

# Adobe (ADBE US)

## Entering Generative AI Era

Adobe is a leading creativity and document SaaS platform, with >80%/>20% share of the global graphic processing/document processing software market, based on Statista data. As of Feb 2024, there were c.3tn Adobe-generated PDFs in the world and over 1.5bn monthly visits to Adobe's webs and apps. The company provides both individuals and enterprises with Creative/Document/Experience Cloud services, which unleash their creativity, accelerate document productivity, and improve digital experience. Adobe has 1) the best-in-class subscription business model, with subscription contributing over 90% of revenue and a 46% non-GAAP OPM in FY23; 2) a strong financial profile with the highest FCF margin + revenue CAGR (2024E: 48% by our estimate) compared to other SaaS platforms at a similar or larger market cap; 3) better positioning to capture GenAI opportunities on its abundant creativity use cases. We initiate coverage on Adobe with a BUY rating and target price of US\$645.0 (based on 36x FY24 P/E).

- Well-positioned to benefit from the GenAI opportunities.** Adobe has ample GenAI use-case applications monetization opportunities (which will help user base expansion, retention improvement, free-to-paid conversion, and potential price uplift), as it services a sizeable user group of knowledge workers and professional creators. Adobe has seen strong AI momentum since the launch of its AI services: the total number of images generated by Adobe FireFly reached 6.5bn in a year after its launch in Mar 2023, and over 40% mobile beta users of Adobe Express have used a GenAI feature, according to Adobe.
- Sizeable TAM to offer long growth runway.** According to Adobe and our estimate, Adobe's total addressable market (TAM) is expected to record a CAGR of 13% over 2024-2027E and reach US\$293bn in 2027E, driven by broader use cases, increased free-to-paid conversion and enhanced value offerings. Creative/Document/Experience Cloud may each account for 31/16/53% of the TAM in 2027E, with a CAGR of 13/14/12% over 2024-2027E. Adobe's total revenue in FY23 only accounted for 7% of the 2027E TAM, which suggests a long growth runway for Adobe in the long term.
- Initiate at BUY with TP of US\$645.0.** We forecast Adobe's total revenue to grow at a CAGR of 10% over FY24-26E and reach US\$25.5bn in FY26E. With the ever-evolving AI opportunities, we see opportunities for Adobe to enhance monetization, by broadening reach to new customers and increasing free-to-paid conversion. We expect non-GAAP net income to grow by 11/13/12% YoY to US\$8.2/9.2/10.3bn in FY24/25/26E in the base case, primarily attributable to revenue growth and operating leverage boost. We value Adobe at US\$295bn (US\$645.0 per share) based on 36x 2024E P/E. Our target P/E is at a discount to the sector average (40x), as Adobe is at a more stable business growth stage but with a more unparalleled market position. We forecast Adobe to deliver a FY24-26E non-GAAP EPS CAGR of 12%, versus 21% SaaS peers' average. Initiate coverage at BUY.

### Earnings Summary

(YE 01 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)	17,606	19,409	21,471	23,455	25,535
YoY growth (%)	11.5	10.2	10.6	9.2	8.9
Adjusted net profit (US\$ mn)	6,457.0	7,377.0	8,183.5	9,222.4	10,308.5
YoY growth (%)	7.6	14.2	10.9	12.7	11.8
EPS (Adjusted) (US\$)	13.54	15.70	17.91	20.18	22.56
Consensus EPS (US\$)	13.54	15.70	18.02	20.33	23.14
P/E (x)	56.2	48.5	42.4	37.1	32.8

Source: Company data, Bloomberg, CMBIGM estimates

**BUY**

**Target Price** US\$645.00  
**Up/Downside** 15.2%  
**Current Price** US\$560.01

### China Internet

#### Saiyi HE, CFA

(852) 3916 1739

hesaiyi@cmbi.com.hk

#### Wentao LU, CFA

luwentao@cmbi.com.hk

#### Ye TAO

franktao@cmbi.com.hk

### Stock Data

Mkt Cap (US\$ mn)	255,924.6
Avg 3 mths t/o (US\$ mn)	1,577.3
52w High/Low (US\$)	634.76/439.02
Total Issued Shares (mn)	457.0

Source: FactSet

### Shareholding Structure

The Vanguard Group	8.9%
BlackRock	8.4%

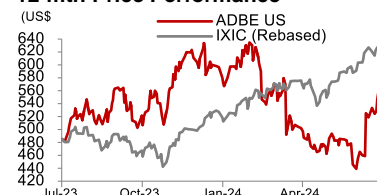
Source: Company data

### Share Performance

	Absolute	Relative
1-mth	25.9%	17.9%
3-mth	12.2%	1.9%
6-mth	-3.5%	-20.3%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

## Contents

<b>Investment thesis .....</b>	<b>3</b>
Leading creativity and document productivity platform .....	3
Well-positioned to benefit from the GenAI opportunities .....	3
US\$293bn TAM to provide a long growth runway .....	3
Drive sustainable earnings growth and enhance shareholder return .....	3
<b>Adobe: capturing GenAI opportunities .....</b>	<b>4</b>
Business overview .....	4
Transition from cloud to AI era.....	7
Strong financial profile versus peers .....	10
<b>Adobe: US\$293bn TAM to provide a long growth runway .....</b>	<b>12</b>
Creative Cloud TAM of US\$91bn .....	13
Document Cloud TAM of US\$47bn .....	14
Experience Cloud TAM of US\$155bn.....	15
<b>Business segment analysis and financial forecast.....</b>	<b>16</b>
Digital Media (74% of FY24E revenue) .....	17
Digital Experience (25% of FY24E revenue) .....	17
Margin analysis & shareholder return .....	18
<b>Valuation.....</b>	<b>19</b>
<b>Appendix.....</b>	<b>20</b>

## Investment thesis

### Leading creativity and document productivity platform

Adobe is a leading creativity and document SaaS platform, with >80%/>20% share of the global graphic processing/document processing software market. As of Feb 2024, there were c.3tn Adobe-generated PDFs in the world and over 1.5bn monthly visits to Adobe's webs and apps. The company provides both individuals and enterprises with Creative/Document/Experience Cloud services, which unleash their creativity, accelerate document productivity, and improve digital experience. Adobe has 1) the best-in-class subscription business model, with subscription contributing over 90% of revenue and a 46% non-GAAP OPM in FY23; 2) a strong financial profile with the highest FCF margin + revenue CAGR (2024E: 48% by our estimate) compared to other SaaS platforms at a similar or larger market cap; and 3) a better positioning to capture GenAI opportunities on its abundant creativity use cases. We initiate coverage on Adobe with a BUY rating and target price of US\$645.0 (based on 36x FY24 P/E). Our target P/E is at a discount to the sector average (40x), as Adobe is at a more stable business growth stage (Adobe FY24-26E non-GAAP EPS CAGR of 12% vs. SaaS peers' avg. of 21%) but has an unparalleled market position.

### Well-positioned to benefit from the GenAI opportunities

Adobe is well positioned to capture the generative AI opportunities in our view, given its abundant AI use cases, sizeable user group of knowledge workers and professional creators, and rapid development of AI applications. The company has seen strong AI momentum since the launch of its AI services. Total number of images generated by Adobe FireFly reached 6.5bn in a year after its launch in Mar 2023. Over 40% mobile beta users of Adobe Express have used a GenAI feature. We expect Adobe will continue to benefit from generative AI opportunities in the long term, backed by: 1) user base expansion on broader use cases; 2) retention improvement; 3) free-to-paid conversion; 4) potential price uplift on increasing value of subscription plans; 5) new AI products and revenue streams such as FireFly and AI Assistant. We expect Adobe will continue to maintain leadership in both creative/document software market (80/21% market share in 2023 based on Statista), due to 1) its best-in-class AI model trained on abundant quality data; 2) well-established creative user community; 3) deep pocket to invest for long-term growth.

### US\$293bn TAM to provide a long growth runway

According to Adobe and our estimate, Adobe's TAM is expected to record a CAGR of 13% over 2024-2027E and reach US\$293bn in 2027E, driven by broader use cases, increased free-to-paid conversion and enhanced value offerings. Creative/Document/Experience Cloud may each account for 31/16/53% of the TAM in 2027E, with a CAGR of 13/14/12% over 2024-2027E. Adobe's solutions target a sizable user base, including 68mn creative professionals, 131mn knowledge workers, 900mn communicators (students, marketers, businesses) and 4bn consumers (hobbyists and social media users) in 2024. For different types of users, Adobe offers a wide spectrum of subscription plans that could satisfy the user demand, with pricing ranging from US\$0 to US\$90 per month.

### Drive sustainable earnings growth and enhance shareholder return

We forecast Adobe's total revenue to grow at a CAGR of 10% over FY24-26E and reach US\$25.5bn in FY26E, in the base case. With emerging AI opportunities and Adobe's efforts to broaden reach to new customers and increase free-to-paid conversion, we expect there could more monetization opportunities to be unleashed. We expect the operating leverage, especially on selling and marketing front, to support non-GAAP NPM to rise from 38.0% in FY23 to 40.4% in FY26E. We expect non-GAAP net income to increase by 11/13/12% YoY to US\$8.2/9.2/10.3bn in FY24/25/26E, primarily attributable to the solid revenue growth and operating leverage. Looking ahead, the company will continue to invest in organic and inorganic opportunities to maximize growth, while it will consistently return capital via share repurchase. The company announced a new 4-year US\$25bn share repurchase program in Mar 2024, which represented 12% of its current market cap (as at 28 Jun 2024).

## Adobe: capturing GenAI opportunities

### Business overview

Founded in 1982, Adobe is a leading SaaS platform focusing on digital creativity, productivity, and experience. The company provides both individuals and enterprises with Creative/Document/Experience Cloud services, which unleash their creativity, accelerate document productivity, and improve digital experience. **1) Creative Cloud:** provides 20+ apps, web services, and resources for creative projects like photography, graphic design, and more. Flagship products include Photoshop, Premiere, and others. **2) Document Cloud:** flagship product Acrobat, the world's leading PDF and e-signature solutions, turns manual document processes into efficient digital ones. **3) Experience Cloud:** offers businesses solutions for customer journey management, data analytics, content personalization, commerce and marketing workflows that drive long-term customer success.

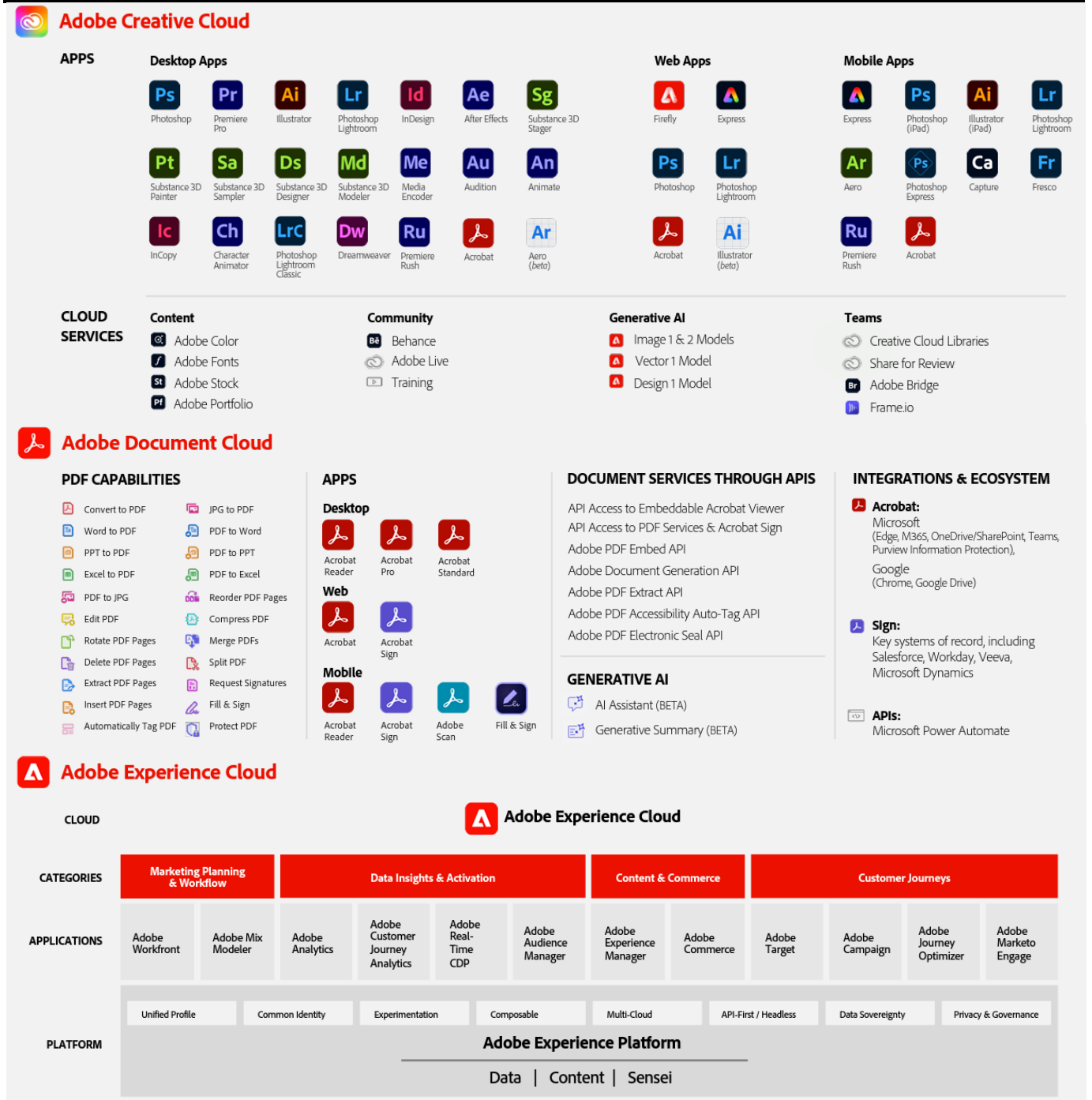
**Figure 1: Adobe: business overview**

Segment	Solutions	Revenue (FY23)	Customer Group	Introduction
Digital Media	Creative Cloud	US\$11.5bn	Creativity Professionals & Communicators	Adobe Creative Cloud provides 20+ apps, web services, and resources for creative projects, including photography, graphic design, video editing and more. Flagship products include Photoshop, Premiere, Adobe Express and Adobe Firefly
	Document Cloud	US\$2.7bn	Individuals & Businesses	Adobe Document Cloud turns manual document processes into efficient digital ones. Flagship product Acrobat offers both individual and enterprises the world's leading PDF and e-signature solutions.
Digital Experience	Experience Cloud	US\$4.3bn	SMB & Enterprises	Adobe Experience Cloud offers businesses solutions for customer journey management, data analytics, content personalization, commerce and marketing workflows that drive long-term customer success.
Publishing & Ads	Publishing & Ads	US\$0.3bn	SMB & Enterprises	Legacy products and services that address diverse market opportunities including eLearning solutions, technical document publishing, web conferencing, document and forms platform, web app development, high-end printing, and Adobe Advertising offerings.

Source: Company data, CMBIGM

Note: SMB – small- and medium-sized businesses

Figure 2: Adobe: flagship products



Source: Company data, CMBIGM

The three cloud solutions are monetized mainly through the subscription business model. Creative Cloud subscription plan is priced at US\$9.99-59.99 per month based on the number of apps users choose; Document Cloud subscription plan is priced at US\$0-19.99 per month based on the features available; Experience Cloud is priced by contract basis.

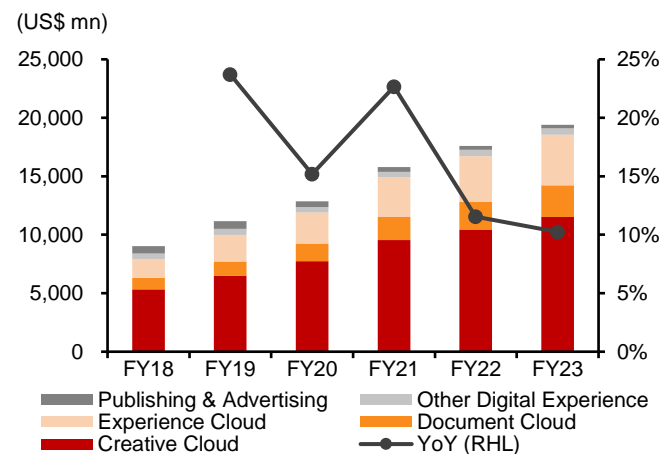
**Figure 3: Adobe: plans & pricing**

Cloud	Plans	Pricing	Offerings
Creative Cloud	All apps	US\$59.99/month	1) 20+ apps including Photoshop, Illustrator, Premiere Pro, and Acrobat Pro; 2) Tutorials, templates, fonts, and more; 3) 100GB cloud storage
	Photography	US\$19.99/month	1) Photoshop, Lightroom, and Lightroom Classic; 2) Tutorials, templates, fonts, and more 3) 1TB cloud storage
	Singel App	US\$9.99/month	1) A single app of user choice; 2) Tutorials, templates, fonts, and more 3) 100GB cloud storage
Document Cloud	Acrobat Reader	Free	1) Available on desktop and mobile 2) View, print, share, and comment
	Acrobat Standard	US\$12.99/month	1) Available on desktop, web, and mobile 2) View, print, share, and comment 3) Edit text and images, export, secure, and organize documents 4) Collect legally binding e-signatures and track responses
	Acrobat Pro	US\$19.99/month	1) Available on desktop, web, and mobile 2) View, print, share, and comment 3) Edit text and images, export, secure, and organize documents 4) Collect legally binding e-signatures and track responses 5) Create web forms, redact, compare, and access 70+ features

Source: Company data, CMBIGM

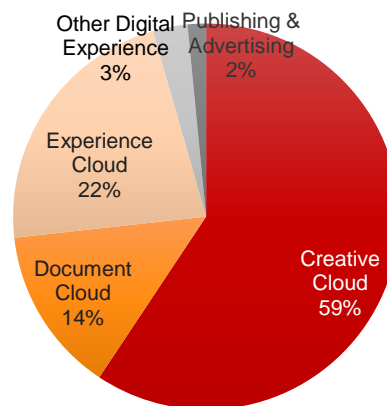
Adobe total revenue grew by 10% YoY to US\$19.4bn in FY23, with digital media and digital experience revenue up by 11% and 11% respectively. Creative Cloud/Document Cloud/Experience Cloud Subscription revenue each accounted for 59/22/14% of total revenue in FY23.

**Figure 4: Adobe: revenue trend**



Source: Company data, CMBIGM

**Figure 5: Adobe: revenue mix (FY23)**

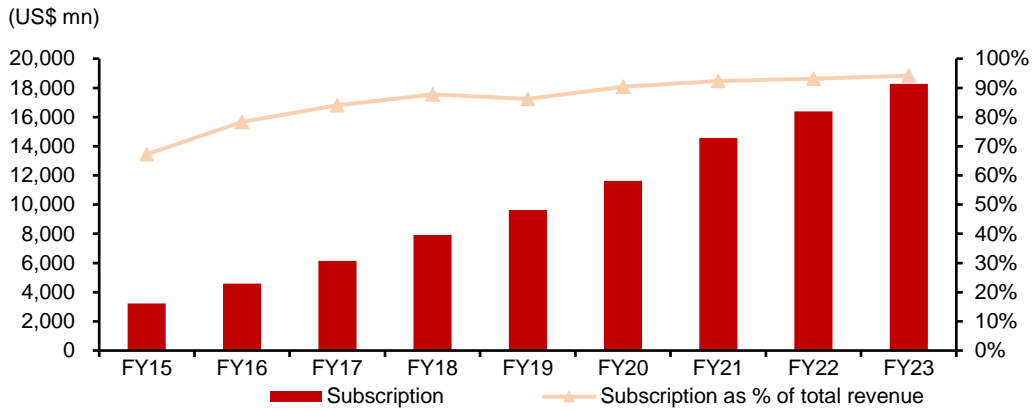


Source: Company data, CMBIGM

## Transition from cloud to AI era

Adobe introduced its Creative Cloud product suite in 2012, which has accelerated its transition to cloud-based subscription business model. With the successful cloud transition, Adobe's percentage of revenue from subscription products climbed from 67% in FY15 to 94% in FY23. Total subscription revenue grew at a CAGR of 24% over FY15-23 and reached US\$18.3bn in FY23. Looking ahead, we expect generative AI to further expand Adobe's TAM and be the next key driver of its business growth.

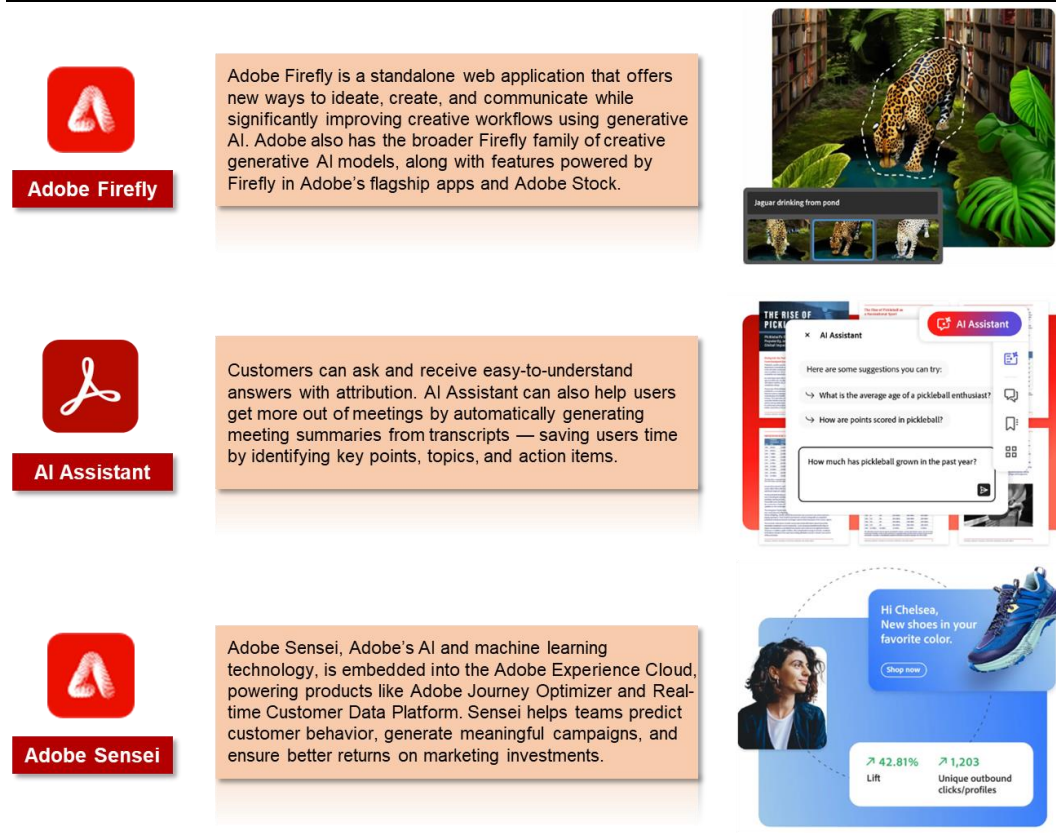
**Figure 6: Adobe: subscription revenue**



Source: Company data, CMBIGM

We believe Adobe is well positioned to capture the generative AI opportunities, given its sizeable user group of knowledge workers and professional creators, abundant AI use cases, and rapid development of its AI applications. The company has seen strong AI momentum since the launch of its AI services. The total number of images generated by Adobe Firefly reached 6.5bn in a year after its launch in Mar 2023. Over 40% mobile beta users of Adobe Express have used a GenAI feature.

Figure 7: Adobe: Generative AI features



Source: Company data, CMBIGM

Adobe continues to benefit from the AI opportunities. It leverages AI to: 1) attract new users, improve retention, and drive free-to-paid conversion; 2) increase value of subscription plans, which creates room for price uplift and drive upsell; and 3) enhance monetization through new AI product offerings such as FireFly and AI Assistant.

Figure 8: Adobe: Generative AI opportunities by solution

Solutions	AI opportunity	AI monetization opportunity
Creative Cloud	<p><b>More value:</b> Improve quality and efficiency of content creation</p> <p><b>More users:</b> Offer fast and fun creative expression</p>	<p>1) Adobe Express and Firefly web app: expand user base through freemium offerings and driver free-to-paid conversion with usage limits on generative AI capabilities</p> <p>2) Creative Cloud apps &amp; services: increase value in flagship apps and expand user base.</p> <p>3) Adobe Creation and Production for Businesses: drive adoption of Custom Model and Firefly Services for automation.</p>
Document Cloud	<p><b>More value:</b> Conversational insight, assisted creation and streamlined collaboration for paid users</p> <p><b>More users:</b> AI Assistant integrated into free Reader to attract MAU</p>	<p>1) Access to AI Assistant brings more power to PDF across Reader and Acrobat offerings</p> <p>2) Monetization of consumption, creation, and collaboration with paid generative AI plans across Reader and Acrobat on all surfaces</p> <p>3) Enterprise APIs and controls, paid generative AI offer and increased value in Acrobat drive higher penetration in enterprises</p>
Experience Cloud	<p><b>Accelerate business value:</b> Drive efficiency of content creation &amp; creation-to-activation process</p> <p><b>Expand enterprise user base:</b> Enable any user to rapidly become proficient through conversational interfaces</p>	<p>1) Drive upsell and adoption through AI features</p> <p>2) Enable list price uplift with added value</p> <p>3) Offer scaled pricing based on number of seats and usage</p>

Source: Company data, CMBIGM



**Figure 9: Adobe: Generative AI opportunities**

Source: Company data, CMBIGM

Adobe currently monetizes its AI features through both usage-based model and subscription model. 1) Usage-based model: each usage of AI features such as Generative Fill and Text to Image may cost users 1 generative credit. Users can obtain more generative credits through upgrading their plans; 2) subscription model: users can pay subscription fees to access generative AI functions such as AI Assistant for Acrobat and FireFly.

**Figure 10: Adobe: Generative AI monetization**

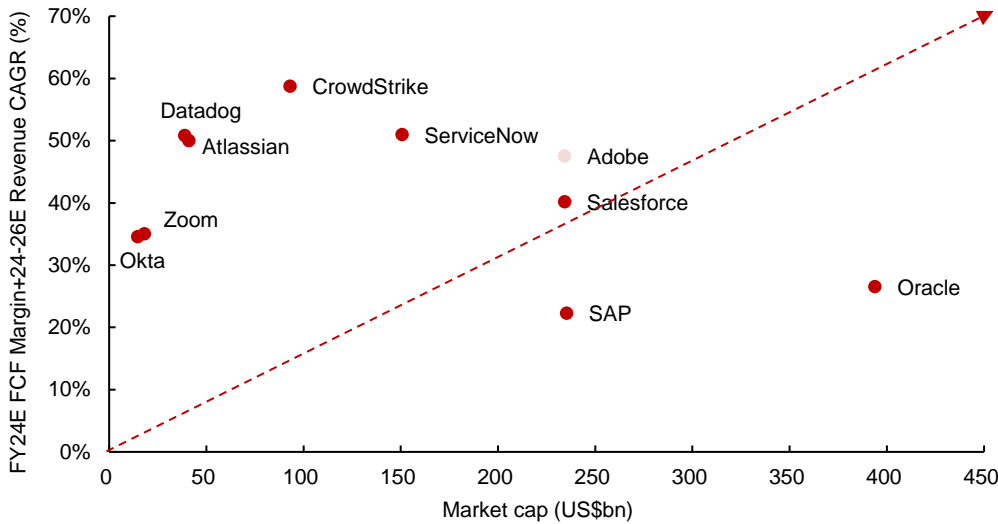
Model	AI features	Pricing
Usage-based	Generative Fill	1 generative credit per use
	Generative Expand	1 generative credit per use
	Text to Image	1 generative credit per use
Subscription	FireFly Premium Plan	US\$4.99 per month
	AI Assistant for Acrobat and Reader	US\$4.99 per month

Source: Company data, CMBIGM

### Strong financial profile versus peers

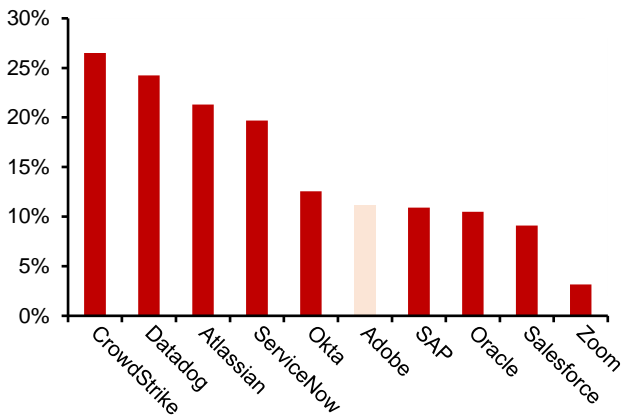
Adobe has established a strong financial profile versus other SaaS peers. The company has the highest “FCF margin + revenue CAGR”, compared to other SaaS platforms at a similar or larger market cap. The company has one of the highest FCF margin (2024E: 36%) compared to other SaaS platforms. Its best-in-class cash generation capabilities shall support its valuation and long-term growth initiatives like Generative AI, in our view.

**Figure 11: “FCF margin + revenue CAGR” comparison at different scales**



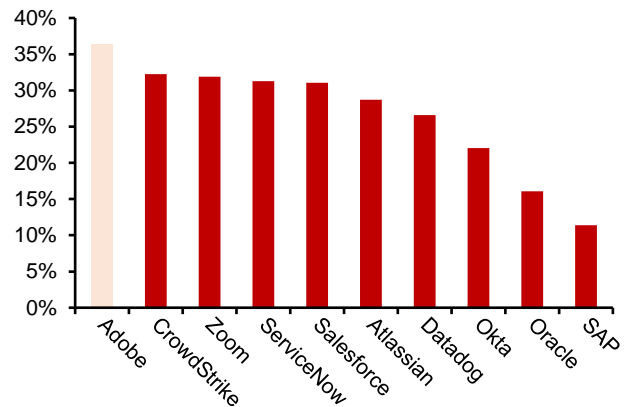
Source: Bloomberg, company data, CMBIGM estimates

**Figure 12: SaaS: 24-26E revenue CAGR**



Source: Bloomberg, company data, CMBIGM estimates

**Figure 13: SaaS: 2024E FCF margin**



Source: Bloomberg, company data, CMBIGM estimates

We also expect Adobe to be a winner among SaaS platforms in the race of Generative AI, given its 1) abundant use cases integrated with GenAI capabilities; 2) category-leading foundation models; and 3) rich amount of creative data for model training. We expect Generative AI to bring massive long-term opportunities, driving both user base expansion and price uplift for Adobe.

**Figure 14: Generative AI opportunities comparison by platform**

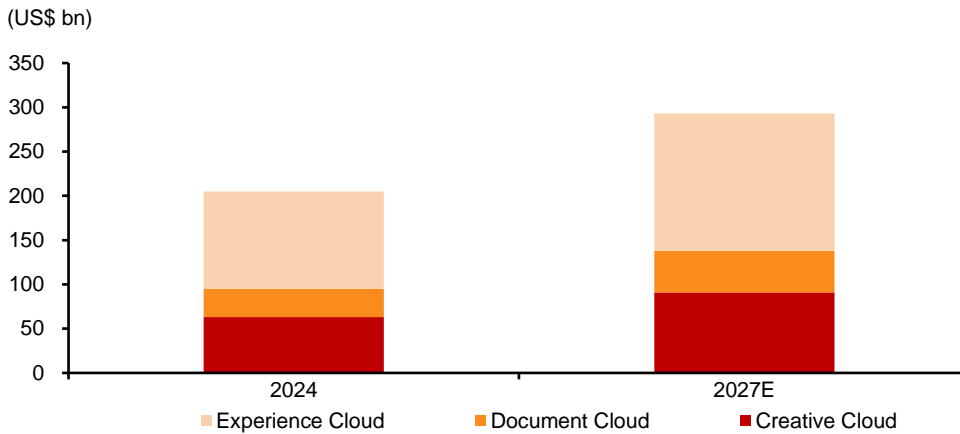
Company	AI offerings	AI strategy/advantages
Adobe	<p><b>Adobe Firefly (\$0-4.99 per month):</b> standalone web application that offers new ways to ideate, create, and communicate while significantly improving creative workflows using generative AI.</p> <p><b>Acrobat AI Assistant (\$4.99 per month):</b> AI Assistant can also help users get more out of meetings by automatically generating meeting summaries from transcripts — saving users time by identifying key points, topics, and action items.</p>	<p>Driving user base expansion and price uplift.</p> <p><b>Key advantages include:</b></p> <ol style="list-style-type: none"> <li>1) Abundant use cases integrated with GenAI capabilities</li> <li>2) Category-leading foundation models</li> <li>3) Rich amount of creative data for model training.</li> </ol>
Salesforce	<p><b>Einstein 1 (\$500 per user per month):</b> Offers generative AI functions powered by Einstein Copilot. Connect and Unify All Data with Data Cloud and Revenue Intelligence.</p>	<p>Mainly driving price uplift (200% list price uplift vs. Enterprise suite)</p> <p><b>Key advantages include:</b></p> <ol style="list-style-type: none"> <li>1) Deep integration of enterprise data and workflows</li> <li>2) Strong position in the front office software</li> </ol>
ServiceNow	<p><b>Pro Plus Suite (~30% realized price uplift vs pro Suite):</b> Include several generative AI capabilities such as Now Assist, which can provide summaries of incidents for speedy IT team handoffs and problem resolutions. It can also help generate and update work notes.</p>	<p>Mainly driving price uplift (c.30% realized price uplift vs. Pro suite)</p> <p><b>Key advantages include:</b></p> <ol style="list-style-type: none"> <li>1) Use case-specific ServiceNow GenAI models derived from open-source models</li> <li>2) LLMs combined with ServiceNow Knowledge Graph and application workflows</li> </ol>

Source: Company data, CMBIGM

## Adobe: US\$293bn TAM to provide a long growth runway

According to Adobe and our estimate, Adobe TAM is expected to record a CAGR of 13% over 2024-2027E and reach US\$293bn in 2027E, driven by broader use cases, increased free-to-paid conversion and enhanced value offerings. Creative/Document/Experience Cloud may each account for 31/16/53% of the TAM in 2027E, with a CAGR of 13/14/12% over 2024-2027E.

**Figure 15: Adobe: total addressable market**



Source: Company data, CMBIGM estimates

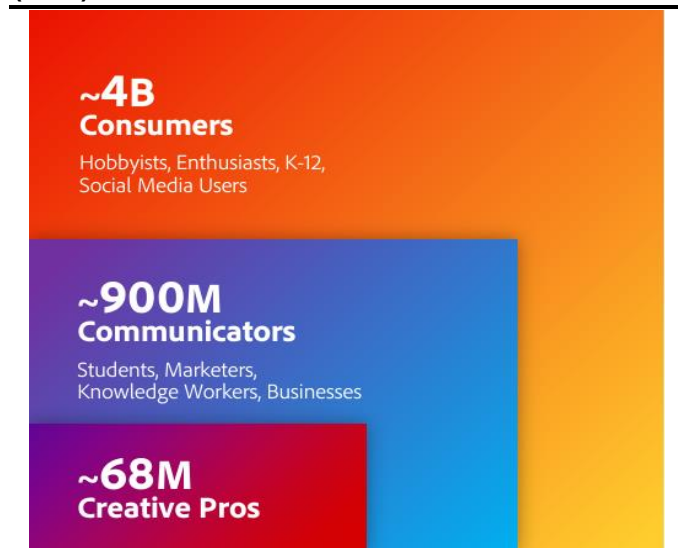
Adobe’s solutions target a sizable user base, including 68mn creative professionals, 131mn knowledge workers, 900mn communicators (students, marketers, businesses) and 4bn consumers (hobbyists and social media users) in 2024. For different types of users, Adobe offers a wide spectrum of subscription plans that could satisfy the user demand, with pricing ranging from US\$0 to US\$90 per month.

**Figure 16: Adobe: potential document cloud users (2024)**



Source: Company data, International Labor Organization, CMBIGM

**Figure 17: Adobe: potential Creative Cloud users (2024)**



Source: Company data, International Labor Organization, CMBIGM

## Creative Cloud TAM of US\$91bn

As per our estimate, Creative Cloud TAM may record a CAGR of 13% over 2024-2027E and reach US\$91bn in 2027E, with Creative Pros/Communicators market representing 49/51% of the TAM in 2027E. We expect Creative Cloud TAM for Creative Pros to reach US\$44bn in 2027E (2024-2027 CAGR of 7%), driven by 1) increased value of flagship products via GenAI features; 2) expanding use cases with more AI-enabled tools; and 3) more content automation solutions for enterprises and pros. We expect Creative Cloud TAM for Communicators to reach US\$47bn in 2027E (2024-2027E CAGR of 20%), underpinned by 1) GenAI expanding reach of Creative Cloud solutions; 2) expansion of the creator economy; and 3) new revenue streams with GenAI features.

**Figure 18: Creative Cloud: TAM**

Creativity Cloud TAM (US\$bn)	2024E	2025E	2026E	2027E
<b>Creativity Cloud TAM</b>	<b>62.9</b>	<b>71.6</b>	<b>81.4</b>	<b>91.5</b>
YoY		13.8%	13.7%	12.5%

Professional Creativity	2024E	2025E	2026E	2027E
Global number of creative pros (mn)	68.0	71.4	75.0	78.7
Monthly ARPPU (US\$)	44.0	45.0	46.0	47.0
<b>Creativity Cloud TAM - Professional Creativity (US\$bn)</b>	<b>35.9</b>	<b>38.6</b>	<b>41.4</b>	<b>44.4</b>

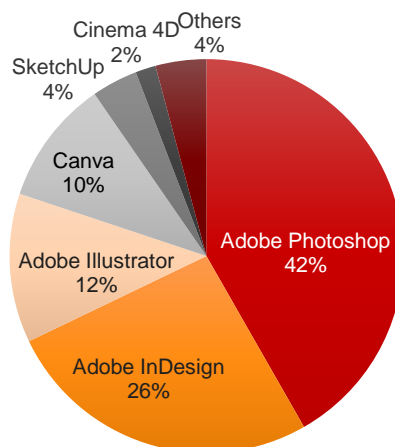
Communicators	2024E	2025E	2026E	2027E
Global number of communicators (mn)	900.0	945.0	992.3	1041.9
Free-to-paid conversion rate %	10%	11%	12%	13%
Number of subscribers (mn)	90.0	104.0	119.1	135.4
Monthly ARPPU (US\$)	25.0	26.5	28.0	29.0
<b>Creativity Cloud TAM – Communicators (US\$bn)</b>	<b>27.0</b>	<b>33.1</b>	<b>40.0</b>	<b>47.1</b>

Source: Company data, International Labor Organization, CMBIGM estimates

Note: the global numbers of creative pros and communicators are assumptions from the International Labor Organization; other assumptions are made by CMBIGM

Adobe's Creative Cloud has established a dominant position in the graphics software market. Adobe Photoshop, InDesign, and Illustrator together accounted for 80% share of the global graphics software market in 2024, per Datanyze. Supported by its strong product development capabilities and innovations in GenAI features, we expect Adobe Creative Cloud to maintain its strong leadership.

**Figure 19: Global graphics software market share (2024)**



Source: Statista, Datanyze, CMBIGM

## Document Cloud TAM of US\$47bn

For Document Cloud, we expect its TAM to record a CAGR of 14% over 2024-2027E and reach US\$47bn in 2027E, with Knowledge Workers/Communicators market representing 54/46% of the TAM in 2027E. We expect Document Cloud TAM for Knowledge Workers to reach US\$25bn in 2027E (2024-2027E CAGR of 11%), driven by 1) more advanced GenAI user cases; 2) increased enterprise penetration; and 3) e-Signature for SMBs and Enterprises. We expect Document Cloud TAM for Communicators to reach US\$22bn in 2027E (2024-2027E CAGR of 19%), underpinned by 1) more user cases on web & mobile devices; 2) increase in GenAI consumption; 3) e-Signature for general users.

**Figure 20: Document Cloud: TAM**

Document Cloud TAM (US\$bn)	2024E	2025E	2026E	2027E
Document Cloud TAM	31.8	37.1	42.0	47.4
YoY		16.4%	13.3%	13.0%

Knowledge workers	2024E	2025E	2026E	2027E
Global number of knowledge workers (mn)	131.0	137.6	144.4	151.6
Monthly ARPPU (US\$)	12.0	13.0	13.5	14.0
Document Cloud TAM - knowledge workers (US\$bn)	18.9	21.5	23.4	25.5

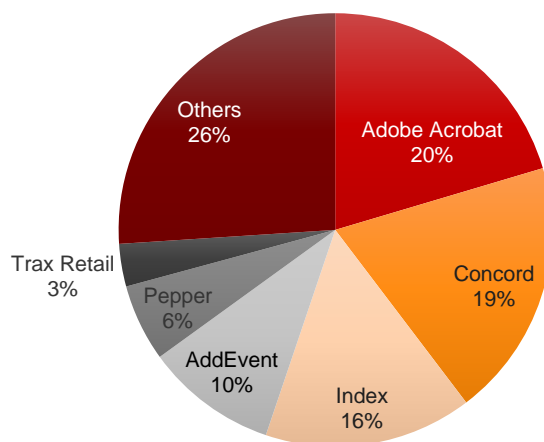
Communicators	2024E	2025E	2026E	2027E
Global number of Communicators (mn)	900.0	945.0	992.3	1041.9
Free-to-paid conversion rate %	10%	11%	12%	13%
Number of subscribers (mn)	90.0	104.0	119.1	135.4
Monthly ARPPU (US\$)	12.0	12.5	13.0	13.5
Document Cloud TAM – Communicators (US\$bn)	13.0	15.6	18.6	21.9

Source: Company data, International Labor Organization, CMBIGM estimates

Note: the global numbers of knowledge workers and communicators are assumptions from the International Labor Organization; other assumptions are made by CMBIGM

Adobe Acrobat has also established leadership in global document processing software market, with a market share of 20% in 2024, per Datanyze. With broader website & mobile use cases, and more GenAI features, we expect Adobe Document Cloud to further increase its consumer and organizational penetration.

**Figure 21: Global document processing software market share (2024)**

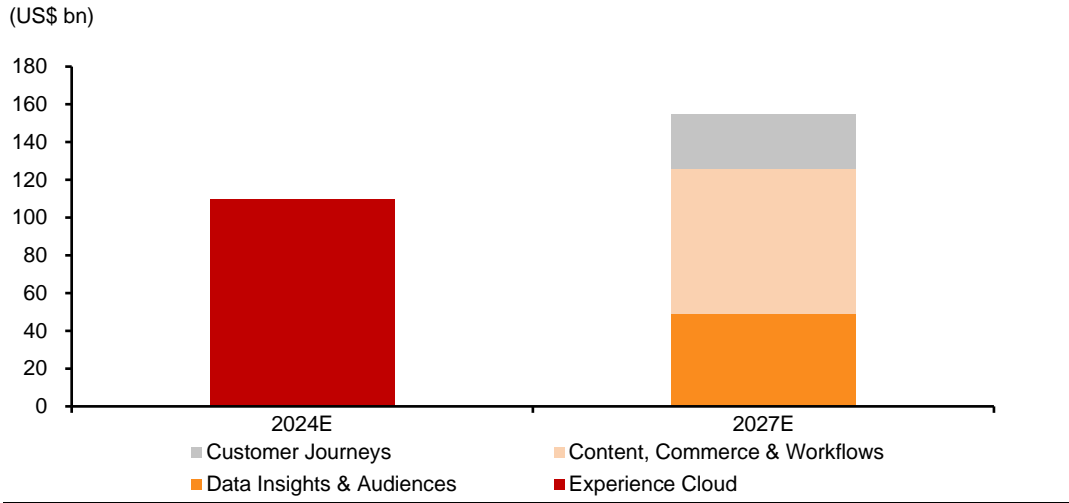


Source: Datanyze, CMBIGM

### Experience Cloud TAM of US\$155bn

As per Adobe estimate, Experience Cloud TAM is expected to increase at a CAGR of 12% over 2024-2027E and reach US\$155bn in 2027E, with Data Insights/Content, Commerce & Workflows/Customer Journeys accounting for 32/50/19% of the TAM in 2027E. Looking ahead, GenAI features will accelerate business value and expand enterprise user base, which in our view shall drive new monetization opportunities and enlarge TAM in the long term.

**Figure 22: Experience Cloud: TAM**



Source: Company data, CMBIGM

Adobe Experience Cloud is identified as a leader in the Gartner Magic Quadrant for Digital Experience Platform, with several strengths including: 1) a proven and mature solution; 2) broad and innovative product features for external-facing digital experiences; and 3) extensive partner channels that could provide customers with many options to deploy products.

**Figure 23: Gartner Magic Quadrant: Digital Experience Platform**

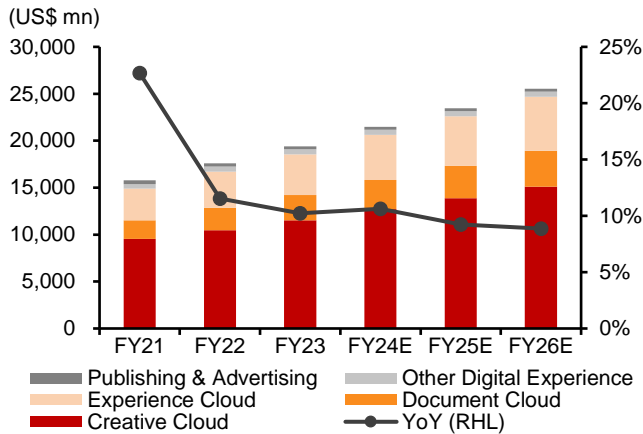


Source: Gartner, CMBIGM

## Business segment analysis and financial forecast

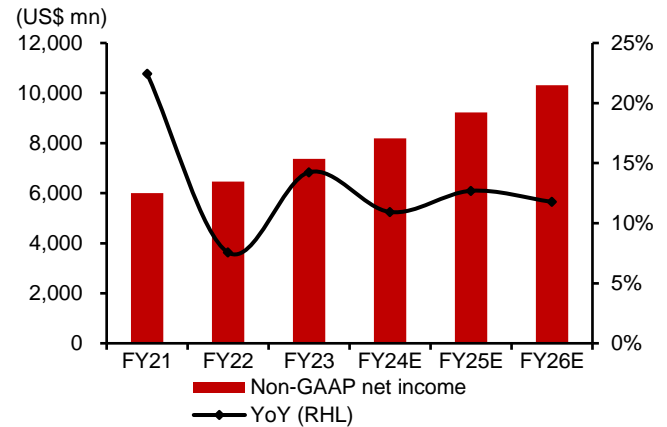
We forecast Adobe's total revenue to grow by 11%/9%/9% YoY to US\$21.5/23.5/25.5bn in FY24/25/26E, mainly driven by emerging AI opportunities, broadening reach to new customers and increasing free-to-paid conversion. We expect non-GAAP net income to increase by 11%/13%/12% YoY to US\$8.2/9.2/10.3bn in FY24/25/26E, primarily attributable to the solid revenue growth and operating leverage.

**Figure 24: Adobe: revenue trend**



Source: Company data, CMBIGM estimates

**Figure 25: Adobe: non-GAAP net income**



Source: Company data, CMBIGM estimates

**Figure 26: Adobe: key financial forecast**

(US\$ mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Total revenue</b>	<b>15,785</b>	<b>17,606</b>	<b>19,409</b>	<b>21,471</b>	<b>23,455</b>	<b>25,535</b>
YoY	22.7%	11.5%	10.2%	10.6%	9.2%	8.9%
<b>Digital Media Revenue</b>	<b>11,520</b>	<b>12,842</b>	<b>14,216</b>	<b>15,830</b>	<b>17,317</b>	<b>18,910</b>
YoY	24.8%	11.5%	10.7%	11.4%	9.4%	9.2%
Creative Cloud Revenue	9,546	10,459	11,517	12,726	13,872	15,120
YoY	23.4%	9.6%	10.1%	10.5%	9.0%	9.0%
Document Cloud Revenue	1,974.0	2,383.0	2,699.0	3,103.9	3,445.3	3,789.8
YoY	31.9%	20.7%	13.3%	15.0%	11.0%	10.0%
<b>Digital Experience Revenue</b>	<b>3,867</b>	<b>4,422</b>	<b>4,893</b>	<b>5,341</b>	<b>5,838</b>	<b>6,325</b>
YoY	23.7%	14.4%	10.7%	9.2%	9.3%	8.3%
Experience Cloud Revenue	3,379.0	3,880.0	4,331.0	4,807.4	5,288.2	5,764.1
YoY	27.0%	14.8%	11.6%	11.0%	10.0%	9.0%
Other Digital Experience Revenue	488.0	542.0	562.0	533.9	549.9	560.9
YoY	4.9%	11.1%	3.7%	-5.0%	3.0%	2.0%
<b>Publishing &amp; Advertising Revenue</b>	<b>398.0</b>	<b>342.0</b>	<b>300.0</b>	<b>300.0</b>	<b>300.0</b>	<b>300.0</b>
YoY	-22.0%	-14.1%	-12.3%	0.0%	0.0%	0.0%
Gross profit margin	88.2%	87.7%	87.9%	88.0%	88.1%	88.1%
S&M expense ratio	27.4%	28.2%	27.6%	26.5%	25.7%	24.9%
R&D expense ratio	16.1%	17.0%	17.9%	17.9%	17.9%	17.5%
G&A expense ratio	6.9%	6.9%	7.3%	7.1%	6.9%	6.7%
Non-GAAP net income margin	38.03%	36.67%	38.01%	38.11%	39.32%	40.37%
<b>Non-GAAP net income</b>	<b>6,003</b>	<b>6,457</b>	<b>7,377</b>	<b>8,183</b>	<b>9,222</b>	<b>10,308</b>

Source: Company data, CMBIGM estimates



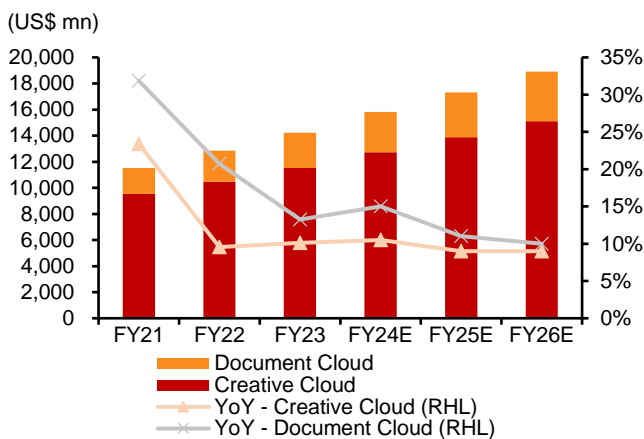
**Figure 27: CMBIGM estimates vs consensus**

US\$ bn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	21.5	23.5	25.5	21.5	23.9	26.7	0.0%	-2.0%	-4.2%
Gross Profit	18.9	20.7	22.5	19.2	21.4	23.8	-1.3%	-3.4%	-5.4%
Non-GAAP OP	10.1	11.3	12.7	9.9	10.9	12.0	2.9%	3.4%	5.9%
Non-GAAP NP	8.2	9.2	10.3	8.2	9.1	10.1	0.3%	1.5%	1.9%
EPS (US\$)	17.9	20.2	22.6	18.0	20.3	23.1	-0.6%	-0.7%	-2.5%
Gross Margin	88.0%	88.1%	88.1%	89.2%	89.3%	89.2%	-1.2 ppt	-1.2 ppt	-1.1 ppt
Non-GAAP OPM	47.2%	48.3%	49.7%	45.9%	45.7%	44.9%	1.3 ppt	2.5 ppt	4.8 ppt
Non-GAAP NPM	38.1%	39.3%	40.4%	38.0%	38.0%	37.9%	0.1 ppt	1.4 ppt	2.4 ppt

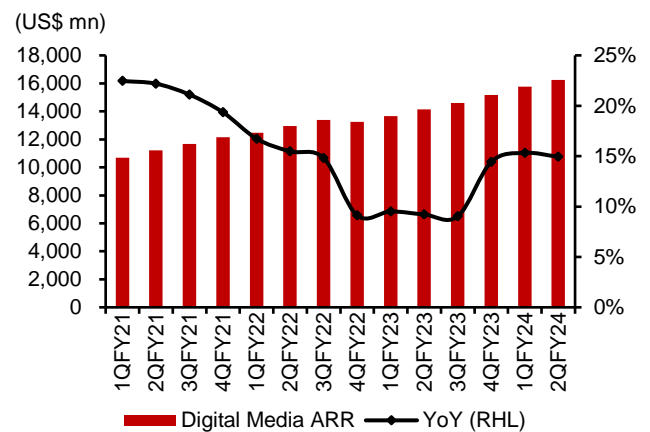
Source: Bloomberg, CMBIGM estimates

**Digital Media (74% of FY24E revenue)**

For Creative Cloud, we estimate its revenue to grow at a CAGR of 9% over FY24-26E and reach US\$15.1bn in FY26E, driven by 1) new user adoption through freemium offerings by Adobe Express and Firefly; 2) growing user consumption on GenAI capabilities; and 3) increasing value in flagship apps. For Document Cloud, we forecast its revenue to rise at a CAGR of 12% over FY24-26E and reach US\$3.8bn in FY26E, primarily supported by 1) increasing GenAI Reader consumption; 2) broader user cases; and 3) rising organizational penetration.

**Figure 28: Adobe: digital media revenue**

Source: Company data, CMBIGM estimates

**Figure 29: Adobe: digital media ARR**

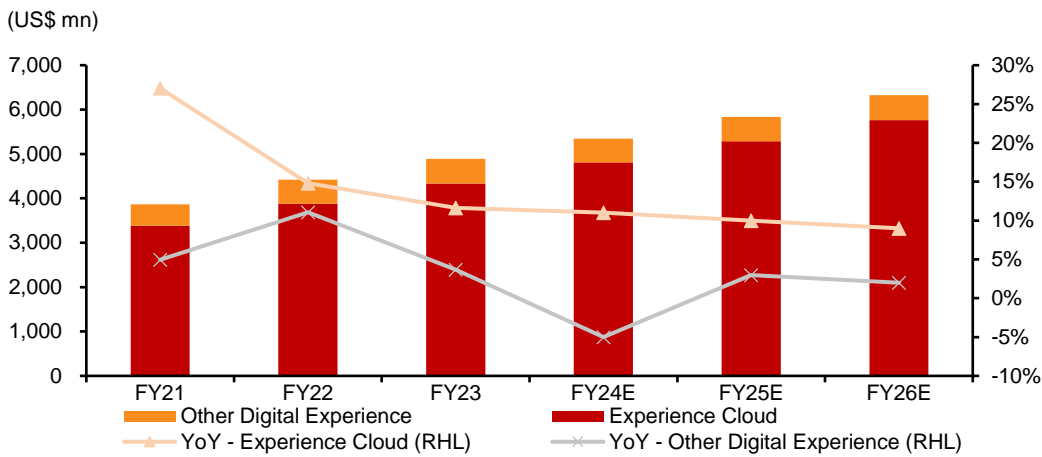
Source: Company data, CMBIGM

Note: ARR – annual recurring revenue

**Digital Experience (25% of FY24E revenue)**

We forecast digital experience revenue to grow by 9/9/8% YoY to US\$5.3/5.8/6.3bn in FY24/25/26E, mainly driven by upsell of value-added features, potential list price uplift and enterprise user base expansion. We expect GenAI to bring opportunities to Experience Cloud, with 1) AI Assistant to enhance productivity across Experience Cloud apps, and 2) Adobe GenStudio to revolutionize digital experiences and create new revenue streams.

**Figure 30: Adobe: digital experience revenue**

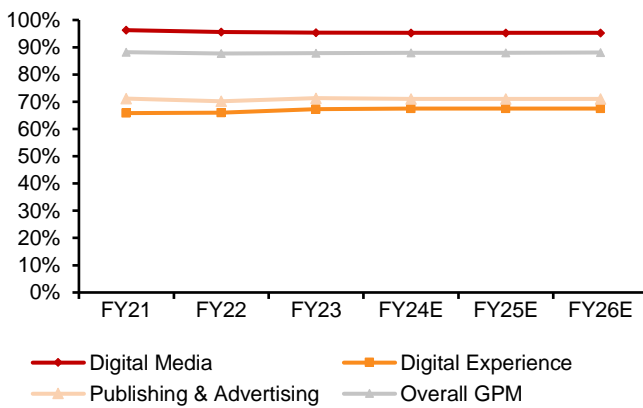


Source: Company data, CMBIGM

### Margin analysis & shareholder return

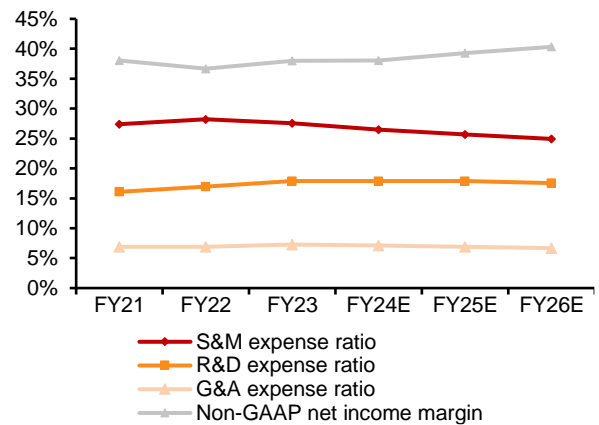
Adobe's overall GPM was steady over FY21-23, and we expect its overall GPM to stay at 88% over FY24-26E. We expect the operating leverage, especially on selling and marketing front, to support non-GAAP NPM to rise from 38.0% in FY23 to 38.1/39.3/40.4% in FY24/25/26E. Looking ahead, the company will continue to invest in organic and inorganic opportunities to maximize growth, while it will consistently return capital via share repurchase. It is committed to enhancing shareholder return, with significant amounts of share repurchase over the last five year (US\$23bn, 10% of market cap), ahead of most other SaaS companies. The company announced a new 4-year US\$25bn share repurchase program in Mar 2024, which represented 12% of its current market cap (as at 28 Jun 2024).

**Figure 31: Adobe: GPM breakdown**



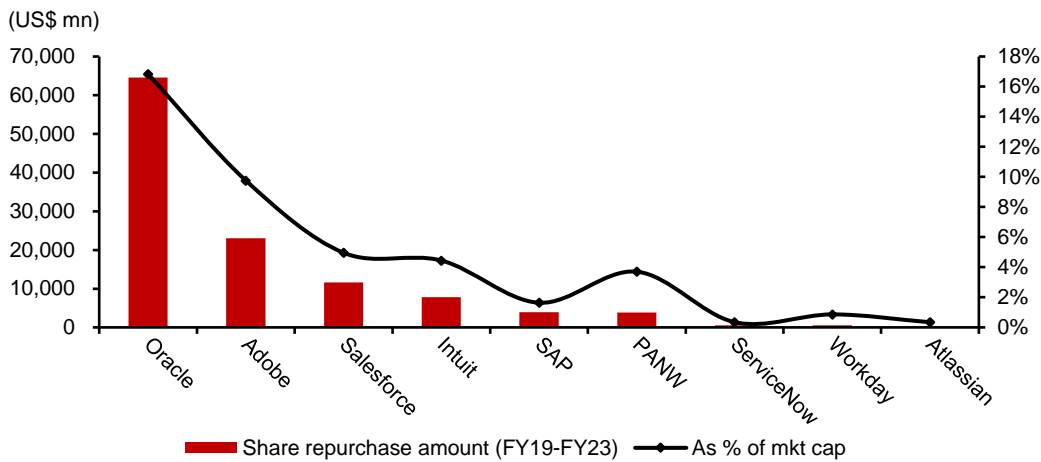
Source: Company data, CMBIGM estimates

**Figure 32: Adobe: opex and NPM trends**



Source: Company data, CMBIGM estimates

Figure 33: SaaS: share repurchase (FY19-23)



Source: Company data, CMBIGM

## Valuation

We value Adobe at US\$295bn (US\$645.0 per share) based on 36x 2024E P/E. Our target P/E is at a discount to the sector average (40x), as Adobe is at a more mature business stage with slower earnings growth. We forecast Adobe to deliver a FY24-26E non-GAAP EPS CAGR of 12%, versus 21% SaaS peers' average.

Figure 34: Adobe: target valuation

P/E Valuation (US\$mn)	FY24E
Non-GAAP earnings	8,183
Target 2024E P/E	36.0
Target equity valuation	294,769
Valuation per share (USD)	645.0

Source: Company data, CMBIGM estimates

Figure 35: SaaS: valuation comparison

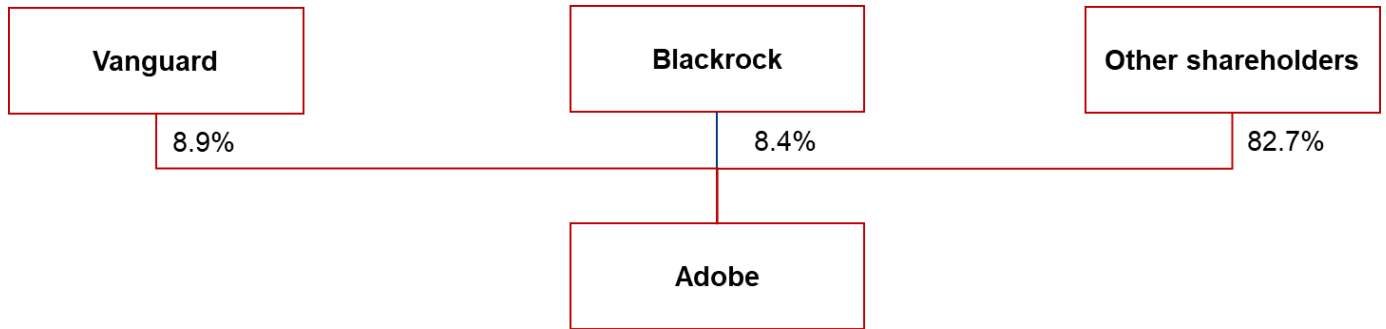
Company	Ticker	Price (Local)	2024E	P/E (x) 2025E	2026E	2024E	P/S (x) 2025E	2026E	EPS CAGR 24-26E
<b>CRM</b>									
Salesforce	CRM US	257.1	31.4	26.0	23.4	6.6	6.0	5.5	28%
HubSpot	HUBS US	589.8	80.2	67.6	53.3	11.5	9.7	8.1	22%
Five9	FIVN US	44.1	20.2	16.7	12.1	3.1	2.6	2.2	21%
<b>ITSM</b>									
ServiceNow	NOW US	786.7	58.2	48.5	39.7	14.6	12.1	10.3	22%
Atlassian	TEAM US	176.9	61.8	54.6	42.3	10.4	8.7	7.2	30%
<b>Security</b>									
CrowdStrike	CRWD US	383.2	NA	95.5	77.9	22.6	17.9	14.6	47%
ZScaler	ZS US	192.2	63.9	57.5	47.1	13.1	10.7	8.7	32%
Fortinet	FTNT US	60.3	33.9	30.6	26.0	7.7	6.8	6.0	12%
Palo Alto Network	PANW US	339.0	60.8	54.5	46.8	13.3	11.7	10.0	18%
<b>ERP</b>									
SAP	SAP US	201.7	39.7	29.9	23.2	7.2	6.5	5.8	20%
Oracle	ORCL US	141.2	25.3	22.6	19.6	8.2	7.4	6.6	12%
<b>Collaboration</b>									
Twilio	TWLO US	56.8	18.7	16.6	14.2	1.6	1.5	1.4	18%
Ring Central	RNG US	28.2	7.8	6.8	6.1	1.7	1.5	1.4	12%
Zoom	ZM US	59.2	12.0	11.7	11.6	2.5	2.4	2.3	5%
<b>Average</b>			<b>39.5</b>	<b>38.5</b>	<b>31.7</b>	<b>8.9</b>	<b>7.5</b>	<b>6.4</b>	

Source: Bloomberg, CMBIGM

Note: data are as of 28 Jun 2024

## Appendix

Figure 36: Adobe: shareholding structure (Feb 2024)



Source: Company data, CMBIGM

Figure 37: Adobe: Management profile

Name	Position	Prior experience
Shantanu Narayen	Chair and CEO	Shantanu joined Adobe in 1998 as vice president and general manager of its engineering technology group. He became president and COO in 2005, CEO in 2007, and chairman of the board in 2017. Shantanu is vice chairman of the US-India Strategic Partnership Forum and sits on the board of Pfizer. He previously served as a director of Dell and is a past member of the U.S. President's Management Advisory Board.
Scott Belsky	Chief Strategy Officer	Scott Belsky leads corporate strategy and development, is responsible for design across the Digital Media and Digital Experience businesses, and is driving incubation of some of Adobe's fastest growing emerging products. Prior to this role, Scott was Adobe's Chief Product Officer for five years, leading development of all Creative Cloud products. Prior to joining Adobe in December 2017, Scott was a venture investor at Benchmark in San Francisco.
Anil Chakravarthy	President, Digital Experience Business	As President, Digital Experience Business, Anil Chakravarthy drives the vision and operations for Adobe's Digital Experience business. Anil joined Adobe from Informatica, a global leader in enterprise cloud data management, where he served as chief executive officer from 2015 to 2020. Prior to Informatica, for nearly a decade, Anil held leadership roles at Symantec Corporation.
Dan Durn	Chief Financial Officer	Dan was appointed to the role of CFO and executive vice president in October 2021 and leads the Finance, Technology Services and Operations organization. Durn most recently served as a senior vice president and CFO of Applied Materials from 2017 to 2021. He was previously executive vice president and CFO at NXP Semiconductors N.V. following its merger with Freescale Semiconductor.

Source: Company data, CMBIGM

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 01 Dec (US\$ mn)						
<b>Revenue</b>	<b>15,785</b>	<b>17,606</b>	<b>19,409</b>	<b>21,471</b>	<b>23,455</b>	<b>25,535</b>
Cost of goods sold	1,865	2,165	2,354	2,567	2,798	3,031
<b>Gross profit</b>	<b>13,920</b>	<b>15,441</b>	<b>17,055</b>	<b>18,905</b>	<b>20,657</b>	<b>22,504</b>
<b>Operating expenses</b>	<b>8,118</b>	<b>9,343</b>	<b>10,405</b>	<b>11,242</b>	<b>12,044</b>	<b>12,771</b>
Selling expense	4,321	4,968	5,351	5,690	6,029	6,367
Admin expense	1,085	1,219	1,413	1,524	1,615	1,705
R&D expense	2,540	2,987	3,473	3,842	4,197	4,478
Others	172	169	168	186	203	221
<b>Operating profit</b>	<b>5,802</b>	<b>6,098</b>	<b>6,650</b>	<b>7,663</b>	<b>8,613</b>	<b>9,733</b>
Other income	16	22	262	2	2	2
<b>Net Interest income/(expense)</b>	<b>(113)</b>	<b>(112)</b>	<b>(113)</b>	<b>(113)</b>	<b>9</b>	<b>9</b>
<b>Pre-tax profit</b>	<b>5,705</b>	<b>6,008</b>	<b>6,799</b>	<b>7,551</b>	<b>8,623</b>	<b>9,743</b>
Income tax	883	1,252	1,371	1,510	1,725	1,949
<b>After tax profit</b>	<b>4,822</b>	<b>4,756</b>	<b>5,428</b>	<b>6,041</b>	<b>6,899</b>	<b>7,794</b>
<b>Net profit</b>	<b>4,822</b>	<b>4,756</b>	<b>5,428</b>	<b>6,041</b>	<b>6,899</b>	<b>7,794</b>
<b>Adjusted net profit</b>	<b>6,003</b>	<b>6,457</b>	<b>7,377</b>	<b>8,183</b>	<b>9,222</b>	<b>10,308</b>
BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 01 Dec (US\$ mn)						
<b>Current assets</b>	<b>8,669</b>	<b>8,996</b>	<b>11,084</b>	<b>14,430</b>	<b>18,612</b>	<b>24,011</b>
Cash & equivalents	3,844	4,236	7,141	10,274	14,276	19,499
Account receivables	1,878	2,065	2,224	2,362	2,477	2,589
Prepayment	993	835	1,018	1,092	1,158	1,222
Other current assets	1,954	1,860	701	701	701	701
<b>Non-current assets</b>	<b>18,572</b>	<b>18,169</b>	<b>18,695</b>	<b>18,936</b>	<b>19,196</b>	<b>19,474</b>
PP&E	1,673	1,908	2,030	2,271	2,531	2,809
Right-of-use assets	443	407	358	358	358	358
Deferred income tax	1,085	777	1,191	1,191	1,191	1,191
Intangibles	1,820	1,449	1,088	1,088	1,088	1,088
Goodwill	12,668	12,787	12,805	12,805	12,805	12,805
Other non-current assets	883	841	1,223	1,223	1,223	1,223
<b>Total assets</b>	<b>27,241</b>	<b>27,165</b>	<b>29,779</b>	<b>33,366</b>	<b>37,808</b>	<b>43,484</b>
<b>Current liabilities</b>	<b>6,835</b>	<b>8,541</b>	<b>8,178</b>	<b>8,849</b>	<b>9,321</b>	<b>9,947</b>
Account payables	312	379	314	332	351	369
Tax payable	54	75	85	85	85	85
Lease liabilities	0	1,000	0	0	0	0
Contract liabilities	4,733	5,297	5,837	6,484	6,931	7,546
Accrued expenses	1,736	1,790	1,942	1,948	1,954	1,947
<b>Non-current liabilities</b>	<b>5,512</b>	<b>4,986</b>	<b>5,010</b>	<b>4,996</b>	<b>5,003</b>	<b>5,012</b>
Long-term borrowings	4,123	3,629	3,634	3,634	3,634	3,634
Obligations under finance leases	453	417	373	373	373	373
Deferred income	145	117	113	99	106	115
Other non-current liabilities	791	823	890	890	890	890
<b>Total liabilities</b>	<b>12,347</b>	<b>13,527</b>	<b>13,188</b>	<b>13,845</b>	<b>14,324</b>	<b>14,959</b>
Share capital	0	0	0	0	0	0
Capital surplus	8,428	9,868	11,586	13,475	15,539	17,787
Retained earnings	23,768	28,026	33,061	39,102	46,000	53,795
Other reserves	(17,399)	(23,843)	(28,129)	(33,129)	(38,129)	(43,129)
<b>Total shareholders equity</b>	<b>14,797</b>	<b>14,051</b>	<b>16,518</b>	<b>19,448</b>	<b>23,411</b>	<b>28,452</b>
<b>Total equity and liabilities</b>	<b>27,144</b>	<b>27,578</b>	<b>29,706</b>	<b>33,293</b>	<b>37,735</b>	<b>43,411</b>

<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 01 Dec (US\$ mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>5,705</b>	<b>6,008</b>	<b>6,799</b>	<b>7,551</b>	<b>8,623</b>	<b>9,743</b>
Depreciation & amortization	788	856	872	188	210	233
Tax paid	883	1,252	1,371	1,510	1,725	1,949
Change in working capital	(476)	336	(355)	444	299	459
Others	323	(614)	(1,385)	(1,131)	(1,385)	(1,650)
<b>Net cash from operations</b>	<b>7,223</b>	<b>7,838</b>	<b>7,302</b>	<b>8,563</b>	<b>9,471</b>	<b>10,733</b>
<b>Investing</b>						
Capital expenditure	(330)	(442)	(360)	(429)	(469)	(511)
Acquisition of subsidiaries/ investments	(2,682)	(126)	0	0	0	0
Net proceeds from disposal of short-term investments	(507)	(2)	1,136	0	0	0
Others	0	0	0	0	0	0
<b>Net cash from investing</b>	<b>(3,519)</b>	<b>(570)</b>	<b>776</b>	<b>(429)</b>	<b>(469)</b>	<b>(511)</b>
<b>Financing</b>						
Net borrowings	0	0	(500)	0	0	0
Share repurchases	(4,066)	(7,068)	(4,989)	(5,000)	(5,000)	(5,000)
Others	(235)	243	307	0	0	0
<b>Net cash from financing</b>	<b>(4,301)</b>	<b>(6,825)</b>	<b>(5,182)</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>(5,000)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	4,477	3,843	4,235	7,140	10,274	14,276
Exchange difference	(37)	(51)	9	0	0	0
<b>Cash at the end of the year</b>	<b>3,843</b>	<b>4,235</b>	<b>7,140</b>	<b>10,274</b>	<b>14,276</b>	<b>19,498</b>
<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 01 Dec</b>						
Revenue	22.7%	11.5%	10.2%	10.6%	9.2%	8.9%
Gross profit	24.9%	10.9%	10.5%	10.8%	9.3%	8.9%
Operating profit	36.9%	5.1%	9.1%	15.2%	12.4%	13.0%
Net profit	(8.3%)	(1.4%)	14.1%	11.3%	14.2%	13.0%
Adj. net profit	22.4%	7.6%	14.2%	10.9%	12.7%	11.8%
<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 01 Dec</b>						
Gross profit margin	88.2%	87.7%	87.9%	88.0%	88.1%	88.1%
Operating margin	36.8%	34.6%	34.3%	35.7%	36.7%	38.1%
Adj. net profit margin	38.0%	36.7%	38.0%	38.1%	39.3%	40.4%
Return on equity (ROE)	34.4%	33.0%	35.5%	33.6%	32.2%	30.1%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 01 Dec</b>						
Current ratio (x)	1.3	1.1	1.4	1.6	2.0	2.4
Receivable turnover days	43.4	42.8	41.8	40.2	38.5	37.0
Payable turnover days	61.1	63.9	48.7	47.2	45.8	44.4
<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 01 Dec</b>						
P/E	55.9	56.2	48.5	42.4	37.1	32.8
P/E (diluted)	56.3	56.6	48.6	42.6	37.3	33.0
P/B	18.2	19.0	15.9	13.2	10.9	9.0

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

# Disclosures & Disclaimers

## Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

## CMBIGM Ratings

**BUY** : Stock with potential return of over 15% over next 12 months  
**HOLD** : Stock with potential return of +15% to -10% over next 12 months  
**SELL** : Stock with potential loss of over 10% over next 12 months  
**NOT RATED** : Stock is not rated by CMBIGM

**OUTPERFORM** : Industry expected to outperform the relevant broad market benchmark over next 12 months  
**MARKET-PERFORM** : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months  
**UNDERPERFORM** : Industry expected to underperform the relevant broad market benchmark over next 12 months

## CMB International Global Markets Limited

**Address:** 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

**CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)**

## Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM. Additional information on recommended securities is available upon request.

### For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

### For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

### For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.