achieved. Unlike many industry peers who rely on unbundled **renewable energy credits (RECs)** to achieve parity, Adobe prioritizes direct procurement through grid-scale **Power Purchase Agreements (PPAs)** that add new clean energy to the grids where it operates. Notable initiatives include: **India Solar PPA, U.S. Aggregate Wind Energy, and Founders Tower**.

The most significant environmental impact of Adobe's business model is realized through the "handprint" of its products - the **carbon and resource savings** enabled for its global customer base. Through purposeful product design and efficient engineering, Adobe empowers its customers to accelerate their own sustainability journeys by replacing resource-intensive physical workflows with digital alternatives.

SOCIAL PERFORMANCE ANALYSIS

Adobe's social pillar is anchored in its **"Adobe for All"** commitment, which views diversity and inclusion as foundational to innovation. The company has demonstrated consistent progress in workforce representation and equitable compensation, which are critical for maintaining its **"Best Place to Work"** status (Figure 45) and attracting elite engineering talent in the AI era.

The organization fosters a culture of involvement **through eight employee networks** and significant investments in leadership development. In 2023, over **18,000 employees** participated in **"Adobe for All Days"**, reflecting high levels of engagement with the company's **DEI strategy**. Furthermore, Adobe's **Learning Fund** provides funding for education and professional development, ensuring that all employees have the opportunity to invest in their long-term career growth.

Figure 42: Adobe's Carbon Emissions Evolution

Source: Team Analysis | Company Report

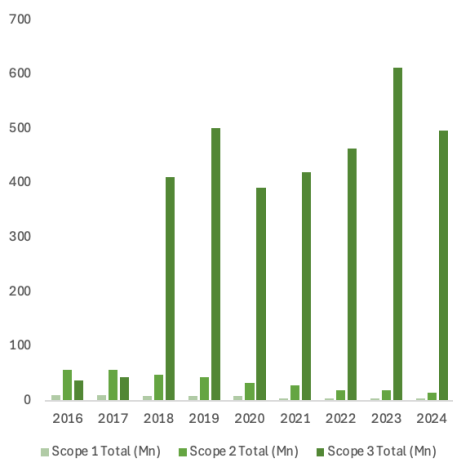


Figure 43: Scope 3 Distribution

Source: Team Analysis | Company Report

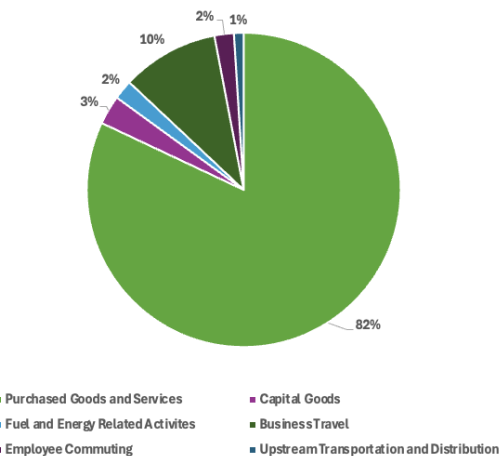


Figure 44: DitchCarbon Peer Comparison

Source: Team Analysis | DitchCarbon Database

Company	Adobe	SalesForce	SAP SE	Canva
Country	US	US	DE	AU
DitchCarbon Score	79	100	95	37

Figure 45: Glassdoor Review Peer Comparison

Source: Team Analysis | Glassdoor Database



Figure 46: US Race and Ethnicity Breakdown

Source: Team Analysis | Company Report

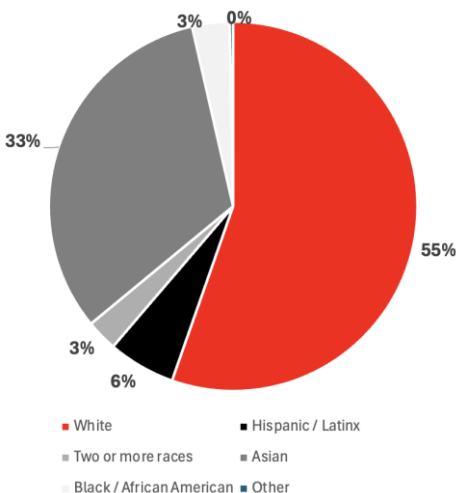


Figure 47: S&P Global CSA & ESG Score

Source: Team Analysis | S&P Database

Company	S&P Global ESG Score	S&P Global CSA Score
Salesforce	57	53
SAP SE	56	55
Adobe Inc.	53	52
Microsoft	51	48
Intuit	46	45
Oracle	37	32

Figure 48: Comparative Competitive ESG Edge

Source: Team Analysis | Company Report

Feature	Adobe	Salesforce	Microsoft
AI Ethics Strategy	Licensed-only training (Firefly)	Ethical Use Policy / Einstein GPT	Responsible AI principles & OpenAI partnership
Net Zero Target	Net Zero by 2050	Net Zero already maintained	Carbon negative by 2030
Gartner Rating	4.4	4.4	4.4
ESG Moat	Content Authenticity & IP Indemnity	Just transition & Nature-positive	Mass timber datacenters & CFE contracts
Data Breach 2023-25	SessionReaper (2025)	Minimal public controversy	Significant 2024/25 patches

Adobe has maintained global gender pay parity since 2018 and has extended this commitment to include race and ethnicity parity in the United States. The organization's current workforce demographics indicate a steady increase in representation. **Global Gender Diversity:** 35.3% of the global employee base are women, with 29.0% of leadership roles (director-level and above) held by women. **U.S. Minority Representation:** 11.6% of the U.S. workforce identify as underrepresented minorities (URM), including Black/African American, Hispanic/Latinx, and Native American individuals (Figure 46). **Talent Pipeline:** Programs like the Adobe Digital Academy and Adobe for All Days foster an inclusive culture and provide pathways for individuals from underrepresented backgrounds to enter the technology sector. Interestingly, as of April 2025, Adobe has formally **moved away from specific numeric racial and ethnical targets to focus on broader fairness** in the hiring pipeline.

Additionally, as Adobe integrates generative AI across its entire product stack, its commitment to ethical AI has become its primary competitive differentiator. Adobe's internal AI ethics framework is overseen by a diverse cross-functional AI Ethics Review Board. The process includes: **AI Ethics Impact Assessment:** Required for all new AI-powered features to identify potential social and ethical risks. **Diverse Human Oversight:** The Review Board brings perspectives from various personal and professional backgrounds to identify issues that a homogeneous team might overlook. **Continuous Testing:** Rigorous automated and human testing to reduce biased or inaccurate results, followed by feedback mechanisms that allow users to report concerns in real-time.

GOVERNANCE PERFORMANCE ANALYSIS

Adobe's governance structure is designed to balance **strong executive leadership with robust independent oversight**, a critical factor for an organization managing the high-speed transformation of the AI inflection point. The Adobe Board of Directors features a combined Chair and CEO role, held by **Shantanu Narayen**, as well as the Lead Director, currently **Frank Calderoni**, whose responsibilities include presiding over executive sessions of the independent directors, overseeing the CEO's performance evaluation, and acting as a liaison between the board and the stockholders.

Management team record: (Annex 3) The Adobe management team is characterized by a **"track record of innovation, financial performance, and growth"**. Under **Narayen's** leadership, the company achieved record revenue of \$21.51 billion in fiscal 2024. **David Wadhvani**, the digital media business president, leverages his previous experience as CEO of AppDynamics as well as his prior tenure at Adobe to lead the company's AI product strategy. **Dana Rao**, the chief trust officer and general counsel, leads Adobe's legal, security, and policy organizations. Lastly, the CFO **Dan Durn** provides the financial discipline necessary to support the company's aggressive R&D investments in AI while maintaining robust cash flows from operations, which reached **\$2.20 billion in Q3 FY2025**.

MATERIAL ESG RISKS

For a company at the center of the **global content supply chain**, the most critical material risks relate to the **security of its data** and the **ethical deployment of its AI models**. Adobe manages a vast repository of intellectual property for its customers, making it a primary target for sophisticated cyberattacks. The organization's response to this risk is the **Adobe Secure Product Lifecycle (SPLC)**, a set of several hundred security activities integrated into the development process. However, controversies and vulnerabilities persist:

ColdFusion and Commerce Vulnerabilities: In September 2025, Adobe patched 20 vulnerabilities, including a critical path traversal flaw in ColdFusion (CVE-2025-54261) that carried a CVSS score of 9.0.

The SessionReaper Incident: In late 2025, an upgrade error in Adobe Analytics caused proprietary customer data to appear in unrelated dashboards. While resolved within 24 hours, the incident highlighted the risks inherent in shared cloud infrastructure and the potential for system-level errors to cross organizational boundaries.

ESG AS A VALUATION MECHANISM

Adobe's ESG profile is one of the strongest in the software sector, frequently achieving an **AAA rating from MSCI**. Adobe competes in a space where **ESG excellence is the standard rather than the exception (Figure 47)**. A comparative analysis (Figure 48) shows that while peers like Salesforce and Microsoft have achieved net-zero residual emissions across their value chains, Adobe's competitive edge lies in **the ethical training and "commercial safety" of its creative AI models**.

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ANNEX 1 – Forecasts & Assumptions

Source: Team Analysis

Revenues & Other Income

- 1. Period of analysis was established to be 2026-2030.** The revenue forecast is driven by three key quantitative factors: a) segment-specific growth rates, b) gross margin evolution by business segment, and c) geographic revenue mix. We use Adobe's three-segment reporting structure to model revenue and cost dynamics with precision. Our understanding of forward growth is anchored in Adobe's strategic initiatives (AI monetization via Firefly and Acrobat AI Assistant, Semrush acquisition integration) and structural market trends (enterprise cloud adoption, generative AI adoption rates).
- 2. Segment growth rates and unit economics:** We model Digital Media to grow from 10.5% (FY2026) to 7.0% (FY2030), reflecting rapid AI tool adoption offset by market maturation. Digital Experience accelerates from 8.8% (FY2026) to 11.2% (FY2027) following full-year Semrush integration, then moderates to 9.5% by FY2030. Publishing & Advertising enters terminal decline at -6.0% to -22.0% annually as legacy contracts migrate to Experience Cloud. We do not assume Adobe will expand into new business segments during the forecast period, consistent with management's stated focus on deepening AI capabilities within existing product families.
- 3. Growth drivers:** Our model assumes the largest unit volume increases in a) Digital Media, driven by conversion of freemium users to paid AI subscriptions (Firefly, Acrobat AI Assistant) and expansion of Creative Cloud enterprise seats, and b) Digital Experience, supported by the Semrush acquisition which provides full-year revenue contribution starting FY2027 and unlocks cross-sell opportunities across Adobe's enterprise base. For Digital Media, we project ARR growth decelerating from 10.5% to 7.0% as the installed base matures but AI features drive ARPU expansion. For Digital Experience, we model sustained double-digit growth (11.2% in FY2027) as marketing automation and customer data platform adoption accelerates post-Semrush integration.

Costs

- 1. Gross margins:** We model gross margins with segment-level granularity. Digital Media maintains exceptionally high margins (95.0-95.9%) reflecting pure SaaS economics with negligible incremental delivery costs. Digital Experience margins improve from 69.0% to 72.0% as Semrush integration synergies materialize and the product mix shifts toward higher-margin cloud services. Publishing & Advertising holds steady at 70.0% despite revenue decline, as fixed costs are absorbed. We believe consolidation of gross margins is not a structural risk given Adobe's software-centric business model, though AI infrastructure costs (GPU compute) create modest headwinds absorbed in R&D rather than COGS.
- 2. Operating expenses** are modeled as percentage of revenue with time-variant assumptions. **R&D** expense projects at 19.5% (FY2026) reflecting management's commitment to "outsized investment" in GPU-optimized infrastructure and autonomous agents, declining to 17.8% (FY2030) as platform investments stabilize. **Sales & Marketing** remains elevated at 30.0% (FY2026-2027) to drive freemium-to-paid AI conversion and Semrush customer onboarding, compressing to 27.2% (FY2030) as customer acquisition efficiency improves. **G&A** decreases from 6.5% to 5.0% reflecting operating leverage, with initial elevation accounting for AI governance compliance costs (NIS 2 Directive, trust architecture buildout).

CAPEX and D&A

- 1. Capital expenditures:** CAPEX increases modestly with revenue growth, averaging 1.2-1.5% of revenue throughout the forecast period. The investments primarily support data center infrastructure for AI workloads (GPU clusters, inference optimization) and cloud service capacity expansion. We project CAPEX of \$392M (FY2026) rising to \$435M (FY2030), reflecting the shift toward compute-intensive generative AI applications while maintaining Adobe's asset-light model.
- 2. Depreciation & Amortization:** D&A is calculated using component-based models. Property & Equipment depreciates using historical patterns (weighted average 6 years). Intangible assets amortize based on acquisition accounting—straight-line over acquired useful lives for technology-related intangibles (primarily Semrush), with customer relationship intangibles amortizing over 7 years. Total D&A projects from \$875M (FY2026) to \$1,247M (FY2030), with the step-up in FY2026 reflecting Semrush-related intangible amortization.

Working Capital Forecasts

- Deferred Revenue:** Modeled as 26.0% of revenue (FY2026-2027), declining to 24.0% (FY2030). The compression reflects gradual mix shift toward larger enterprise contracts with more structured billing, while the SaaS subscription model continues generating substantial upfront cash collection. We model deferred revenue buildup tied to billing cycle timing (primarily annual subscriptions billed upfront), with release to revenue matching subscription recognition patterns.
- Credit days/Accounts Receivable:** Fixed at 35 days throughout the forecast period. While increasing enterprise customer mix could pressure collections, we assume management payment optimization initiatives (automated invoicing, early payment incentives) offset this effect. Historical DSO has remained structurally stable at ~30-35 days due to upfront subscription billing.
- Credit days/Accounts Payable:** Held constant at 55 days, reflecting Adobe's strong vendor relationships and strategic financing arrangements. No material extension assumed given Adobe's already-optimized payables structure and preference for maintaining supplier partnerships.
- Other working capital items:** Accrued Expenses maintain at 10.9% of revenue, consistent with historical operating patterns. Other Current Liabilities grow at 5.0% annually, Other Long-term Liabilities at 3.0% annually, reflecting baseline operating complexity growth. Deferred Tax Liabilities reduce by 2.0% annually as timing differences reverse.

Capital Allocation

- Debt structure:** Total debt includes long-term debt only, as Adobe maintains no short-term borrowings given strong cash generation. Debt is modeled using a Debt/EBITDA ratio expected to decline from 0.71x (FY2026) to 0.34x (FY2030) based on historical deleveraging trajectory and conservative capital structure preferences. We model no new debt issuances during the forecast period, assuming Adobe continues financing needs through operating cash flow. The company maintains investment-grade credit ratings and has articulated preference for organic deleveraging.
- Dividend policy:** No dividends assumed throughout the forecast period, consistent with Adobe's historical capital allocation strategy. Management has demonstrated strong preference for share repurchases over dividends, viewing buybacks as more tax-efficient return of capital given Adobe's shareholder base.
- Share repurchase program:** Modeled at \$10.7B annually (FY2026), then ranging \$10.3-12.4B (FY2027-2030). The FY2026 figure incorporates Adobe's announced \$25B accelerated share repurchase program initiated in Q1 2026 (representing ~40% advance execution), with remaining years reflecting normalized buyback intensity of ~115% of free cash flow. Repurchases occur at prevailing market prices, with dilution from stock-based compensation (\$2.2-3.1B annually) offsetting gross buyback impact. Treasury Stock increases accordingly, with net share count reduction of ~1.5-2.0% annually.
- Other equity movements:** Common Stock & APIC increases from \$15.4B (FY2025) to \$28.6B (FY2030) driven entirely by stock-based compensation expense recognition (averaging 8.5% of revenue), consistent with Adobe's equity compensation practices for talent retention in competitive software markets. No new equity issuances assumed beyond employee stock plans

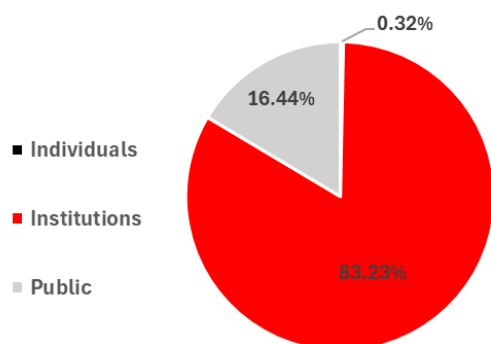
Foreign Exchange

Currency exposure: Adobe generates 47.3% of revenue outside the United States (FY2025: Americas ex-US 6.7%, EMEA 26.5%, APAC 14.1%). We model revenue in constant currency terms, assuming:

- No structural FX hedging gains/losses in operating results.
- Historical FX volatility ($\pm 2-3\%$ annually) absorbed in guidance ranges but not explicitly modelled
- Long-term PPP convergence neutralizes FX impact on cash flows

ANNEX 2 – Shareholder structure of Adobe Inc.

Shareholder	Shares	%
Corporations:		
disclosed	-	-
Individuals:		
Shantanu Narayen (Chair & CEO)	357,967	0.09%
John E. Warnock (Director, Co-Founder)	392,460	0.10%
Anil Chakravarthy (President & CXO)	58,770	0.01%
Other individuals (owning <0.01% shares)	522,153	0.13%
Institutions:		
The Vanguard Group, Inc.	41,280,000	10.08%
BlackRock, Inc.	40,430,000	9.87%
State Street Corporation	20,300,000	4.96%
Geode Capital Management, LLC	11,100,000	2.71%
Norges Bank (Norway)	8,500,000	2.07%
Arrowstreet Capital, LP	7,200,000	1.76%
Morgan Stanley	6,800,000	1.66%
Bank of New York Mellon Corp	6,500,000	1.59%
Invesco Ltd.	5,900,000	1.44%
UBS Asset Management Americas Inc.	5,400,000	1.32%
Other institutions (owning <1% of shares individually)	187,558,700	45.78%
Public and other	67,368,000	16.44%
Total	409,668,050	100%



Note: Shareholding data as of Q4 2025 (February 2026). Total shares outstanding: 409.69 million (basic shares outstanding). Institutional ownership represents approximately 80.22% of total shares outstanding. Insider ownership (executives and directors) represents 0.34% of total shares outstanding. "Other institutions" represents aggregate holdings of approximately 2,850+ institutional investors, each individually holding less than 1% of shares outstanding.

Data sources: SEC Form 13F/13G filings (Q4 2025), company DEF 14A proxy statement (2025), and financial databases (Fintel, WallStreetZen, Yahoo Finance).

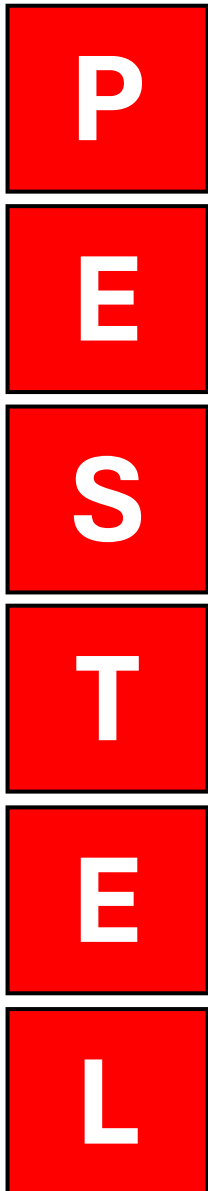
ANNEX 3 – Board of Directors

Sources: Adobe Inc. 2025 Proxy Statement (DEF 14A filed February 28, 2025), Adobe 10-K (FY2024), and company website.

Name & Position	Background
BOARD OF DIRECTORS	
Shantanu Narayen, Chair of the Board of Directors and CEO	25+ years at Adobe, CEO since December 2007, Chair since January 2017. Previously President and COO (2005-2007), Executive VP Worldwide Product Marketing and Development (2001-2005). Also serves as Lead Independent Director at Pfizer Inc. B.S. Electronics Engineering (Osmania University, India), M.S. Computer Science (Bowling Green State University), M.B.A. (Haas School of Business, UC Berkeley)
Frank Calderoni, Lead Independent Director	12+ years on Adobe Board, Former CEO of Velocity Global (2023-2024), Former Chair and CEO of Anaplan (2017-2022). Previously Executive VP Operations and CFO at Red Hat (2015-2016), Executive VP and CFO at Cisco (2008-2015). B.S. Accounting and Finance (Fordham University), M.B.A. Finance (Pace University)
Cristiano Amon, Director	President and CEO of Qualcomm since June 2021, Previously President (2018-2021). 29+ years at Qualcomm in various technical and leadership roles. Deep expertise in wireless technology, global operations and engineering. B.S. Electrical Engineering (UNICAMP, Brazil)
Amy Banse, Director	12+ years on Adobe Board, Partner at Mosaic General Partnership since March 2021. Previously Executive VP at Comcast and Managing Director/Head of Funds at Comcast Ventures (2011-2020), President of Comcast Interactive Media (2004-2011). 30+ years in media and technology. Chair of Executive Compensation Committee. B.A. (Harvard), J.D. (Temple University)
Melanie Boulden, Director	4+ years on Adobe Board, Executive VP and Chief Growth Officer at Tyson Foods since February 2023. Previously Chief Marketing Officer North America at Coca-Cola (2021-2022), President Still Beverages Business Unit at Coca-Cola (2020-2021). B.S. English (Iowa State), M.B.A. Marketing and Finance (University of Iowa)
Laura Desmond, Director	12+ years on Adobe Board, CEO of Smartly.io since September 2022, Founder and CEO of Eagle Vista Partners since March 2017. Previously Chief Revenue Officer of Publicis Groupe (2016-2017), Global CEO of Starcom MediaVest Group (2008-2016). Provides specific insight on Adobe's Digital Experience business. B.B.A. Marketing (University of Iowa)
Spencer Neumann, Director	CFO of Netflix since January 2019. Previously CFO of Activision Blizzard (2017-2019), CFO and Executive VP Global Guest Experience at Walt Disney Parks and Resorts (2012-2017). Extensive financial expertise across media, entertainment and technology sectors. B.A. Economics and M.B.A. (Harvard)
Kathleen Oberg, Director	5+ years on Adobe Board, CFO and Executive VP Development at Marriott International since February 2023. Previously CFO and Executive VP at Marriott (2016-2023), CFO of The Ritz-Carlton (2013-2016). 25+ years in financial leadership roles. Chair of Audit Committee. B.S. Commerce Finance/MIS (University of Virginia), M.B.A. (Stanford)
Dheeraj Pandey, Director	5+ years on Adobe Board, Chair and CEO of DevRev since December 2020. Co-founder and CEO of Nutanix (2009-2020), took company from startup to publicly traded. Previously VP Engineering at Aster Data Systems (acquired by Teradata). B.Tech Computer Science (IIT Kanpur), M.S. Computer Science (UT Austin)
David Ricks, Director	6+ years on Adobe Board, Chair, President and CEO of Eli Lilly and Company since June 2017. Previously Senior VP and President Lilly Bio-Medicines (2012-2016), President Lilly USA (2009-2012), President and General Manager Lilly China (2008-2009). B.S. (Purdue), M.B.A. (Indiana University)
Daniel Rosensweig, Director	15+ years on Adobe Board, Executive Chair and Co-Chair of Chegg since June 2024. Previously President and CEO of Chegg (2010-2024), President and CEO of RedOctane/Activision Publishing (2009-2010), COO of Yahoo! (2002-2007), President of CNET Networks (2000-2002). Longest-tenured independent director. B.A. Political Science (Hobart College)

Note: Board composition as of January 15, 2026 (per 2025 proxy statement for April 22, 2025 Annual Meeting). Average board tenure: 9.1 years. Board independence: 91% (10 of 11 directors). Average age: 58 years. Demographic diversity: 7 of 11 directors (64%) represent gender and/or racial/ethnic diversity. The Board maintains three standing committees: Audit Committee (chaired by Kathleen Oberg), Executive Compensation Committee (chaired by Amy Banse), and Governance and Sustainability Committee (chaired by Frank Calderoni).

ANNEX 4 – PESTEL Analysis

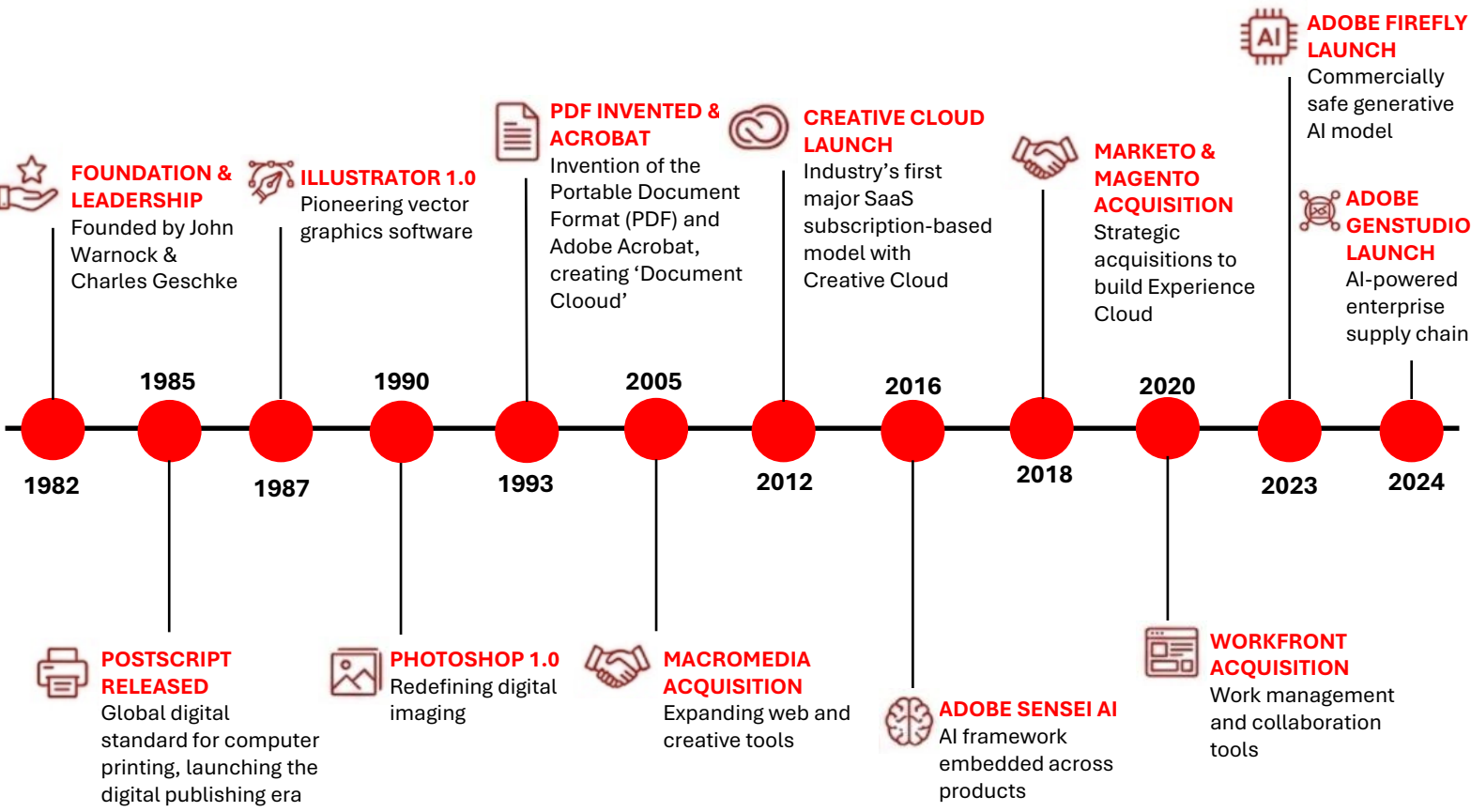


- P**
 - Low direct political risk given digital, non-defense software exposure, though civil society exposure exists.
 - Data sovereignty regulations (EU, China, Middle East) raise compliance costs for global SaaS vendors but favor scaled incumbents able to localize infrastructure.
 - Public sector digitization is a meaningful demand driver as governments adopting e-signatures and digital workflows underpin the e-signature market's projected growth from ~\$5-6B today to \$150B+ by 2034.
 - Geopolitical tensions (notably US-China) carry limited tariff risk for software but can slow international enterprise IT spending and constrain expansion in China.
- E**
 - Creative and marketing spend is discretionary, making revenue somewhat sensitive to enterprise and SMB budget tightening which is partially offset by high recurring revenue and mission-critical workflows that provide earnings durability.
 - With 40%+ of revenue outside the US, currency volatility meaningfully impacts reported growth, compounded by an increasingly weak-dollar policy environment.
 - Strong brand equity supports selective price increases, though vendors broadly face a trade-off between maintaining pricing power in prof. segments and offering lower-cost tiers to retain the budget-conscious.
- S**
 - The explosion of digital creators, social media, and content marketing continues to expand the industry's TAM, while the shift to remote/hybrid work sustains demand for cloud collaboration, e-signatures, and digital workflows which has reinforcing the public-sector digitization trend noted above.
 - Rising design literacy and the democratization of creativity broaden the overall market but introduce competitive pressure from simpler, lower-cost tools (e.g. Canva) as non-professional creators become a meaningful user segment.
- T**
 - Generative AI is reshaping creative workflows, lowering skill barriers, and accelerating product cycles, creating both opportunity and risk, including a potential shift toward usage-based pricing models.
 - Cloud-native, browser-based development enables faster iteration and lower distribution costs, reducing switching friction and intensifying competition.
 - Vendors face ongoing tension between building broad integrated platforms and best-in-class point solutions, with technology shifts frequently resetting competitive advantage.
- E**
 - Direct environmental exposure is minimal given software-based business models.
 - Indirect exposure exists through reliance on third-party cloud infrastructure, with the IEA forecasting global data center energy consumption to reach ~900TWh by 2030, intensifying scrutiny on vendors' cloud partners.
 - ESG considerations are increasingly factored into enterprise vendor selection, though they remain a secondary purchasing factor.
- L**
 - Generative AI is intensifying legal complexity around IP, content ownership, and AI training data — an evolving risk with limited regulatory clarity.
 - GDPR, CCPA, and similar privacy regulations increase compliance costs but raise barriers to entry, favoring vendors with established legal infrastructure.
 - Platform scale and M&A activity attract antitrust scrutiny, particularly around large acquisitions and ecosystem control.

ANNEX 5 – Five Forces Analysis

Competitive Rivalry	Threat of Entry	Threat of Substitutes	Buyer Power	Supplier Power
<p>Rivalry in digital content and experience software is high and increasingly ecosystem-driven. AI convergence has unified creative, marketing, analytics, and workflow tools into integrated content supply chains, shifting competition from features to platform-scale execution. Scaled incumbents such as Adobe, Microsoft, and Salesforce compete on ecosystem breadth, workflow integration, and end-to-end orchestration.</p> <p>Despite concentrated enterprise spend, rivalry remains intense due to overlapping roadmaps and rapid innovation. Differentiation centers on data integration, workflow depth, enterprise trust, and extensibility. Switching frictions embedded in file formats, content libraries, and organizational workflows moderate price competition and support profitability.</p> <p>High fixed costs in AI R&D and cloud infrastructure, combined with minimal marginal costs, drive continuous feature expansion and bundling. Significant sunk investments raise exit barriers and reinforce share defense. Innovation competition is elevated, but pricing remains relatively disciplined, sustaining a high yet economically resilient competitive environment.</p>	<p>The threat of entry is structurally bifurcated. Cloud infrastructure and generative AI have lowered barriers to launching creative and marketing tools, particularly in prosumer and SMB segments. Small teams can deploy feature-rich products with limited capital, driving feature-level fragmentation and localized pricing pressure.</p> <p>However, entry into enterprise-scale platforms remains difficult. Competing for global enterprise customers requires deep workflow integration, global sales and support, regulatory compliance, and operational credibility. Enterprise buyers demand certifications, auditability, IP indemnification, and long-term roadmap visibility, which new entrants typically lack.</p> <p>Incumbents such as Adobe benefit from switching costs tied to proprietary file formats, embedded workflows, accumulated content libraries, and organizational training. As a result, while tool-level entry is frequent, penetration of the core enterprise profit pool is constrained. Overall threat of entry is medium.</p>	<p>The threat of substitutes in the digital content and experience industry is rising, driven primarily by AI-enabled workflows rather than direct competitor software. Generative AI platforms, automated content engines, and low-cost tools increasingly perform specific content production tasks without reliance on professional creative software, particularly where speed and scale matter more than manual control.</p> <p>Substitution pressure is highest for high-volume, low-stakes, and mid-market use cases, where automated solutions can meet functional requirements at lower cost and with fewer licenses. By contrast, substitution remains limited for brand-critical, regulated, and complex enterprise workflows that require governance, collaboration, and quality control. The primary impact of substitutes is sustained pressure on pricing models and seat expansion rather than immediate displacement of enterprise platforms, shifting differentiation toward integrated workflows, data, and ecosystem lock-in.</p>	<p>Buyer power in the digital content and experience industry has increased materially, driven by AI-enabled productivity gains and the concentration of spend among large enterprises and agencies. Automation allows organizations to produce more content with fewer licenses, weakening the traditional per-seat pricing model and giving buyers greater leverage to negotiate flexible, outcome-based, or hybrid pricing structures.</p> <p>While switching costs remain meaningful at the workflow and organizational level, functional capabilities at the tool level are increasingly standardized, improving buyers' negotiating position. Large customers further amplify their influence through vendor consolidation, sophisticated procurement processes, and the ability to supplement commercial software with in-house or AI-driven solutions. As a result, buyers exert sustained pressure on pricing, contract terms, and roadmap prioritization, increasing competitive intensity without fully eliminating incumbent platform advantages.</p>	<p>Supplier power in the digital content and experience industry has increased with the shift toward AI-driven, cloud-intensive workflows. Key suppliers include cloud infrastructure providers, GPU and semiconductor manufacturers, and select AI technology vendors, many of which are concentrated and exert influence over input availability and pricing. Dependence on high-performance computing introduces cost volatility, particularly through usage-based cloud pricing and periodic hardware constraints.</p> <p>However, supplier power is moderated for large incumbents by scale advantages, multi-cloud strategies, long-term contracts, and the ability to develop or fine-tune models in-house. While these dynamics pressure margins and increase operational complexity, they do not confer sustained strategic control to suppliers. As a result, supplier power primarily affects cost variability and capital allocation rather than long-term competitive positioning.</p>

ANNEX 6 – Historical Events



ANNEX 7 – Balance Sheet \$mn (FY2020-30)

Source: Team Analysis

ASSETS	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
Cash & Cash Equivalents	\$ 4,478	\$ 3,844	\$ 4,236	\$ 7,141	\$ 7,613	\$ 5,431	\$ 4,420	\$ 3,858	\$ 5,480	\$ 8,296	\$ 10,986
Short-term Investments	\$ 1,514	\$ 1,954	\$ 1,860	\$ 701	\$ 273	\$ 1,164	\$ 101	\$ 1,147	\$ 1,520	\$ 1,020	\$ 820
Accounts Receivable	\$ 1,398	\$ 1,878	\$ 2,065	\$ 2,224	\$ 2,072	\$ 2,344	\$ 2,505	\$ 2,749	\$ 2,996	\$ 3,235	\$ 3,478
Other Current Assets	\$ 756	\$ 993	\$ 835	\$ 1,018	\$ 1,274	\$ 1,224	\$ 1,255	\$ 1,286	\$ 1,318	\$ 1,351	\$ 1,385
Total Current Assets	\$ 8,146	\$ 8,669	\$ 8,996	\$ 11,084	\$ 11,232	\$ 10,163	\$ 8,280	\$ 9,040	\$ 11,315	\$ 13,903	\$ 16,669
Property & Equipment (Net)	\$ 1,517	\$ 1,673	\$ 1,908	\$ 2,030	\$ 1,936	\$ 1,873	\$ 1,599	\$ 1,268	\$ 874	\$ 412	\$ (93)
Goodwill	\$ 10,742	\$ 12,668	\$ 12,787	\$ 12,805	\$ 12,788	\$ 12,857	\$ 12,857	\$ 12,857	\$ 12,857	\$ 12,857	\$ 12,857
Intangible Assets (Net)	\$ 1,359	\$ 1,820	\$ 1,449	\$ 1,088	\$ 782	\$ 495	\$ 625	\$ 752	\$ 850	\$ 927	\$ 983
Other Long-term Assets	\$ 2,520	\$ 2,411	\$ 2,025	\$ 2,772	\$ 3,492	\$ 4,108	\$ 4,211	\$ 4,316	\$ 4,424	\$ 4,534	\$ 4,648
Total Long-term Assets	\$ 16,138	\$ 18,572	\$ 18,169	\$ 18,695	\$ 18,998	\$ 19,333	\$ 19,292	\$ 19,194	\$ 19,005	\$ 18,731	\$ 18,395
TOTAL ASSETS	\$ 24,284	\$ 27,241	\$ 27,165	\$ 29,779	\$ 30,230	\$ 29,496	\$ 27,572	\$ 28,234	\$ 30,320	\$ 32,633	\$ 35,063
LIABILITIES & EQUITY											
Accounts Payable	\$ 306	\$ 312	\$ 379	\$ 314	\$ 361	\$ 417	\$ 456	\$ 502	\$ 523	\$ 539	\$ 571
Accrued Expenses	\$ 1,422	\$ 1,736	\$ 1,790	\$ 1,942	\$ 2,336	\$ 2,648	\$ 2,847	\$ 3,125	\$ 3,405	\$ 3,677	\$ 3,953
Deferred Revenue	\$ 3,629	\$ 4,733	\$ 5,297	\$ 5,837	\$ 6,131	\$ 6,905	\$ 6,792	\$ 7,454	\$ 7,811	\$ 8,434	\$ 8,704
Short-term Debt	\$ -	\$ -	\$ 500	\$ -	\$ 1,499	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Current Liabilities	\$ 155	\$ 151	\$ 162	\$ 158	\$ 194	\$ 230	\$ 242	\$ 254	\$ 266	\$ 280	\$ 294
Total Current Liabilities	\$ 5,512	\$ 6,932	\$ 8,128	\$ 8,251	\$ 10,521	\$ 10,200	\$ 10,337	\$ 11,335	\$ 12,005	\$ 12,930	\$ 13,521
Long-term Debt	\$ 4,117	\$ 4,123	\$ 3,629	\$ 3,634	\$ 4,129	\$ 6,210	\$ 5,870	\$ 5,550	\$ 5,250	\$ 4,970	\$ 4,710
Deferred Tax Liabilities	\$ 529	\$ 534	\$ 530	\$ 514	\$ 548	\$ 469	\$ 460	\$ 450	\$ 441	\$ 433	\$ 424
Other Long-term Liabilities	\$ 862	\$ 855	\$ 827	\$ 862	\$ 927	\$ 994	\$ 1,024	\$ 1,055	\$ 1,086	\$ 1,119	\$ 1,152
Total Long-term Liabilities	\$ 5,508	\$ 5,512	\$ 4,986	\$ 5,010	\$ 5,604	\$ 7,673	\$ 7,353	\$ 7,055	\$ 6,778	\$ 6,521	\$ 6,286
Common Stock & APIC	\$ 7,357	\$ 8,428	\$ 9,868	\$ 11,586	\$ 13,419	\$ 15,361	\$ 17,581	\$ 20,018	\$ 22,674	\$ 25,542	\$ 28,624
Retained Earnings	\$ 19,611	\$ 23,905	\$ 28,319	\$ 33,346	\$ 38,470	\$ 45,354	\$ 52,085	\$ 59,941	\$ 69,413	\$ 79,923	\$ 91,365
Treasury Stock	\$ (13,546)	\$ (17,399)	\$ (23,843)	\$ (28,129)	\$ (37,583)	\$ (48,847)	\$ (59,540)	\$ (69,871)	\$ (80,305)	\$ (92,038)	\$ (104,488)
Accumulated OCI	\$ (158)	\$ (137)	\$ (293)	\$ (285)	\$ (201)	\$ (245)	\$ (245)	\$ (245)	\$ (245)	\$ (245)	\$ (245)
Total Stockholders' Equity	\$ 13,264	\$ 14,797	\$ 14,051	\$ 16,518	\$ 14,105	\$ 11,623	\$ 9,882	\$ 9,843	\$ 11,537	\$ 13,182	\$ 15,256
TOTAL LIABILITIES & EQUITY	\$ 24,284	\$ 27,241	\$ 27,165	\$ 29,779	\$ 30,230	\$ 29,496	\$ 27,572	\$ 28,234	\$ 30,320	\$ 32,633	\$ 35,063

ANNEX 8 – Income Statement \$mn (FY2020-30)

Source: Team Analysis

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
Revenue	\$ 12,868	\$ 15,785	\$ 17,606	\$ 19,409	\$ 21,505	\$ 23,769	\$ 26,123	\$ 28,671	\$ 31,242	\$ 33,736	\$ 36,266
<i>YoY Growth%</i>		22.7%	11.5%	10.2%	10.8%	10.5%	9.9%	9.8%	9.0%	8.0%	7.5%
Cost of Revenue	\$ 1,722	\$ 1,865	\$ 2,165	\$ 2,354	\$ 2,358	\$ 2,551	\$ 3,025	\$ 3,333	\$ 3,471	\$ 3,577	\$ 3,787
Gross Profit	\$ 11,146	\$ 13,920	\$ 15,441	\$ 17,055	\$ 19,147	\$ 21,218	\$ 23,098	\$ 25,337	\$ 27,771	\$ 30,159	\$ 32,478
<i>Gross Margin</i>	86.6%	88.2%	87.7%	87.9%	89.0%	89.3%	88.4%	88.4%	88.9%	89.4%	89.6%
R&D Expense	\$ 2,188	\$ 2,540	\$ 2,987	\$ 3,473	\$ 3,944	\$ 4,294	\$ 5,094	\$ 5,447	\$ 5,624	\$ 6,039	\$ 6,455
Sales & Marketing	\$ 3,591	\$ 4,321	\$ 4,968	\$ 5,351	\$ 5,764	\$ 6,488	\$ 7,837	\$ 8,601	\$ 8,748	\$ 9,277	\$ 9,864
G&A Expense	\$ 968	\$ 1,085	\$ 1,219	\$ 1,413	\$ 1,529	\$ 1,573	\$ 1,698	\$ 1,434	\$ 1,562	\$ 1,687	\$ 1,813
Acquisition Termination Fee	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	\$ 162	\$ 172	\$ 169	\$ 168	\$ 169	\$ 157	\$ 210	\$ 217	\$ 215	\$ 259	\$ 307
Total Operating Expenses	\$ 6,909	\$ 8,118	\$ 9,343	\$ 10,405	\$ 12,406	\$ 12,512	\$ 14,838	\$ 15,699	\$ 16,149	\$ 17,262	\$ 18,440
EBIT	\$ 4,237	\$ 5,802	\$ 6,098	\$ 6,650	\$ 6,741	\$ 8,706	\$ 8,259	\$ 9,638	\$ 11,622	\$ 12,896	\$ 14,038
<i>EBIT Margin %</i>	32.9%	36.8%	34.6%	34.3%	31.3%	36.6%	31.6%	33.6%	37.2%	38.2%	38.7%
Interest & Other Income	\$ (61)	\$ (97)	\$ (90)	\$ 148	\$ 190	\$ 28	\$ -	\$ -	\$ -	\$ -	\$ -
EBT	\$ 4,176	\$ 5,705	\$ 6,008	\$ 6,798	\$ 6,931	\$ 8,734	\$ 8,259	\$ 9,638	\$ 11,622	\$ 12,896	\$ 14,038
Tax Expense (Provoison)	\$ (1,084)	\$ 883	\$ 1,252	\$ 1,371	\$ 1,371	\$ 1,604	\$ 1,528	\$ 1,783	\$ 2,150	\$ 2,386	\$ 2,597
<i>NET Tax Rate %</i>	(26.0%)	15.5%	20.8%	20.2%	19.8%	18.4%	18.5%	18.5%	18.5%	18.5%	18.5%
Net Income	\$ 5,260	\$ 4,822	\$ 4,756	\$ 5,427	\$ 5,560	\$ 7,130	\$ 6,731	\$ 7,855	\$ 9,472	\$ 10,511	\$ 11,441
<i>Net Margin %</i>	40.9%	30.5%	27.0%	28.0%	25.9%	30.0%	25.8%	27.4%	30.3%	31.2%	31.5%

ANNEX 9 – Cash Flow Statement \$mn (FY2020-30)

Source: Team Analysis

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
OPERATING ACTIVITIES											
Net Income	\$ 5,260	\$ 4,822	\$ 4,756	\$ 5,428	\$ 5,560	\$ 7,130	\$ 6,731	\$ 7,855	\$ 9,472	\$ 10,511	\$ 11,441
D&A	\$ 757	\$ 788	\$ 856	\$ 872	\$ 857	\$ 818	\$ 875	\$ 949	\$ 1,015	\$ 1,127	\$ 1,247
Stock-Based Compensation	\$ 909	\$ 1,069	\$ 1,440	\$ 1,718	\$ 1,833	\$ 1,942	\$ 2,220	\$ 2,437	\$ 2,656	\$ 2,868	\$ 3,083
Lease Related Asset Impairments	\$ 87	\$ 73	\$ 83	\$ -	\$ 78	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Income Taxes	\$ (1,501)	\$ 183	\$ 328	\$ (426)	\$ (468)	\$ (512)	\$ (9)	\$ (9)	\$ (9)	\$ (9)	\$ (9)
Unrealized Loss/gain on investments	\$ (11)	\$ (4)	\$ 29	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other non-cash items	\$ 40	\$ 7	\$ 10	\$ 65	\$ 52	\$ 48	\$ 30	\$ 31	\$ 32	\$ 33	\$ 34

Trade Receivables (net)	\$ 106	\$ (430)	\$ (198)	\$ (159)	\$ 143	\$ (275)	\$ (161)	\$ (244)	\$ (247)	\$ (239)	\$ (243)
Prepaid expenses and other assets	\$ (288)	\$ (475)	\$ (94)	\$ (818)	\$ (616)	\$ (90)	\$ (133)	\$ (137)	\$ (140)	\$ (144)	\$ (147)
Trade Payables	\$ 96	\$ (20)	\$ 66	\$ (49)	\$ 44	\$ 64	\$ 39	\$ 46	\$ 21	\$ 16	\$ 32
Accrued expenses and other liabilities	\$ 86	\$ 162	\$ 7	\$ 146	\$ 196	\$ 180	\$ 211	\$ 290	\$ 293	\$ 285	\$ 290
Income taxes payable	\$ (72)	\$ 2	\$ 19	\$ (11)	\$ 68	\$ (45)	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Rev	\$ 258	\$ 1,053	\$ 536	\$ 536	\$ 309	\$ 771	\$ (113)	\$ 662	\$ 356	\$ 623	\$ 270
Cash from Operations	\$ 5,727	\$ 7,230	\$ 7,838	\$ 7,302	\$ 8,056	\$ 10,031	\$ 9,690	\$ 11,881	\$ 13,449	\$ 15,071	\$ 15,998
INVESTING ACTIVITIES											
CapEx	\$ (419)	\$ (348)	\$ (442)	\$ (360)	\$ (183)	\$ (179)	\$ (392)	\$ (401)	\$ (406)	\$ (405)	\$ (435)
Other Investing	\$ 5	\$ (3,189)	\$ (128)	\$ 1,136	\$ 332	\$ (1,008)	\$ 723	\$ (1,390)	\$ (686)	\$ 163	\$ (163)
Cash from Investing	\$ (414)	\$ (3,537)	\$ (570)	\$ 776	\$ 149	\$ (1,187)	\$ 332	\$ (1,791)	\$ (1,092)	\$ (242)	\$ (598)
FINANCING ACTIVITIES											
Dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Share Repurchases	\$ (3,050)	\$ (3,950)	\$ (6,550)	\$ (4,400)	\$ (9,500)	\$ (11,281)	\$ (10,693)	\$ (10,331)	\$ (10,434)	\$ (11,733)	\$ (12,450)
Other Financing	\$ (438)	\$ (351)	\$ (275)	\$ (782)	\$ 1,776	\$ 221	\$ (340)	\$ (320)	\$ (300)	\$ (280)	\$ (260)
Cash from Financing	\$ (3,488)	\$ (4,301)	\$ (6,825)	\$ (5,182)	\$ (7,724)	\$ (11,060)	\$ (11,033)	\$ (10,651)	\$ (10,734)	\$ (12,013)	\$ (12,710)
Net Change in Cash	\$ 1,825	\$ (608)	\$ 443	\$ 2,896	\$ 481	\$ (2,216)	\$ (1,011)	\$ (562)	\$ 1,623	\$ 2,816	\$ 2,690

ANNEX 10 – Investment Module

Investment Module (\$mn)

Investments into PPE	FY2025	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
New Investments		\$ 391.8	\$ 401.4	\$ 406.1	\$ 404.8	\$ 435.2
Acc. Acquisition Value	\$ 3,601.0	\$ 3,992.8	\$ 4,394.2	\$ 4,800.4	\$ 5,205.2	\$ 5,640.4
Depreciation		\$ 665.5	\$ 732.4	\$ 800.1	\$ 867.5	\$ 940.1
Opening Acc. Depreciation		\$ 1,728.0	\$ 2,393.5	\$ 3,125.8	\$ 3,925.9	\$ 4,793.4
Depreciation for the Year		\$ 665.5	\$ 732.4	\$ 800.1	\$ 867.5	\$ 940.1
Accumulated Depreciation	\$ 1,728.0	\$ 2,393.5	\$ 3,125.8	\$ 3,925.9	\$ 4,793.4	\$ 5,733.5
BOOK VALUE	\$ 1,873.0	\$ 1,599.4	\$ 1,268.4	\$ 874.5	\$ 411.8	\$ (93.1)
Investments into Intangibles	FY2025	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
New Investments		\$ 339.6	\$ 344.0	\$ 312.4	\$ 337.4	\$ 362.7
Acc. Acquisition Value	\$ 2,521.0	\$ 2,860.6	\$ 3,204.6	\$ 3,517.1	\$ 3,854.4	\$ 4,217.1
New Acc. Investments		\$ 339.6	\$ 683.6	\$ 996.1	\$ 1,333.4	\$ 1,696.1
New Amortization		\$ 48.5	\$ 97.7	\$ 142.3	\$ 190.5	\$ 242.3
Amortization Projections on Existing Assets		\$ 161.0	\$ 119.0	\$ 73.0	\$ 69.0	\$ 65.0
Opening Acc. Amortization		\$ 2,026.0	\$ 2,235.5	\$ 2,452.2	\$ 2,667.5	\$ 2,927.0
Amortization for the Year		\$ 209.5	\$ 216.7	\$ 215.3	\$ 259.5	\$ 307.3
Accumulated Amortization	\$ 2,026.0	\$ 2,235.5	\$ 2,452.2	\$ 2,667.5	\$ 2,927.0	\$ 3,234.3
BOOK VALUE	\$ 495.0	\$ 625.1	\$ 752.5	\$ 849.6	\$ 927.5	\$ 982.8

Source: Team Analysis | Company Report

We assume an average life of 6 and 7 years for PPE and intangibles respectively (based on an average from FY2025 10-K. Existing asset amortization values have been sourced from 10K pg. 70

ANNEX 11 – Cost of Equity

Source: Team Analysis

CoE CAPM	
Risk Free Rate	4.20%
Beta	1.26
Market Risk Premium	5.30%

We calculate cost of equity using the Capital Asset Pricing Model (CAPM). The risk-free rate of 4.21% represents the 10-year U.S. Treasury yield as of February 2026, ensuring consistency with the valuation date. The market risk premium of 5.40% reflects the long-term historical equity risk premium for U.S. markets. We employ a levered beta of 1.25, derived through a weighted methodology combining three distinct approaches to ensure robustness and capture Adobe's true systematic risk. We believe the ESG factors are already priced in by the market and hence do not use any ESG adjustments in our cost of equity calculations.

ANNEX 12 – Cost of Debt

Source: Team Analysis | Damodaran

Method 1 – Adobe's Outstanding Bonds				Method 2 – Synthetic credit ratings	
Bond Maturity	Coupon Rate	Current YTM	Principal (\$M)	EBIT 2025 [\$M]	8,706
Feb-27	2.15%	3.89%	500	Interest Expense [\$M]	27.9
Apr-27	4.85%	3.78%	500	Interest coverage ratio	310.9x
Apr-29	4.80%	3.98%	750	Synthetic credit rating assigned	AAA
Feb-30	2.30%	4.16%	1,250	Credit spread (Damodaran)	0.75%
Jan-35	5.30%	4.66%	500	Risk-free rate	4.21%
Weighted Average Pre-tax CoD				Pre-tax Cost of debt	4.95%
Tax rate				Tax rate	18.50%
After-tax cost of debt				After-tax cost of debt	4.03%

Note: The effective interest rate of 4.1% is based on Adobe's existing debt portfolio. Current market YTM's reflect February 2026 bond pricing.

Blended Cost of Debt Calculation			
Method	Weight	After-tax CoD	Contribution
Interest-Bearing Liabilities	70%	3.34%	2.34%
Synthetic Credit Rating	30%	4.03%	1.21%
Blended After-tax Cost of Debt			3.55%

To estimate the cost of debt for Adobe, we employed two complementary methods to ensure comprehensiveness: a) interest-bearing liabilities (IBL) method based on Adobe's existing debt portfolio, and b) synthetic credit rating approach using interest coverage ratios. We assign a 70% weight to the IBL method, recognizing that Adobe's actual borrowing costs provide the most accurate reflection of the company's cost of debt. The 30% weight on the synthetic rating approach serves as a forward-looking validation.

ANNEX 13 – WACC & TERMINAL GROWTH

Source: Team Analysis

WACC		Forecast Period	Terminal Period
Equity - Weight	%	94.52%	Same as forecast period, we do not assume separate WACC for the reasons explained below
Debt - Weight	%	5.48%	
Tax	%	18.50%	
Cost of Equity	%	10.88%	
Cost of Debt	%	3.55%	
WACC		10.48%	10.48%

Terminal Growth Rate (%)	2.50%
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We assume a stable WACC of 10.48% throughout the DCF forecast period as opposed to dynamic WACC or a distinct calculation for the terminal year. We use a stable WACC because it reflects our assumption about Adobe's risk profile and stable future capital structure, with equity representing 96.4% of enterprise value and debt representing 3.6%. Additionally, the U.S. 10-year Treasury yield of 4.21% already incorporates market expectations for future economic conditions, making further adjustments to the WACC redundant. By keeping the WACC constant, we ensure the valuation remains focused on realistic and consistent assumptions, without speculative fluctuations that could undermine its reliability.

Our terminal growth rate of 2.5% is positioned above long-term U.S. inflation (2.0%) but below nominal GDP growth (3.5%–4.0%). This reflects: a) Adobe's mature creative and marketing software markets limiting perpetual high growth; b) generative AI providing incremental but moderating growth drivers beyond 2030; and c) Adobe's entrenched competitive position supporting modest real growth above inflation. The 2.5% rate is intentionally conservative given Adobe's historical ROIC above 20%, but accounts for eventual market saturation and intensifying competition from AI-native entrants.

ANNEX 14 – Beta Calculations

Peer	Ticker	Levered beta
HubSpot	HUBS	1.39
Autodesk	ADSK	1.45
Salesforce	CRM	1.3
Oracle	ORCL	1.63
SAP	SAP	0.71
DocuSign	DOCU	1.01
Dropbox	DBX	0.63
Microsoft	MSFT	1.08
Alphabet	GOOG	1.09
Meta	META	1.28
Figma	FIG	1.33
Average		1.1727

Method 1: Bottom-up approach uses comparable software and SaaS companies including HubSpot, Autodesk, Salesforce, Oracle, SAP, DocuSign, Dropbox, Microsoft, Alphabet, Meta, and Figma giving us a beta of 1.17

Houses of Finance	Adobe Beta
Yahoo Finance	1.51
Trading View	1
CNBC	1.53
Investing.com	1.51
eToro	1.15
Lightyear	1.53
MarketWatch	1.3
Average	1.36

Method 2: Houses of Finance average aggregates published beta estimates from Yahoo Finance, Trading View, CNBC, Investing.com, eToro, Lightyear, and MarketWatch. The average across all providers is 1.36, with variation ranging from 1.00 to 1.53 reflecting differences in calculation methodologies.

Regression vs. S&P 500	
5-year regression Beta	1.439
Adjusted regression Beta	1.263

Method 3: 5-year regression of Adobe's weekly stock returns against the S&P 500 index captures the company's historical systematic risk over a complete business cycle. The regression output beta was adjusted to deflated beta due to the Figma deal collapse.

Damodaran's Industry Beta Estimate	1.25
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Method 4: Lastly, we use Damodaran's Industry Beta estimate.

Sources: Team Analysis | Damodaran | Houses of Finance | Yahoo Finance

Method	Weight	Beta	Contribution
Peer Relative Beta	10%	1.1727	0.117
Houses of Finance Average	10%	1.36	0.136
5-yr Regression on the S&P500	50%	1.263	0.632
Damodaran's Industry Estimate	30%	1.25	0.375
Weighted ADBE Beta			1.260

Final Weighted Beta: We assign 50% weight to regression, 30% to Damodaran's estimate, 10% to bottom-up peers, and 10% to Houses of Finance average. The 50% weighting on regression reflects our view that historical market behavior is the most reliable predictor of future systematic risk. This produces a final weighted beta of 1.26.

ANNEX 15 – Relative Valuation

Sources: Team Analysis | Company Reports

SECTION 1: COMPANY OVERVIEW & MARKET DATA

Company	Ticker	Market Cap (\$B)	Stock Price	Enterprise Value (\$B)	Revenue (\$B)	EBITDA (\$B)	Net Income (\$B)	Diluted EPS (\$)	Free Cash Flow (\$B)
Adobe Inc.	ADBE	\$105.07	\$256.25	\$104.69	\$23.77	\$9.24	\$7.13	\$16.69	\$9.85
Microsoft Corp.	MSFT	\$2,960.00	\$399.73	\$2,807.67	\$305.45	\$175.26	\$119.26	\$15.99	\$77.40
Salesforce Inc.	CRM	\$179.31	\$191.03	\$171.22	\$40.32	\$11.80	\$7.22	\$7.49	\$12.89
Oracle Corp.	ORCL	\$430.94	\$150.04	\$513.32	\$61.02	\$26.27	\$15.43	\$5.32	-\$13.18
Alphabet Inc.	GOOG	\$3,760.00	\$310.84	\$3,532.23	\$402.84	\$150.18	\$132.17	\$10.82	\$73.26
Figma Inc.	FIG	\$16.15	\$30.76	\$17.58	\$1.06	-\$1.27	-\$1.25	-\$3.71	\$0.27
DocuSign Inc.	DOCU	\$8.69	\$43.13	\$6.38	\$3.16	\$0.32	\$0.30	\$1.43	\$0.98
Intuit Inc.	INTU	\$105.70	\$379.77	\$104.73	\$19.43	\$5.19	\$4.12	\$14.57	\$6.39
Synopsys Inc.	SNPS	\$86.14	\$449.51	\$97.99	\$7.05	\$1.33	\$1.33	\$8.05	\$1.35
Autodesk Inc.	ADSK	\$47.70	\$225.45	\$47.70	\$6.89	\$1.77	\$1.11	\$5.15	\$2.12
SAP SE	SAP	\$204.86	\$198.16	\$187.79	\$36.80	\$11.70	\$7.33	\$7.37	\$8.40
Peer Median (Ex-ADBE)		\$142.51	\$211.81	\$137.97	\$28.12	\$8.45	\$5.67	\$7.43	\$4.26
Peer Mean (Ex-ADBE)		\$779.9	\$237.8	\$748.7	\$88.4	\$38.3	\$28.7	\$7.2	\$17.0

SECTION 2: VALUATION MULTIPLES

Company	EV/Revenue	EV/EBITDA	P/E Ratio	Price/Sales	Price/Book	EV/FCF	FCF Yield (%)	Revenue Growth %	EBITDA Margin %
Adobe Inc.	4.40x	11.33x	15.28x	4.42x	4.42x	10.63x	0.09x	10%	39%
Microsoft Corp.	9.19x	16.02x	24.33x	9.42x	9.69x	36.27x	0.03x	15%	57%
Salesforce Inc.	4.25x	14.51x	24.72x	4.49x	4.45x	13.28x	0.07x	7%	29%
Oracle Corp.	8.41x	19.54x	27.47x	7.11x	7.06x	-38.95x	-0.03x	9%	43%
Google Inc.	8.77x	23.52x	28.76x	9.34x	9.33x	48.22x	0.02x	15%	37%
Figma Inc.	16.58x	-13.84x	-10.16x	16.31x	15.24x	65.10x	0.02x	29%	-120%
DocuSign Inc.	2.02x	20.05x	29.97x	2.75x	2.75x	6.51x	0.11x	8%	10%
Intuit Inc.	5.39x	17.92x	26.06x	5.23x	5.17x	16.39x	0.06x	16%	27%
Synopsys Inc.	13.90x	73.78x	55.83x	12.28x	2.89x	72.59x	0.02x	15%	19%
Autodesk Inc.	6.92x	26.92x	43.76x	6.90x	16.19x	22.50x	0.04x	12%	26%
SAP Inc.	5.10x	16.05x	26.08x	5.19x	5.57x	22.36x	0.04x	10%	32%
Peer Median (Ex-ADBE)	7.67x	18.73x	26.78x	7.01x	6.31x	22.43x	0.03x	0.13x	0.28x
Peer Mean (Ex-ADBE)	8.05x	21.45x	27.68x	7.90x	7.83x	26.43x	0.04x	0.13x	0.16x

SECTION 3: IMPLIED VALUATION ANALYSIS

Valuation Method	Peer Median Multiple	Adobe Metric	Implied Value (\$B)	Less: Net Debt (\$B)	Implied Equity Value (\$B)	Shares Out (M)	Implied Price/Share	Current Price	Upside/(Downside)
EV/Revenue	7.7x	4.40	\$182.3	\$0.8	\$181.5	410.5	\$442.10	\$256.25	172.5%
EV/EBITDA	18.7x	11.33	\$173.1	\$0.8	\$172.3	410.5	\$419.70	\$256.25	163.8%
P/E Ratio	26.8x	15.28	\$446.9	\$0.0	\$446.9	410.5	\$1,088.61	\$256.25	424.8%
EV/FCF	22.4x	10.63	\$220.9	\$0.8	\$220.1	410.5	\$536.26	\$256.25	209.3%
Price/Sales	7.0x	4.42	\$405.6	\$0.0	\$405.6	410.5	\$988.12	\$256.25	385.6%

VALUATION SUMMARY

Average Implied Price (All Methods):	\$694.96
Median Implied Price (All Methods)	\$536.26
Current Market Price:	\$256.25
Implied Upside/(Downside):	171.2% From Avg
Implied Upside/(Downside):	109.3% From Med

ANNEX 16 – Sensitivity Analysis

Source: Team Analysis

Terminal Growth Rate

	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%
8.48%	\$485.88	\$500.47	\$516.18	\$533.15	\$551.55	\$571.55	\$593.37	\$617.28	\$643.60
8.98%	\$451.84	\$464.28	\$477.61	\$491.93	\$507.35	\$524.01	\$542.07	\$561.71	\$583.13
9.48%	\$422.08	\$432.79	\$444.21	\$456.42	\$469.51	\$483.57	\$498.72	\$515.08	\$532.81
9.98%	\$395.86	\$405.15	\$415.02	\$425.54	\$436.75	\$448.74	\$461.59	\$475.40	\$490.27
10.48%	\$372.58	\$380.70	\$389.30	\$398.42	\$408.12	\$418.44	\$429.46	\$441.23	\$453.85
10.98%	\$351.77	\$358.91	\$366.46	\$374.43	\$382.88	\$391.84	\$401.36	\$411.50	\$422.32
11.48%	\$333.06	\$339.38	\$346.04	\$353.06	\$360.47	\$368.30	\$376.60	\$385.40	\$394.75
11.98%	\$316.15	\$321.77	\$327.68	\$333.90	\$340.44	\$347.33	\$354.61	\$362.30	\$370.45
12.48%	\$300.79	\$305.82	\$311.09	\$316.62	\$322.42	\$328.53	\$334.95	\$341.72	\$348.87

We conducted a two-way sensitivity analysis varying WACC from 8.48% to 12.48% (±200 bps around our base case of 10.48%) and terminal growth from 1.50% to 3.50% (±100 bps around our base case of 2.50%). The analysis demonstrates that our \$408 target price is robust across reasonable assumption ranges. The valuation exhibits greater sensitivity to WACC than terminal growth, a 50 bps WACC change impacts the share price by approximately ±\$18, while a 50 bps terminal growth change impacts the price by approximately ±\$10.

Bear Case (\$301, 14.6% upside): WACC of 12.48% and terminal growth of 1.50%. Primary downside drivers include: a) slower AI monetization limiting ARPU expansion across Creative Cloud and Experience Cloud; b) intensified competition from AI-native entrants compressing Digital Media margins below 95%; c) Semrush integration challenges delaying cross-sell opportunities; and d) elevated R&D spending extending beyond 2027 as GPU infrastructure costs remain high.

Base Case (\$408, 55.5% upside): WACC of 10.48% and terminal growth of 2.50%. Reflects our central assumptions on AI adoption trajectories, margin stability, and competitive positioning.

Bull Case (\$561, 114.0% upside): WACC of 8.48% and terminal growth of 3.25%. Primary upside drivers include: a) accelerated enterprise adoption of GenStudio driving Digital Experience growth above 12% through 2028; b) Firefly premium tier penetration exceeding 15%; c) Digital Experience margins reaching 75% by 2030 from Semrush synergies; and d) faster AI infrastructure maturation allowing R&D to decline to 16% of revenue.

Even under the bear case scenario, Adobe's implied valuation supports meaningful upside from the current \$262 market price, providing substantial margin of safety and reinforcing our BUY recommendation.

ANNEX 17 – ESG Metrics

TABLE 1: BOARD OF DIRECTORS & GOVERNANCE

Metric	2024	2023	2022
Total Board Members	11	12	12
Independent Board Members (%)	91%	92%	91%
Separate CEO and Chair Roles	No	No	No
Independent Audit Committee	Yes	Yes	Yes
Independent Compensation Committee	Yes	Yes	Yes
Independent Nominating/Governance Committee	Yes	Yes	Yes

TABLE 2: COMPLIANCE & LEGAL

Metric	2024	2023	2022
Anti-Competitive Fines & Settlements	\$0	\$0	\$0
Customer Privacy Fines & Settlements	\$0	\$0	\$0
Data Security Breaches (Disclosed)	0	0	0
Environmental Fines & Settlements	\$0	\$0	\$0
Health & Safety Non-Compliance Incidents	0	0	0

TABLE 3: POLITICAL & LOBBYING ACTIVITIES

Metric	2024	2023	2022
Political Contributions to Parties/Politicians/PACs	\$0	\$0	\$0
Lobbying Expenses (\$M)	\$2.40	\$2.20	\$2.00

TABLE 4: SUPPLY CHAIN RESPONSIBILITY

Metric	2024	2023	2022
Suppliers Required to Comply with RBA (%)	100%	100%	100%
Suppliers Undergone Human Rights Screenings (%)	100%	100%	100%
Suppliers with Human Rights Clauses (% by Spend)	100%	100%	100%
Incidents Related to Freedom of Association	0	0	0
Incidents Related to Child Labor	0	0	0
Incidents Related to Forced Labor	0	0	0

TABLE 5: GLOBAL WORKFORCE

Metric	2024	2023	2022
Total Global Employees	30,709	29,945	29,239
Employees in U.S. (%)	50%	50%	51%
Employees Outside U.S. (%)	50%	50%	49%

TABLE 6: WORKFORCE DIVERSITY - GENDER

Metric	2024	2023	2022
Female Employees (%)	35.40%	35.30%	34.60%
Male Employees (%)	64.60%	64.10%	64.70%

By Role

Female Leadership (Director+) (%)	32.50%	29.00%	27.70%
Male Leadership (%)	67.30%	70.80%	72.10%
Female People Managers (%)	39.80%	34.20%	32.90%
Male People Managers (%)	59.90%	65.50%	66.70%
Female Individual Contributors (%)	38.70%	36.00%	35.40%
Male Individual Contributors (%)	60.10%	63.40%	63.80%

By Function

Females in Tech Roles (%)	30.40%	27.60%	26.90%
Males in Tech Roles (%)	68.50%	71.80%	72.40%

TABLE 7: WORKFORCE DIVERSITY - RACE & ETHNICITY (U.S. ONLY)

Race/Ethnicity	2024	2023	2022
White	50.50%	51.40%	52.50%
Asian	32.60%	31.80%	30.70%
Hispanic/Latinx	5.60%	5.60%	5.60%
Black/African American	3.00%	3.00%	3.10%
Native Hawaiian/Pacific Islander	0.20%	0.20%	0.20%
Native American/Alaska Native	0.20%	0.20%	0.20%
Two or More Races	3.00%	2.50%	2.60%
Undisclosed	5.30%	5.20%	5.10%
Female by Race/Ethnicity	2024	2023	2022
White	46.30%	47.20%	48.10%
Asian	36.20%	35.30%	34.10%
Hispanic/Latinx	6.70%	6.70%	6.80%
Black/African American	3.10%	3.10%	3.30%
Native American/Alaska Native	0.20%	0.20%	0.20%
Native Hawaiian/Pacific Islander	0.20%	0.20%	0.20%
Two or More Races	3.00%	3.00%	3.00%
Undisclosed	4.30%	4.30%	4.30%
Male by Race/Ethnicity	2024	2023	2022
White	53.70%	54.70%	55.80%
Asian	30.60%	29.90%	28.80%
Hispanic/Latinx	5.00%	5.00%	4.90%
Black/African American	3.00%	3.00%	3.00%
Native American/Alaska Native	0.10%	0.10%	0.20%
Native Hawaiian/Pacific Islander	0.20%	0.20%	0.20%
Two or More Races	2.30%	2.20%	2.30%
Undisclosed	5.00%	4.80%	4.90%

TABLE 8: HUMAN CAPITAL MANAGEMENT

Metric	2024	2023	2022
Employee Satisfaction (%)	81%	85%	84%
Total Attrition Rate (%)	7.80%	7.40%	11.70%
Ratio of Female to Male Compensation	1:01	1:01	1:01
Employee Fatalities per 100,000	0	0	0
Contractor Fatalities per 100,000	0	0	0
Injuries & Illnesses per 200,000 Hours	0.16	0.04	0.3

TABLE 9: GREENHOUSE GAS EMISSIONS

Metric (tonnes CO2e)	2024	2023	2022
Scope 1 Emissions	7,218	7,649	6,568
Natural Gas & Diesel	4,465	5,274	4,815
Ozone-Depleting Substances	928	378	427
Mobile Sources	1,825	1,997	1,326
Scope 2 Emissions (Location-Based)	63,296	62,662	57,168
Scope 2 Emissions (Market-Based)	19,602	22,950	22,936
Scope 3 Emissions (Total)	496,591	612,099	463,437
Purchased Goods & Services	409,284	511,376	405,645
Capital Goods	14,548	47,112	26,084
Fuel & Energy Related Activities	10,984	5,470	6,227
Upstream Transportation	472	559	66
Business Travel	49,260	38,141	19,704
Employee Commuting	12,043	9,441	5,711
GHG Emissions Reduction	5,072	5,494	95
Carbon Intensity (Scope 1+2/FTE)	0.87	1.02	1.01

TABLE 10: ENERGY CONSUMPTION & RENEWABLES

Metric	2024	2023	2022
Total Energy Consumption (MWh)	228,700	230,711	213,408
Total Energy Consumption (GJ)	823,319	830,559	768,269
% Grid Electricity of Total Energy	86%	84%	84%
% Renewable Energy of Total	64%	56%	53%
% Renewable Electricity of Total	74%	66%	62%
Grid Electricity Consumed (MWh)	197,076	194,481	180,011
% from Managed Colocated Data Centers	22%	22%	25%
Fuel Consumed (MWh)	31,010	36,047	32,786
Energy Intensity (MWh/FTE)	7.4	7.7	7.3

TABLE 11: SUSTAINABLE WORKPLACES

Metric	2024	2023	2022
Total Workspace (Sq. Ft.)	5,150,439	5,387,228	4,614,038
% LEED/Green-Certified Buildings	96%	87%	85%
% Employees in Certified Workspaces	75%	69%	61%
% Owned & Managed Buildings	72%	69%	56%
% Leased Buildings	28%	31%	44%

Workspace by Geography

% in U.S.	62%	63%	62%
% in India	23%	22%	22%
% in Rest of World	14%	15%	17%

Adobe Workspace Energy (MWh)	106,842	107,331	96,772
Energy Intensity (kWh/Sq. Ft.)	20.7	19.9	21

TABLE 12: DATA CENTER ENVIRONMENTAL PERFORMANCE

Metric	2024	2023	2022
Adobe-Owned Data Center (Hillsboro, OR)			
Scope 2 Location-Based (tonnes CO2e)	19,778	20,342	18,651
Scope 2 Market-Based (tonnes CO2e)	7,881	8,582	10,920
Electricity Consumed (MWh)	71,647	70,244	64,395

Colocated Data Centers

Scope 2 Location-Based (tonnes CO2e)	12,255	12,341	12,775
Scope 2 Market-Based (tonnes CO2e)	6,166	5,629	5,903
Electricity Consumed (MWh)	42,385	43,028	45,766

TABLE 13: WASTE AND WATER USE & MANAGEMENT

Metric	2024	2023	2022
Total Water Withdrawn (Cubic Meters)	363,413	318,834	264,682
% Water Recycled & Reused	9%	8%	7%
% in High/Extremely High Water Stress Regions	28%	30%	28%
% in High Risk Areas	0%	21%	24%
% in Extremely High Risk Areas	28%	9%	4%
Water Intensity (Cubic Meters/FTE)	11.8	10.6	9.1

Metric (Metric Tons)	2024	2023	2022
Total Waste Generated	2,035	1,607	1,992
Waste Diverted from Landfill	1,682	1,316	1,761
Recycled	623	471	864
Composted	1,059	845	896
Waste Sent to Landfill	353	291	231
Waste Diversion Rate (%)	83%	82%	88%

TABLE 14: COMMUNITY ENGAGEMENT (CALENDAR YEAR)

Metric	2024	2023	2022
Total Community Investment (\$M)	\$134.80	\$115.20	\$113.80
Company Match of Employee Contributions (\$M)	\$22.40	\$22.00	\$16.60
Product Donation - FMV (\$M)	\$60.60	\$68.80	\$63.50
Value of Pro Bono Projects (\$K)	\$1,155	\$1,282	\$414
Hours Volunteered	203,182	201,404	150,239
Organizations Served	74,428	83,457	89,110

TABLE 15: CDP CLIMATE SCORE & VERIFICATION

Metric	2024	2023	2022
CDP Climate Score	B	A-	A
Scope 1 Verification Status	3rd Party Verified	3rd Party Verified	3rd Party Verified
Scope 2 Verification Status	3rd Party Verified	3rd Party Verified	3rd Party Verified
Scope 3 Verification Status	3rd Party Verified	3rd Party Verified	3rd Party Verified

ANNEX 18 – Sources

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