

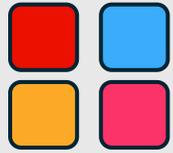
University of Kentucky 2025 Stock Pitch Competition

Adobe Inc. (NASDAQ: ADBE)

Josiah Baumer & Norton Morais



Adobe



Investment Thesis

Dominant Market Position

- Leads with Creative Cloud and Document Cloud, enhanced by AI like Firefly
- Strong brand power and subscriptions ensure recurring revenue and a competitive edge

Growth in Digital Experience

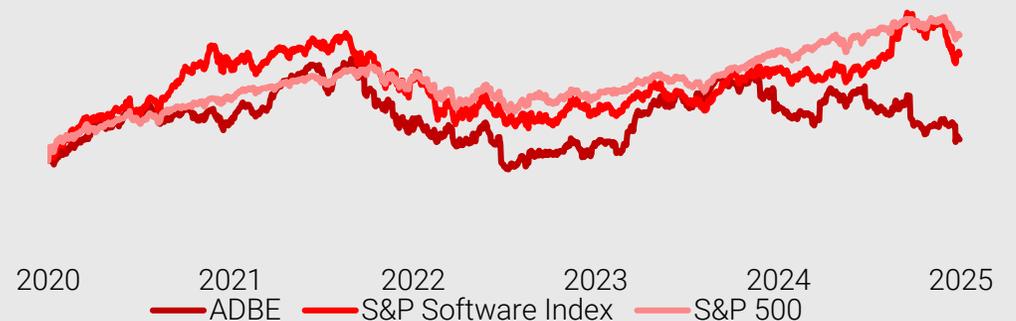
- Experience Cloud meets demand for personalized customer engagement
- AI-driven tools and partnerships fuel expansion in a growing market segment

Financial Resilience

- AI innovation and product-led growth drive retention and new revenue
- \$7.5B FCF (2024) and 88% gross margin ensure resilience, funding \$2.25B buybacks and AI innovation

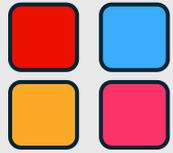
Metrics & Fundamentals (4/9/25)

Market Cap	\$145.2B
Price per Share	\$364.64
52 Week Low	\$332.01
52 Week High	\$587.75
P/E Ratio (Trailing/Forward)	24.01x – 15.95x
Beta	1.49



BUY

Target Price: \$541.41
Upside: 48.5%

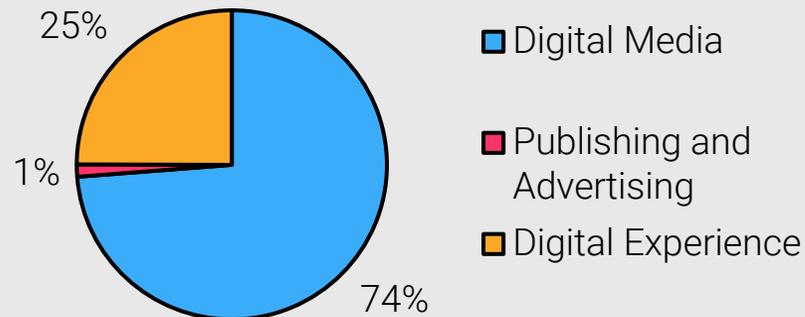


Company Overview

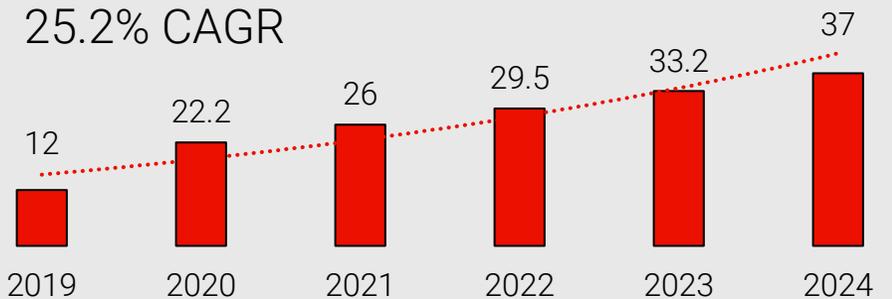
Business Model

- **Subscriptions Drive Revenue:** Recurring income from Creative Cloud and Document Cloud, boosted by AI features
- **Two Core Segments:** Digital Media and Digital Experience fuel growth, plus legacy Publishing and Advertising
- **Innovation and Integration:** AI-enhanced tools and ecosystem partnerships expand reach and value

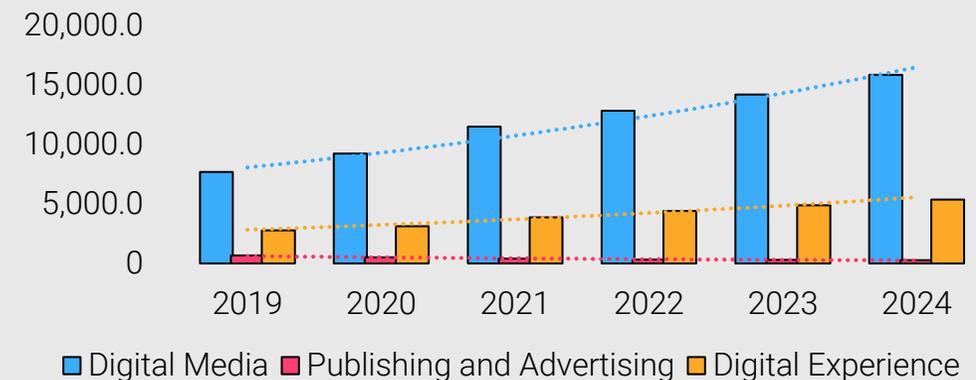
Revenue by Segment (FY 2024)

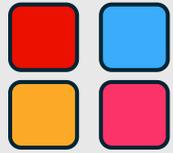


Subscription Growth (Ms)



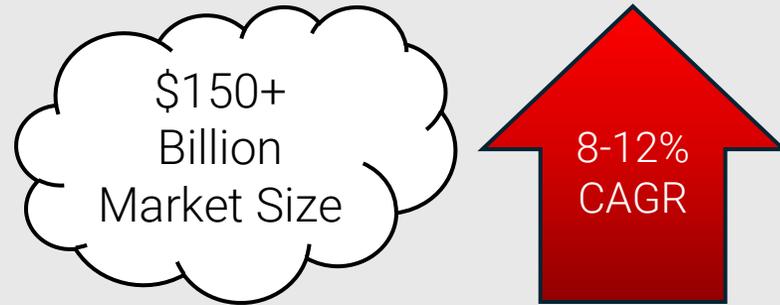
Annual Recurring Revenue Growth by Segment (\$Ms)





Industry Overview

Market Size & Growth



- Market spans digital content creation, document management, and customer experience software
- Growth is driven by AI adoption, cloud-based workflows, and digital transformation across industries

***Merger deal went under regulatory scrutiny*

Source: Grand View Research, 645 Ventures

Key Industry Trends

AI-Powered Content Creation

Shift to Subscription Models

Creative Cloud & Document Cloud

Data-Driven Marketing

Competitive Landscape



Market Leader - 60-70% market share in creative software



Strong adoption among casual designers



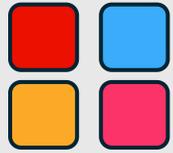
Enterprise digital experience solutions



Generative AI players in image/video creation



** Leading in UX/UI design

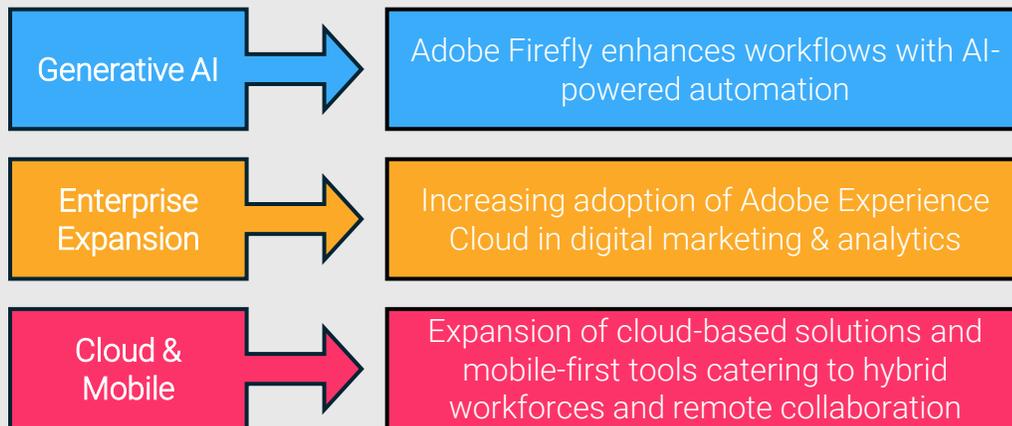


Competitive Positioning & Moat

Adobe's Strengths

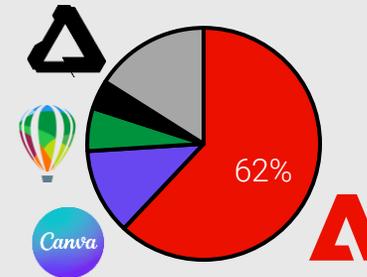
- **Market Dominance:** Adobe holds ~60-70% market share in creative software, leading in graphic design, video editing, and document management
- **Subscription Model Success:** Over 37M+ paid subscribers, ensuring strong recurring revenue
- **End-to-End Ecosystem:** Seamless integration between Creative Cloud, Document Cloud, and Experience Cloud, creating high switching costs

Growth Drivers

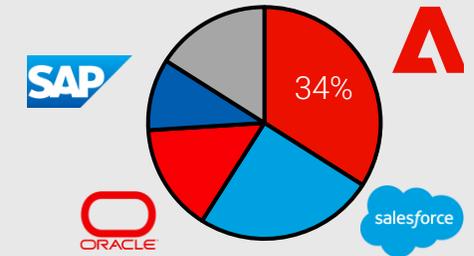


Market Share

Digital Media



Digital Experience



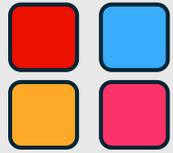
IP Portfolio & Partnership Network

Proprietary Tech Leadership:
Leads with PDF/PostScript and AI patents (Firefly)

Ecosystem Amplification:
Partners with giants and agencies to boost reach and adoption

Data-Driven Edge:
Uses vast data and profiles to enhance AI, outpacing rivals

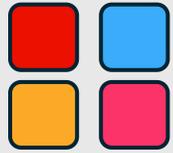
Scalable Deployment:
Alliances enable seamless, scalable integration



Recent Developments & Takeaways

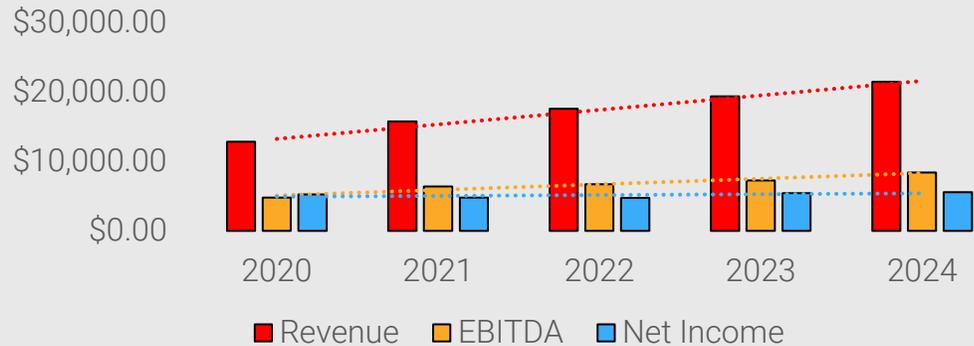
Recent Development			Takeaways
Q1 FY25 Earnings	Revenue hit \$5.71B (up 10% YoY), beating estimates by \$50M, with Digital Media ARR up 13% to \$17.6B	➔	Reaffirmed FY25 guidance at \$23.4B revenue signals confidence
Adobe Summit 2025	Launched "Agentic AI" with specialized agents and debuted GenStudio for integrated content creation	➔	Partnerships with AWS and others (starting 2025) aim to scale enterprise adoption
AI Monetization	AI products added \$125M+ in Q1 revenue, with Firefly video usage up 90% among paid users	➔	AI upsell potential and e-commerce analytics leadership position Adobe for accelerated growth despite macro uncertainty**
Share Repurchase Program	Repurchased 7.0M shares for \$2.7B in Q1, reducing shares outstanding by 1.6% and boosting EPS growth by ~2%	➔	\$25B repurchase authorization signals confidence in long-term value

**Adobe Q3 2024 Earnings Call, 'AI upsell expected to contribute 10% revenue growth in 2025.'

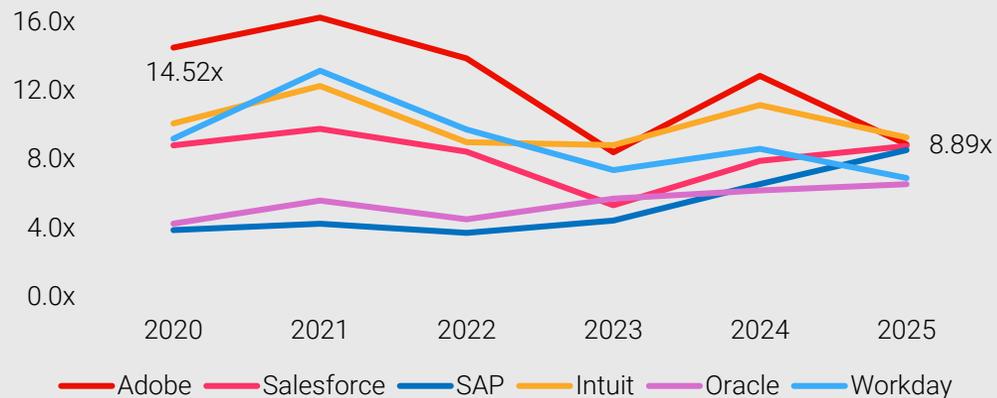


Financial Analysis

Top & Bottom-Line Growth (\$Ms)



"Great Company at Fair Price" – Comparable P/S

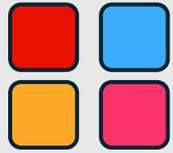


Debt Schedule

Instrument	Issued	Due	Effective Rate	Amount (USD)
1.90% Notes	Feb 2020	Feb 2025	2.07%	\$500M
3.25% Notes	Jan 2015	Feb 2025	3.67%	\$1,000M
2.15% Notes	Feb 2020	Feb 2027	2.26%	\$850M
4.85% Notes	Apr 2024	Apr 2027	5.03%	\$500M
4.80% Notes	Apr 2024	Apr 2029	4.93%	\$750M
2.30% Notes	Feb 2020	Feb 2030	2.69%	\$1,300M
4.95% Notes	Apr 2024	Apr 2034	5.03%	\$750M
Total				\$5,650M

Credit Analysis

Ratio	Adobe	Salesforce	DocuSign	Oracle
Debt to Equity	0.50	0.20	0.06	6.33
Current Ratio	1.19	1.06	0.81	1.02
Quick Ratio	1.03	0.93	0.77	0.87
ROE (%)	47.28%	10.26%	68.18%	103%
ROA (%)	17.19%	4.73%	4.19%	7.35%



Valuation

Valuation Ranges



DCF - Perpetuity Growth

DCF - Exit EBITDA

Comparables Method

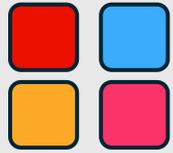
52 Week High/Low

Method	Value	Weight
DCF - Perpetuity Growth	\$385.45	35%
DCF - Exit EBITDA	\$545.95	35%
Comparables	\$718.06	30%
Valuation	\$541.41	
Closing Price	\$364.64	
Percent Upside	48.5%	

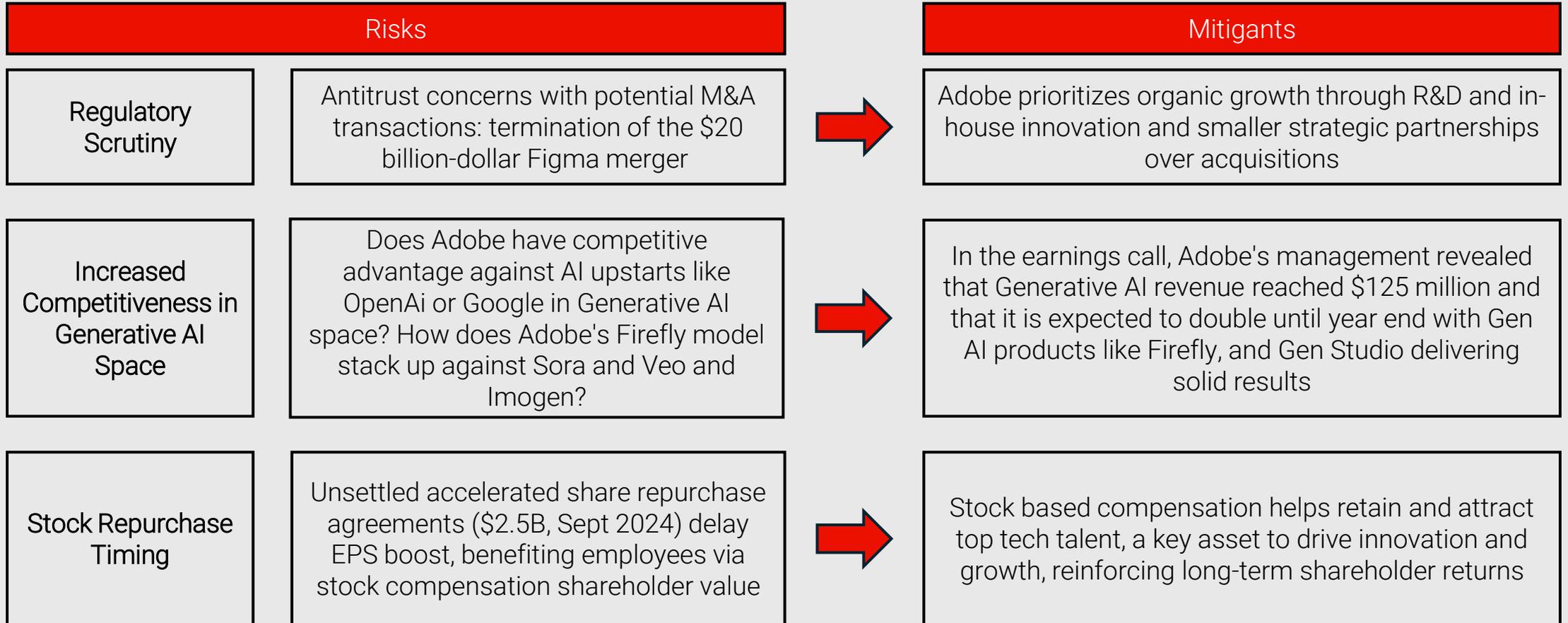
Weighted Average Cost of Capital	
Total Equity	\$155,410
Cost of Equity	9.00%
Interest Expense	\$204
LT Debt	\$6,155
Effective Tax Rate	17.10%
Cost of Debt	3.31%
WACC	8.76%

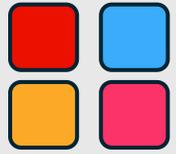
Commentary

- We utilized a weighted average valuation using a DCF (Perpetuity Growth & Exit EBITDA) and the Comparables Method
- Key Assumptions
 - **Revenue Growth:** A constant revenue growth rate of **11.2%** was used from the 5-year median growth rate. This is a conservative forecast and allows for upside potential.
 - **Terminal Growth:** A terminal growth rate of **3%** reflects the ongoing growth stage that the company is in.
 - **EBITDA Margin:** A constant margin of **39%** was used from the 5-year median. This was used to show Adobe's ability to retain customers and mature operations.
 - **Exit EBITDA:** An Exit EBITDA of **22x** was used which is the median for the industry.
 - **Discount Rate:** A WACC of **8.76%** reflects the cost of capital for Adobe.
- This valuation captures the pressure that the market is placing on Adobe due to uncertainty surrounding its AI outlook but shows the upside relating to that valuations of its peers in the sector.



Risks & Mitigants





Recommendation

BUY

Implied Price Per Share: \$541.41

Upside Potential: 48.5%

Growth Leader:

Adobe dominates Digital Media fueled by AI innovations like Firefly

Defensive Moat:

Strong IP, user data, and partnerships create a competitive edge with high switching costs

Positive Momentum:

Q1 FY25 earnings and AI revenue signal strength despite market caution

Q&A

Appendix

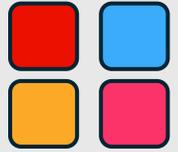


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Statement of Cash Flows

Statement of Cash Flows cont'd

Credit Health Panel

Free Cash Flow Calculations

Discounted Cash Flow - Perpetuity

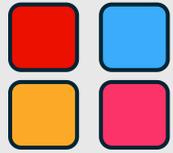
Growth

Discounted Cash Flow - Exit EBITDA

Comparables Analysis

Sensitivity Analysis - Prices

Sensitivity Analysis - Percentages



AI Strategy Details



Creative Cloud ARR Impact

- Creative ARR increased from ~\$12.49B to ~\$13.85B (≈12% YOY growth)
- Document Cloud ARR grew from ~\$2.84B to ~\$3.48B over the same period

User Engagement Boost

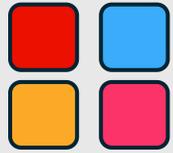
- AI-powered enhancements (e.g., Photoshop's generative features) have driven up feature usage by approximately 30%, accelerating adoption and workflow efficiency

Digital Experience Performance

- Subscription Revenue maintained a 12% year-over-year growth, reflecting strong AI-driven personalization

Strategic Investment

- Significant reinvestment in proprietary AI models (like Adobe Firefly) and partnerships has quantitatively contributed to robust ARR and subscription revenue growth



AI Enhanced Tools

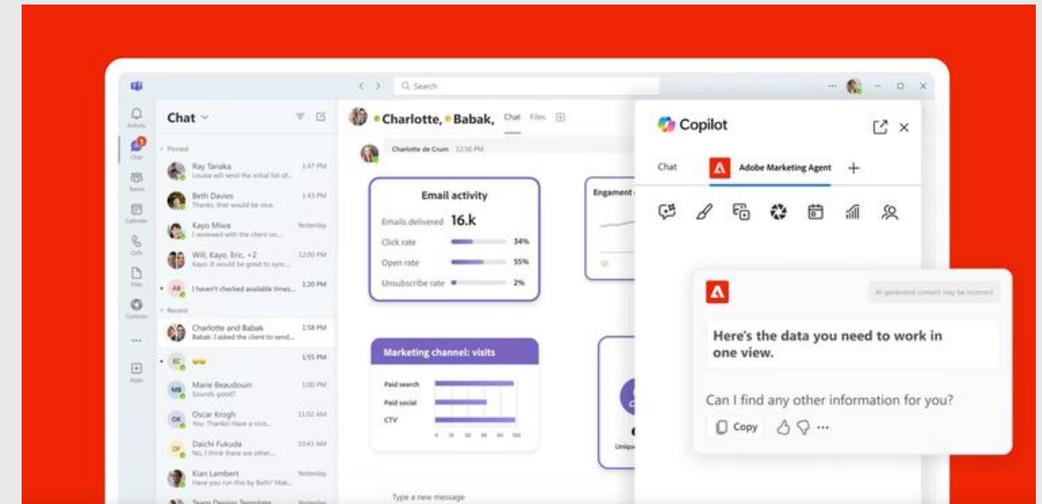


Before-and-After Generative Fill (Photoshop)

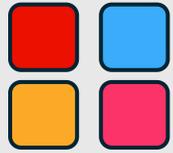


- Generative Fill automates edits, boosting Creative Cloud efficiency today
- Future upside: AI batch processing could scale user productivity

Adobe + Microsoft Copilot Integration



- Microsoft Copilot integration enhances enterprise workflows now
- Potential: AI agents across 365 drive Adobe's revenue higher



Customer Retention & Churn Rate Trends

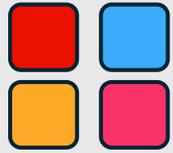


Historical Trend

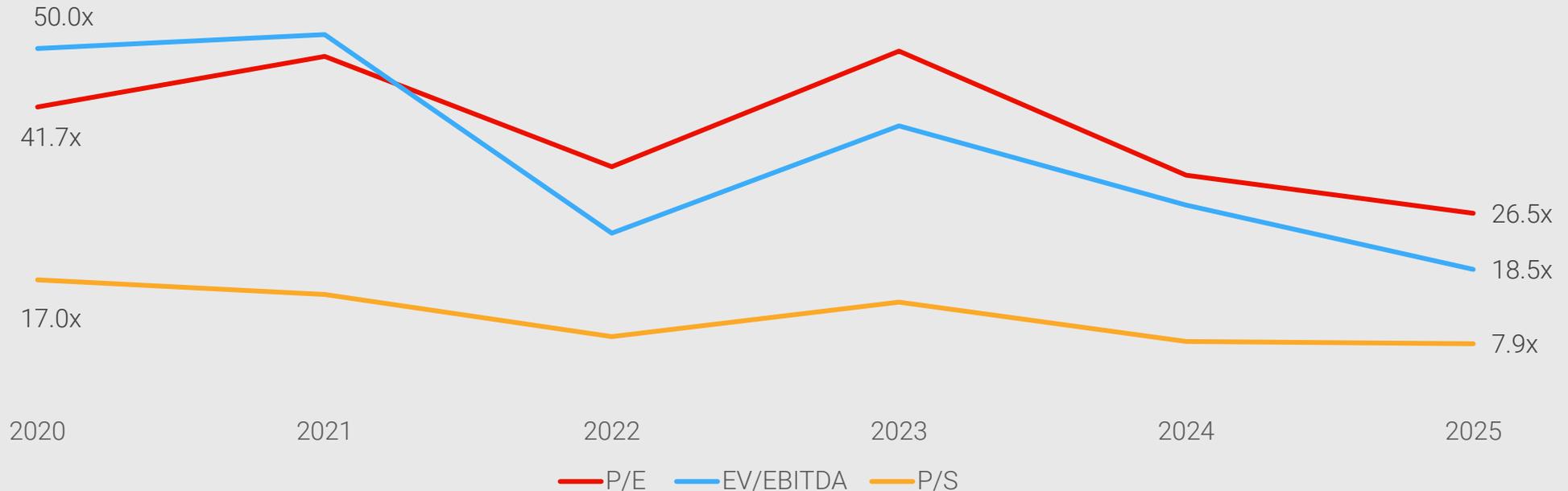
- Adobe's retention improved significantly post-2012 with Creative Cloud, jumping from an 80% modeled rate to over 90% by 2017, with churn dropping below 10%.
- The 95% renewal rate early on suggests even lower churn (<5%) in the initial years.

2025 Projection

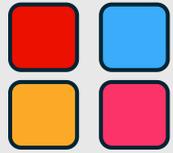
- Adobe's revenue growth (10.54% year-over-year in Q1 2025) and AI-driven personalization focus suggest retention remains strong, likely still exceeding 90%, with churn below industry averages (4.91% for B2B SaaS).



Adobe's Historical Valuation Multiples



- This is a unique opportunity to buy an industry leader that is trading at the lowest multiples of the past 6 years
- The market has questions regarding Adobe's ability to convert the high R&D in its AI offerings into recurring revenue and growth, hence the decrease in multiples
- We believe that Adobe is the frontrunner in their business segments regarding Gen AI, and we also recognize the potential of expanding their services into emerging markets, leading to sustainable growth and profitability



Recent M&A Activity & Partnerships

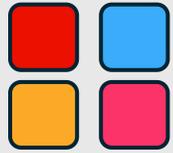


M&A Activity

Abstract Notebooks (January 2022)	Bolsters Adobe's design workflow tools, particularly for teams, potentially integrating with Adobe XD or other Creative Cloud product
Frame.io (August 2022)	Deal targeted video production workflows, integrating Frame.io's review and approval tools into Adobe Premiere Pro and After Effects.
Rephrase.ai (November 2023)	Indian AI-based video creation platform aimed to enhance Adobe's generative AI capabilities, integrating text-to-video features into tools like Adobe Express and Premiere Pro.
Historical Large Deals	<ul style="list-style-type: none"> • Marketo (2018): Acquired for \$4.75 billion, Adobe's largest completed deal, enhancing B2B marketing in Experience Cloud. • Magento (2018): Bought for \$1.68 billion, bolstering e-commerce capabilities.

Partnerships (as of December 2024)

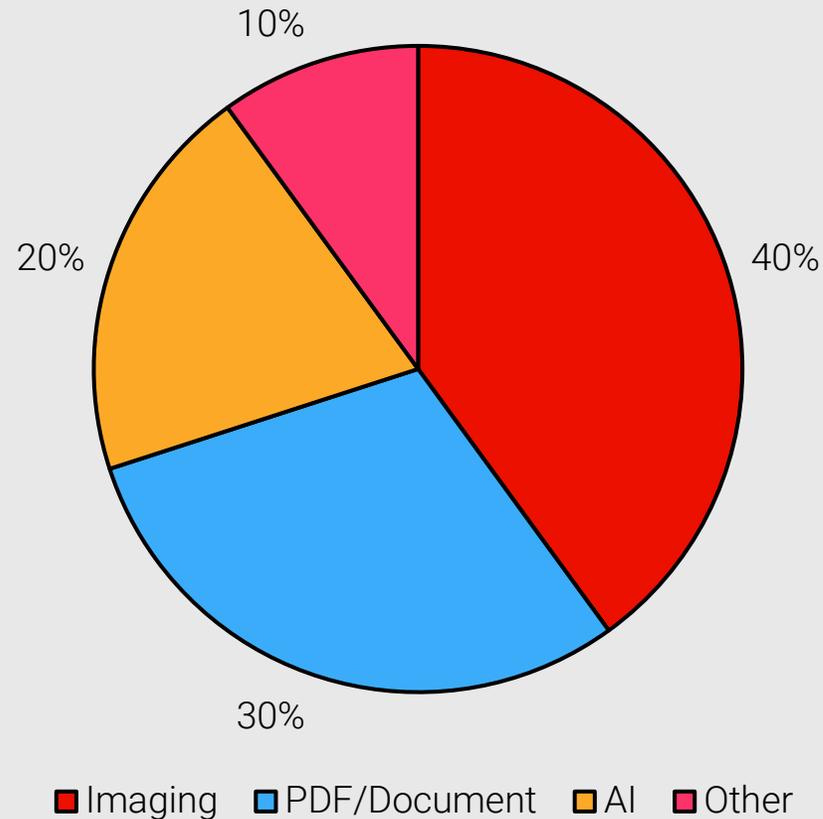
Amazon Web Services	AWS to integrate Adobe Experience Platform. This builds on prior integrations with AWS services like Redshift and SageMaker.
Box Partnership	Adobe Express partnered with Box to bring AI-powered image editing and creativity tools to Box's enterprise users.
ShipStation Integration	ShipStation, a shipping software provider, linked with Adobe to streamline global shipping for Adobe Commerce users
Blubrry Collaboration	Adobe partnered with Blubrry to bring professional audio editing tools to podcast creators, integrating with Adobe Audition
Ongoing Partnerships	



IP Portfolio Overview

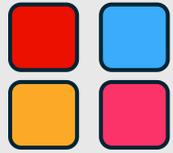


Patent Breakdown



Commentary

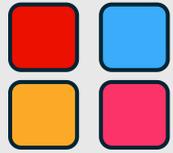
- 6,618 patents secure Adobe's tech (Photoshop, Acrobat, Firefly)
- Recent filings (~2020) active to 2040
- 551 trademarks enhance brand value (e.g., Creative Cloud)
- Adobe has also partnered with the Content Authenticity Initiative (CAI) and with Google's AI, Bard to verify the origins of images being used in Firefly



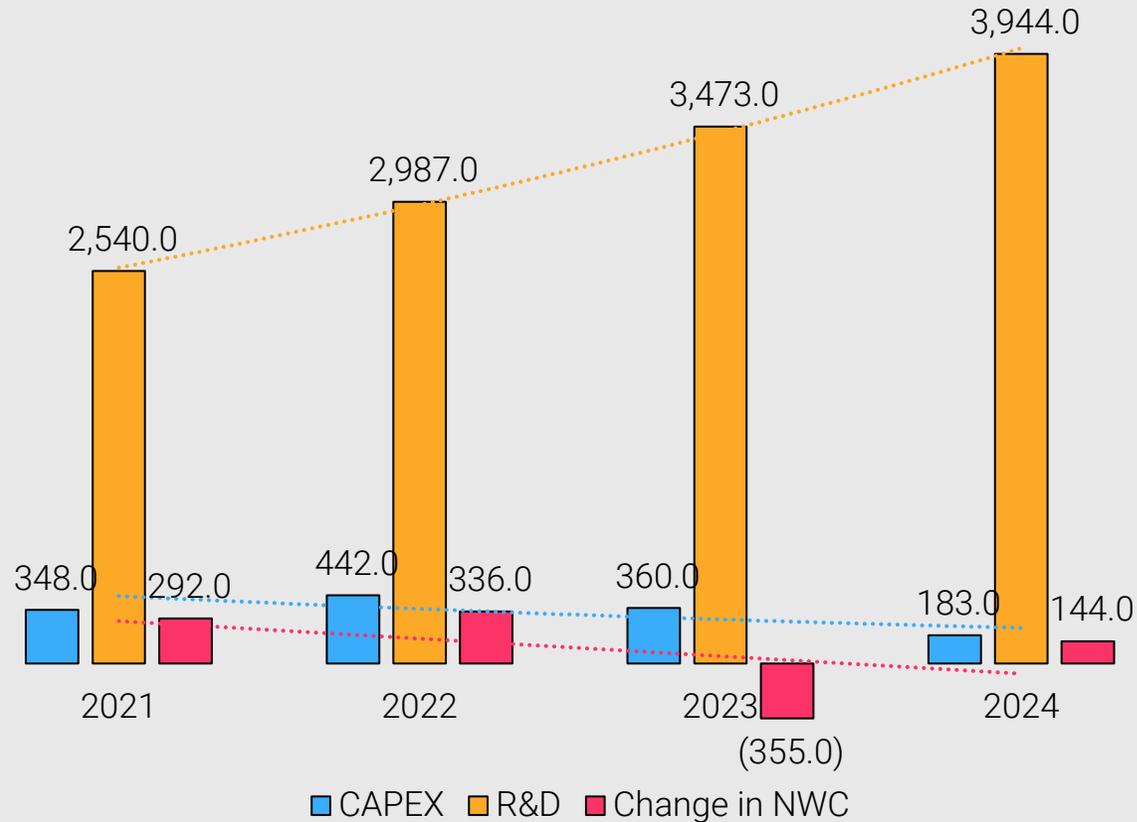
Competitive Landscape Matrix



		User Type	
		Professional	Casual
Pricing Model	One-time Fee	  	None or minor players
	Subscription	  	

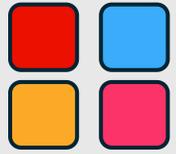


CAPEX, R&D, and NWC Trends

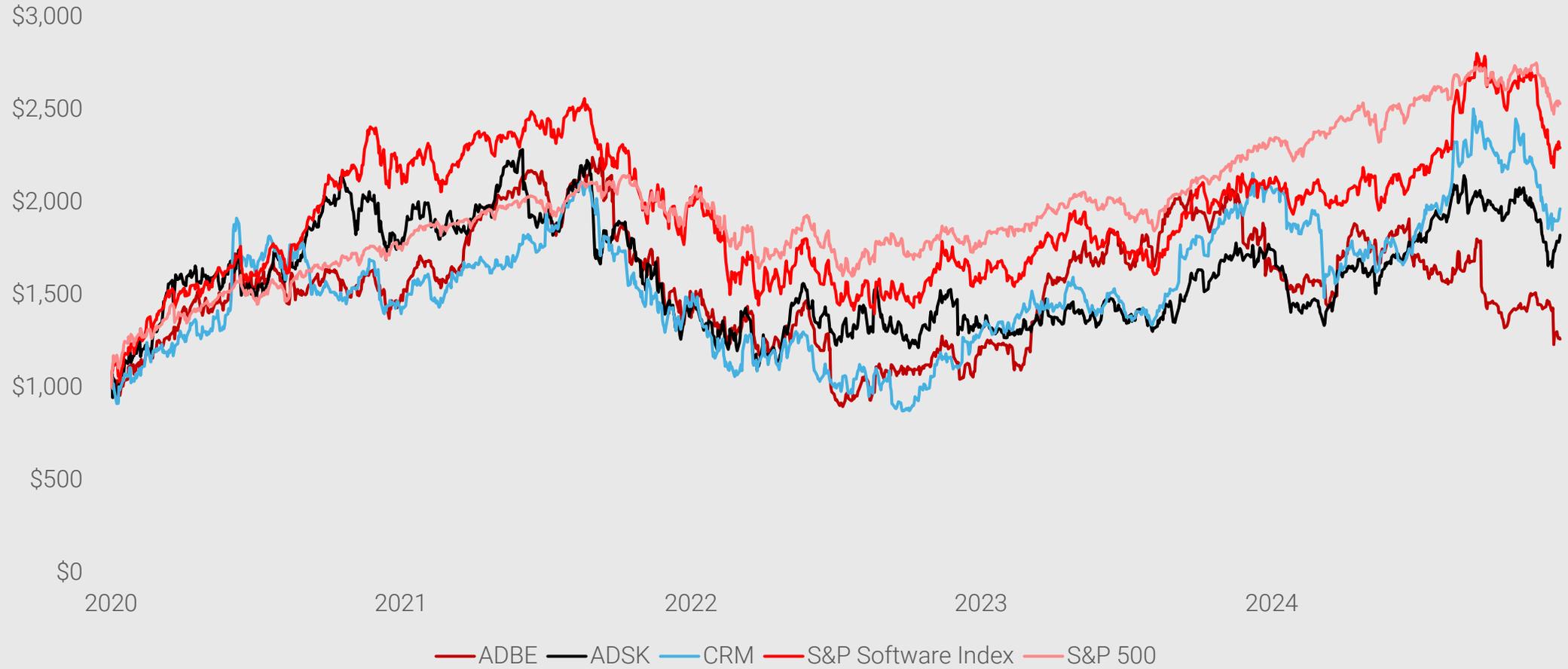


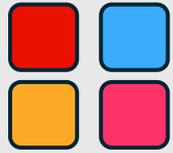
Commentary

- **CAPEX Drop Signals Efficiency:** CAPEX fell from \$442 (2022) to \$183 (2024, -58.6%), reflecting a shift from infrastructure spending to third-party cloud reliance post-Figma termination, risking underinvestment
- **R&D Rises for AI Edge:** R&D grew 55.3% from \$2,540 (2021) to \$3,944 (2024), fueling AI innovations like Firefly (\$125M ARR), but high spending (18.3% of \$21.51B revenue) pressures margins
- **NWC Swings Show Cash Shifts:** NWC rose to \$336 (2022), dropped to -\$355 (2023), then hit \$144 (2024), indicating volatility from deal fallout and recovery in operational stability



Stock Performance vs Peers





Figma Deal Overview



Timeline

Announcement (September 2022):

Adobe agreed to buy Figma, a web-based collaborative design platform, for \$20 billion (cash and stock) to enhance Creative Cloud with Figma's real-time tools. Figma had \$400 million ARR in 2021.



Regulatory Hurdles (2023):

The U.S. DOJ, UK CMA, and EU Commission investigated, citing reduced competition in design software. The CMA's November 2023 ruling and EU concerns stalled the deal, rejecting Adobe's claim that Adobe XD wasn't a true Figma rival.



Termination (December 2023):

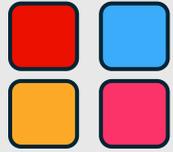
On December 17, 2023, Adobe and Figma canceled the merger after 15 months, with no approval path. Adobe paid Figma a \$1 billion breakup fee.



Aftermath (2024–2025):

Adobe refocused on AI (e.g., Firefly), with XD in maintenance mode. Figma hit \$600 million ARR by late 2023 and remains independent, bolstered by the fee.

The \$20 billion deal collapsed due to antitrust pushback, costing Adobe \$1 billion and leaving Figma stronger, highlighting stricter Big Tech M&A oversight.



Adobe's Stock Buyback Impact



Adobe's Stock Buyback Program

- In March 2024, Adobe's board of directors approved a new stock repurchase program granting management authority to repurchase up to \$25 billion of stock through 2028, with aims of buying back 11% of shares outstanding. During FY 2024, Adobe repurchased 11.3 million shares at a cost of \$5 billion.

Stock Repurchases Objective

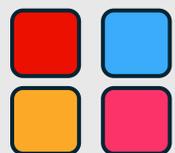
- "The Board of Directors believes that the repurchase of our common stock is an effective use of our cash and reflects Adobe's commitment to returning value to its shareholders, while continuing to invest in innovation and growth. The program is designed to offset stock dilution and return excess cash to shareholders" 10-K

High Employee Equity Compensation

- Equity comp is fundamental for talent retention and attraction as human capital is a competitive edge in the software business given the highly innovative and competitive time in the industry
- Very high equity comp (19% of pre-tax earnings) strongly aligns employee incentives stock performance

Shareholder's Perspective

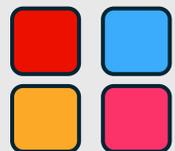
- Adobe spent \$20.4 billion on share repurchases over the past 3 years to offset the equity comp dilution of the stock grants instead of directly benefitting shareholders
- Although this tradeoff seems expensive year-to-year, this is a strategic strategy to invest in the engine of long-term shareholder value



Buybacks Compared to Competitors



Company	Buyback Program	Initial Shares Outstanding	Latest Shares Outstanding	Net Change in Shares
Adobe	\$25B (Mar 2024 - Mar 2028)	471.7M (Jan 14, 2022)	435.3M (Jan 3, 2025)	-36.4M (-7.7%)
Salesforce	\$10B (Aug 2022 - Ongoing)	990M (Mar 1, 2022)	969M (May 24, 2024)	-21M (-2.1%)
Autodesk	\$5B (2021 - Ongoing)	219.6M (Mar 12, 2021)	213.0M (Feb 28, 2025)	-6.6M (-3.0%)
Oracle	\$20B (2022 - Ongoing)	2,664.9M (Jun 13, 2022)	2,804.2M (Mar 7, 2025)	+139.3M (+5.2%)
Microsoft	\$60B (Sep 2021 - Ongoing)	7,457.9M (Jul 25, 2022)	7,433.0M (April 15, 2025)	-24.9M (-0.3%)

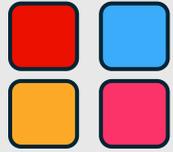


Insider Ownership & Executive Compensation



- Shantanu Narayen is the CEO of Adobe and has total compensation for FY24 of \$52,390,182 which breaks down as
 - Base Salary: \$1,250,000
 - Stock Awards: \$45,000,000
 - Non-Equity Incentive Plan: \$6,000,000
 - All Other Compensation: \$140,182
- All Directors and executive officers as a group beneficially owned 1,322,338 shares, representing 0.29% of the common stock outstanding
- Adobe's executive pay structure is heavily equity and performance driven, designed to reward long-term value creation and benchmarked against top tech peers
 - Bonus and equity awards are tied to preset financial and strategic goals such as total shareholder return vs S&P 500 Tech Peer Index



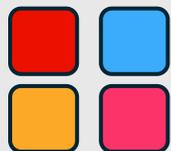


Key Stats



Key Financials¹

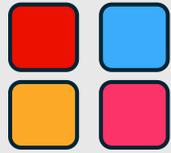
For the Fiscal Period Ending	12 months Dec-03-2021A	12 months Dec-02-2022A	12 months Dec-01-2023A	12 months Nov-29-2024A
Currency	USD	USD	USD	USD
Total Revenue	15,785.0	17,606.0	19,409.0	21,505.0
<i>Growth Over Prior Year</i>	22.7%	11.5%	10.2%	10.8%
Gross Profit	13,920.0	15,441.0	17,055.0	19,147.0
<i>Margin %</i>	88.2%	87.7%	87.9%	89.0%
EBITDA	6,378.0	6,716.0	7,268.0	8,404.0
<i>Margin %</i>	40.4%	38.1%	37.4%	39.1%
EBIT	5,802.0	6,098.0	6,650.0	7,819.0
<i>Margin %</i>	36.8%	34.6%	34.3%	36.4%
Earnings from Cont. Ops.	4,822.0	4,756.0	5,428.0	5,560.0
<i>Margin %</i>	30.5%	27.0%	28.0%	25.9%
Net Income	4,822.0	4,756.0	5,428.0	5,560.0
<i>Margin %</i>	30.5%	27.0%	28.0%	25.9%
Diluted EPS Excl. Extra Items ³	10.02	10.1	11.82	12.36
<i>Growth Over Prior Year</i>	(7.5%)	0.8%	17.0%	4.6%



Income Statement



Income Statement						
For the Fiscal Period Ending	12 months Nov-27-2020	12 months Dec-03-2021	12 months Dec-02-2022	12 months Dec-01-2023	12 months Nov-29-2024	LTM 12 months Feb-28-2025
<i>Currency</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
Revenue	12,868.0	15,785.0	17,606.0	19,409.0	21,505.0	22,037.0
Other Revenue	-	-	-	-	-	-
Total Revenue	12,868.0	15,785.0	17,606.0	19,409.0	21,505.0	22,037.0
Cost Of Goods Sold	1,722.0	1,865.0	2,165.0	2,354.0	2,358.0	2,390.0
Gross Profit	11,146.0	13,920.0	15,441.0	17,055.0	19,147.0	19,647.0
Selling General & Admin Exp.	4,559.0	5,406.0	6,187.0	6,764.0	7,215.0	7,373.0
R & D Exp.	2,188.0	2,540.0	2,987.0	3,473.0	3,944.0	4,031.0
Depreciation & Amort.	-	-	-	-	-	-
Amort. of Goodwill and Intangibles	162.0	172.0	169.0	168.0	169.0	168.0
Other Operating Expense/(Income)	-	-	-	-	-	-
Other Operating Exp., Total	6,909.0	8,118.0	9,343.0	10,405.0	11,328.0	11,572.0
Operating Income	4,237.0	5,802.0	6,098.0	6,650.0	7,819.0	8,075.0
Interest Expense	(116.0)	(113.0)	(112.0)	(113.0)	(169.0)	(204.0)
Interest and Invest. Income	43.0	17.0	61.0	269.0	341.0	341.0
Net Interest Exp.	(73.0)	(96.0)	(51.0)	156.0	172.0	137.0
Currency Exchange Gains (Loss)	(2.0)	(17.0)	(21.0)	(17.0)	(29.0)	(29.0)
Other Non-Operating Inc. (Exp.)	1.0	-	1.0	1.0	-	5.0
EBT Excl. Unusual Items	4,163.0	5,689.0	6,027.0	6,790.0	7,962.0	8,188.0
Merger & Related Restruct. Charges	-	-	-	-	(1,000.0)	0
Impairment of Goodwill	-	-	-	-	-	-
Gain (Loss) On Sale Of Invest.	13.0	16.0	(19.0)	9.0	47.0	35.0
Asset Writedown	-	-	-	-	(78.0)	(78.0)
Other Unusual Items	-	-	-	-	-	-
EBT Incl. Unusual Items	4,176.0	5,705.0	6,008.0	6,799.0	6,931.0	8,145.0
Income Tax Expense	(1,084.0)	883.0	1,252.0	1,371.0	1,371.0	1,394.0
Earnings from Cont. Ops.	5,260.0	4,822.0	4,756.0	5,428.0	5,560.0	6,751.0
Earnings of Discontinued Ops.	-	-	-	-	-	-
Extraord. Item & Account. Change	-	-	-	-	-	-
Net Income to Company	5,260.0	4,822.0	4,756.0	5,428.0	5,560.0	6,751.0
Minority Int. in Earnings	-	-	-	-	-	-
Net Income	5,260.0	4,822.0	4,756.0	5,428.0	5,560.0	6,751.0



Balance Sheet



Balance Sheet

Balance Sheet as of:

	Nov-27-2020 USD	Dec-03-2021 USD	Dec-02-2022 USD	Dec-01-2023 USD	Nov-29-2024 USD	Press Release Feb-28-2025 USD
<i>Currency</i>						
ASSETS						
Cash And Equivalents	4,478.0	3,844.0	4,236.0	7,141.0	7,613.0	6,758.0
Short Term Investments	1,514.0	1,954.0	1,860.0	701.0	273.0	677.0
Total Cash & ST Investments	5,992.0	5,798.0	6,096.0	7,842.0	7,886.0	7,435.0
Accounts Receivable	1,398.0	1,878.0	2,065.0	2,224.0	2,072.0	1,973.0
Total Receivables	1,398.0	1,878.0	2,065.0	2,224.0	2,072.0	1,973.0
Prepaid Exp.	563.0	690.0	561.0	732.0	916.0	1,447.0
Other Current Assets	193.0	303.0	274.0	286.0	358.0	-
Total Current Assets	8,146.0	8,669.0	8,996.0	11,084.0	11,232.0	10,855.0
Gross Property, Plant & Equipment	3,462.0	3,567.0	3,884.0	4,119.0	3,872.0	-
Accumulated Depreciation	(1,458.0)	(1,451.0)	(1,569.0)	(1,731.0)	(1,655.0)	-
Net Property, Plant & Equipment	2,004.0	2,116.0	2,315.0	2,388.0	2,217.0	2,159.0
Goodwill	10,742.0	12,668.0	12,787.0	12,805.0	12,788.0	12,777.0
Other Intangibles	1,359.0	1,820.0	1,449.0	1,088.0	782.0	706.0
Deferred Tax Assets, LT	1,370.0	1,085.0	777.0	1,191.0	1,657.0	1,820.0
Deferred Charges, LT	352.0	406.0	406.0	422.0	464.0	-
Other Long-Term Assets	311.0	477.0	435.0	801.0	1,090.0	1,638.0
Total Assets	24,284.0	27,241.0	27,165.0	29,779.0	30,230.0	29,955.0



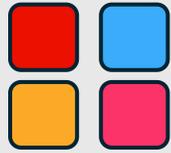
Balance Sheet cont'd



Balance Sheet

Balance Sheet as of:

	Nov-27-2020 USD	Dec-03-2021 USD	Dec-02-2022 USD	Dec-01-2023 USD	Nov-29-2024 USD	Press Release Feb-28-2025 USD
<i>Currency</i>						
LIABILITIES						
Accounts Payable	306.0	312.0	379.0	314.0	361.0	326.0
Accrued Exp.	1,291.0	1,600.0	1,669.0	1,781.0	2,027.0	1,951.0
Curr. Port. of LT Debt	-	-	500.0	-	1,499.0	-
Curr. Port. of Leases	92.0	97.0	87.0	73.0	75.0	74.0
Curr. Income Taxes Payable	63.0	54.0	75.0	85.0	119.0	465.0
Unearned Revenue, Current	3,629.0	4,733.0	5,297.0	5,837.0	6,131.0	6,347.0
Other Current Liabilities	131.0	136.0	121.0	161.0	309.0	-
Total Current Liabilities	5,512.0	6,932.0	8,128.0	8,251.0	10,521.0	9,163.0
Long-Term Debt	4,117.0	4,123.0	3,629.0	3,634.0	4,129.0	6,155.0
Long-Term Leases	499.0	453.0	417.0	373.0	353.0	334.0
Unearned Revenue, Non-Current	130.0	145.0	117.0	113.0	128.0	143.0
Def. Tax Liability, Non-Curr.	10.0	-	-	-	-	-
Other Non-Current Liabilities	752.0	791.0	823.0	890.0	994.0	1,065.0
Total Liabilities	11,020.0	12,444.0	13,114.0	13,261.0	16,125.0	16,860.0
Common Stock	-	-	-	-	-	-
Additional Paid In Capital	7,357.0	8,428.0	9,868.0	11,586.0	13,419.0	13,894.0
Retained Earnings	19,611.0	23,905.0	28,319.0	33,346.0	38,470.0	40,186.0
Treasury Stock	(13,546.0)	(17,399.0)	(23,843.0)	(28,129.0)	(37,583.0)	(40,827.0)
Comprehensive Inc. and Other	(158.0)	(137.0)	(293.0)	(285.0)	(201.0)	(158.0)
Total Common Equity	13,264.0	14,797.0	14,051.0	16,518.0	14,105.0	13,095.0
Total Equity	13,264.0	14,797.0	14,051.0	16,518.0	14,105.0	13,095.0
Total Liabilities And Equity	24,284.0	27,241.0	27,165.0	29,779.0	30,230.0	29,955.0

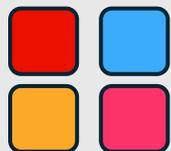


Statement of Cash Flows



Cash Flow

For the Fiscal Period Ending	12 months Nov-27-2020	12 months Dec-03-2021	12 months Dec-02-2022	12 months Dec-01-2023	12 months Nov-29-2024	LTM Press Release 12 months Feb-28-2025
<i>Currency</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
Net Income	5,260.0	4,822.0	4,756.0	5,428.0	5,560.0	6,751.0
Depreciation & Amort.	204.0	222.0	213.0	243.0	249.0	254.0
Amort. of Goodwill and Intangibles	367.0	354.0	405.0	375.0	336.0	336.0
Depreciation & Amort., Total	571.0	576.0	618.0	618.0	585.0	590.0
Other Amortization	186.0	212.0	238.0	254.0	272.0	272.0
(Gain) Loss On Sale Of Invest.	(11.0)	(4.0)	29.0	(10.0)	(35.0)	(35.0)
Asset Writedown & Restructuring Costs	-	-	-	-	78.0	78.0
Stock-Based Compensation	909.0	1,069.0	1,440.0	1,718.0	1,833.0	1,857.0
Other Operating Activities	(1,374.0)	263.0	421.0	(351.0)	(381.0)	(423.0)
Change in Acc. Receivable	106.0	(430.0)	(198.0)	(159.0)	143.0	143.0
Change in Acc. Payable	96.0	(20.0)	66.0	(49.0)	44.0	44.0
Change in Unearned Rev.	258.0	1,053.0	536.0	536.0	309.0	380.0
Change in Inc. Taxes	(72.0)	2.0	19.0	(11.0)	68.0	68.0
Change in Other Net Operating Assets	(202.0)	(313.0)	(87.0)	(672.0)	(420.0)	(361.0)
Cash from Ops.	5,727.0	7,230.0	7,838.0	7,302.0	8,056.0	9,364.0
Capital Expenditure	(419.0)	(348.0)	(442.0)	(360.0)	(183.0)	(172.0)
Cash Acquisitions	-	(2,682.0)	(126.0)	-	-	-
Divestitures	-	-	-	-	-	-
Invest. in Marketable & Equity Secur.	5.0	(507.0)	(2.0)	1,136.0	332.0	(229.0)
Net (Inc.) Dec. in Loans Originated/Sold	-	-	-	-	-	-
Other Investing Activities	-	-	-	-	-	-
Cash from Investing	(414.0)	(3,537.0)	(570.0)	776.0	149.0	(401.0)

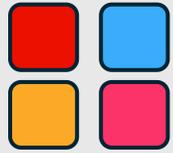


Statement of Cash Flows cont'd



Cash Flow

For the Fiscal Period Ending	12 months Nov-27-2020	12 months Dec-03-2021	12 months Dec-02-2022	12 months Dec-01-2023	12 months Nov-29-2024	LTM Press Release 12 months Feb-28-2025
<i>Currency</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
Short Term Debt Issued	-	-	-	-	-	-
Long-Term Debt Issued	3,144.0	-	-	-	1,997.0	-
Total Debt Issued	3,144.0	-	-	-	1,997.0	3,994.0
Short Term Debt Repaid	-	-	-	-	-	-
Long-Term Debt Repaid	(3,150.0)	-	-	(500.0)	-	-
Total Debt Repaid	(3,150.0)	-	-	(500.0)	-	(1,500.0)
Issuance of Common Stock	270.0	291.0	278.0	314.0	361.0	361.0
Repurchase of Common Stock	(3,731.0)	(4,669.0)	(7,068.0)	(4,989.0)	(10,177.0)	(11,365.0)
Total Dividends Paid	-	-	-	-	-	-
Special Dividend Paid	-	-	-	-	-	-
Other Financing Activities	(21.0)	77.0	(35.0)	(7.0)	95.0	73.0
Cash from Financing	(3,488.0)	(4,301.0)	(6,825.0)	(5,182.0)	(7,724.0)	(8,437.0)
Foreign Exchange Rate Adj.	3.0	(26.0)	(51.0)	9.0	(9.0)	(22.0)
Net Change in Cash	1,828.0	(634.0)	392.0	2,905.0	472.0	504.0



Credit Health Panel



Public Industry Peers | Total Companies : 23

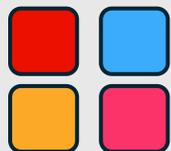
Company	Overall	Operational	Solvency	Liquidity	S&P Foreign Currency LT
Cadence Design Systems, Inc. (NasdaqGS:CDNS)	1	1	2	1	BBB+
Adobe Inc. (NasdaqGS:ADBE)	1	1	2	2	A+
AppLovin Corporation (NasdaqGS:APP)	1	1	4	1	BBB-
NICE Ltd. (TASE:NICE)	1	2	2	2	-
Zoom Communications Inc. (NasdaqGS:ZM)	1	4	1	1	-
Intuit Inc. (NasdaqGS:INTU)	2	1	1	3	A-
Dassault Systèmes SE (ENXTPA:DSY)	2	2	1	2	A
Dropbox, Inc. (NasdaqGS:DBX)	2	2	2	3	-
Synopsys, Inc. (NasdaqGS:SNPS)	2	3	1	2	BBB
ANSYS, Inc. (NasdaqGS:ANSS)	2	3	3	1	-
Workday, Inc. (NasdaqGS:WDAY)	2	4	2	1	BBB
SAP SE (XTRA:SAP)	3	1	3	4	A+
Constellation Software Inc. (TSX:CSU)	3	2	3	3	BBB
Salesforce, Inc. (NYSE:CRM)	3	3	2	3	A+
Atlassian Corporation (NasdaqGS:TEAM)	3	3	3	3	BBB
Splunk Inc.	3	3	4	2	-
DocuSign, Inc. (NasdaqGS:DOCU)	3	4	1	2	-
Autodesk, Inc. (NasdaqGS:ADSK)	4	2	3	4	BBB+
The Sage Group plc (LSE:SGE)	4	2	3	4	BBB+
Roper Technologies, Inc. (NasdaqGS:ROP)	4	3	4	4	BBB+
Visma AS	4	4	4	3	-
Open Text Corporation (NasdaqGS:OTEX)	4	4	4	4	BB+
Solera Corp.	4	4	4	4	-

Company Relative Credit Health Score		
Overall Score	Financial Category	Score
Top	Operational	Top
	Solvency	Above Average
	Liquidity	Above Average

Source: Capital IQ

University of Kentucky 2025 Stock Pitch Competition





Free Cash Flow Calculations

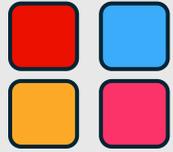


Assumptions

Discount Rate	8.76%
Perpetual Growth Rate	3.00%
Effective Tax Rate	17.1%
EBITDA Margin	38.77%
Revenue Growth	11.17%

FCF Calculations

	2024	2025	2026	2027	2028	2029
Revenue	\$21,505	\$23,907	\$26,576	\$29,544	\$32,844	\$36,512
<i>Revenue Growth</i>		11.2%	11.2%	11.2%	11.2%	11.2%
EBITDA	8,404	9,268	10,303	11,454	12,733	14,155
<i>EBITDA Margin</i>		39%	39%	39%	39%	39%
Less: D&A	585	585	585	585	585	585
EBIT	7,819	8,683	9,718	10,869	12,148	13,570
<i>Tax Rate</i>		17.1%	17.1%	17.1%	17.1%	17.1%
After-Tax EBIT	6,481	7,197	8,055	9,009	10,069	11,248
Plus: D&A		585	585	585	585	585
Less: Capital Expenditures	183	148	119	96	78	63
Less: Δ in Net Working Capital	144	121	101	85	71	60
Unlevered Free Cash Flow	\$7,514	\$8,420	\$9,413	\$10,505	\$11,711	



Discounted Cash Flow - Perpetuity Growth

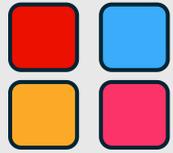


DCF - Perpetuity Growth

Discount Rate

8.76%

Unlevered Free Cash Flow	\$7,514	\$8,420	\$9,413	\$10,505	\$11,711
Terminal Value					\$203,244
Sum	\$7,514	\$8,420	\$9,413	\$10,505	\$214,955
PV of Free Cash Flows	\$6,909	\$7,118	\$7,316	\$7,508	\$141,242
Net PV of Unlevered Free Cash Flows					\$170,093
Enterprise Value					\$170,093
Plus: Cash					\$6,758
Less: Debt					\$6,155
Equity Value					\$170,696
Shares Outstanding					442.9
Intrinsic Value per Share					<u>\$385.45</u>



Discounted Cash Flow - Exit EBITDA

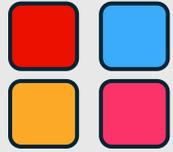


DCF - Exit EBITDA

Discount Rate

8.76%

Unlevered Free Cash Flow	\$7,514	\$8,420	\$9,413	\$10,505	\$11,711
Exit EBITDA					\$14,155
EBITDA Multiple					22.00
Terminal Value					\$311,417
Sum	\$7,514	\$8,420	\$9,413	\$10,505	\$323,127
PV of Free Cash Flows	\$6,909	\$7,118	\$7,316	\$7,508	\$212,320
Net PV of Unlevered Free Cash Flows					\$241,171
Enterprise Value					\$241,171
Plus: Cash					\$6,758
Less: Debt					\$6,155
Equity Value					\$241,774
Shares Outstanding					442.9
Intrinsic Value per Share					<u>\$545.95</u>



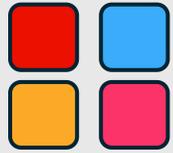
Comparables Analysis



<i>Company Name</i>	<i>TEV/EBITDA LTM</i>
Salesforce, Inc. (NYSE:CRM)	23.0x
Intuit Inc. (NasdaqGS:INTU)	35.1x
Workday, Inc. (NasdaqGS:WDAY)	59.6x
DocuSign, Inc. (NasdaqGS:DOCU)	59.6x
ServiceNow, Inc. (NYSE:NOW)	79.4x
SAP SE (XTRA:SAP)	30.0x
AppLovin Corporation (NasdaqGS:APP)	40.7x
RingCentral, Inc. (NYSE:RNG)	14.9x
Adobe Inc. (ADBE)	21.6x

Median	35.1x
Average	40.4x

EBITDA	\$8,404.00
EV/EBITDA Multiple	37.8x
Enterprise Value	\$317,391.07
Plus: Cash	\$6,758.00
Less: Debt	\$6,155.00
Equity Value	\$317,994.07
Shares Outstanding	442.85
Price Per Share	\$718.06

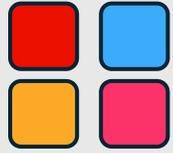


Sensitivity Analysis - Prices



		EBITDA Margin					
		\$541.41	30%	33%	39%	41%	43%
Revenue Growth	3%		\$392.91	\$410.64	\$446.11	\$457.93	\$469.75
	7%		\$426.82	\$447.94	\$490.19	\$504.27	\$518.35
	11%		\$465.95	\$490.98	\$541.06	\$557.75	\$574.44
	13%		\$487.66	\$514.86	\$569.28	\$587.41	\$605.55
	15%		\$510.90	\$540.43	\$599.49	\$619.17	\$638.86
		EBITDA Margin					
		\$541.41	30%	33%	39%	41%	43%
Perpetual Growth Rate	1.00%		\$446.68	\$469.78	\$515.99	\$531.39	\$546.79
	2.00%		\$455.64	\$479.64	\$527.64	\$543.65	\$559.65
	3.00%		\$467.71	\$492.92	\$543.35	\$560.16	\$576.96
	3.50%		\$475.47	\$501.46	\$553.44	\$570.76	\$588.09
	4.00%		\$484.85	\$511.78	\$565.64	\$583.60	\$601.55

		EBITDA Margin					
		\$541.41	30%	33%	39%	41%	43%
Exit EBITDA	16.0x		\$433.58	\$455.38	\$498.98	\$513.51	\$528.04
	19.0x		\$450.65	\$474.15	\$521.16	\$536.83	\$552.50
	22.0x		\$467.71	\$492.92	\$543.35	\$560.16	\$576.96
	25.0x		\$484.78	\$511.69	\$565.53	\$583.48	\$601.42
	28.0x		\$501.84	\$530.47	\$587.72	\$606.80	\$625.88



Sensitivity Analysis - Percentages



		EBITDA Margin				
Revenue Growth	48.5%	30%	33%	39%	41%	43%
	3%	8%	13%	22%	26%	29%
	7%	17%	23%	34%	38%	42%
	11%	28%	35%	48%	53%	58%
	13%	34%	41%	56%	61%	66%
	15%	40%	48%	64%	70%	75%
		EBITDA Margin				
Perpetual Growth Rate	48.5%	30%	33%	39%	41%	43%
	1.00%	22%	29%	42%	46%	50%
	2.00%	25%	32%	45%	49%	53%
	3.00%	28%	35%	49%	54%	58%
	3.50%	30%	38%	52%	57%	61%
	4.00%	33%	40%	55%	60%	65%

		EBITDA Margin				
Exit EBITDA	48.5%	30%	33%	39%	41%	43%
	16.0x	19%	25%	37%	41%	45%
	19.0x	24%	30%	43%	47%	52%
	22.0x	28%	35%	49%	54%	58%
	25.0x	33%	40%	55%	60%	65%
	28.0x	38%	45%	61%	66%	72%