



## Adobe Bulls Active into Rare Pullback Opportunity

Ticker/Price: ADBE (\$278)

### Analysis:

**Adobe Systems (ADBE)** with 500 April \$275 puts sold to open today for \$17.55 and follows 750 December \$280/\$250 bull put spreads on Friday and 1600 January \$265/\$260 bull put spreads opened on 10-31. Friday also saw more November \$285/\$295 call spreads open and open interest over 4000X now. ADBE shares are basing just below \$280 and back above the 200-day as it looks to clear a multi-month downtrend. Shares tagged the 50% retracement level from the December 2018 lows recently and a move higher targets \$292 and then \$300+. The \$134.5B software leader trades 28.65X earnings, 12.5X sales, and 36.85X cash with mid-teens growth. ADBE is hosting their Adobe Max conference this week and expected to update guidance for FY20 as well as give a roadmap forward as they lap the 1-year mark from the Marketo deal. Analysts have an average target for shares of \$300. Canaccord buying the dip after earnings noting that the outlook has historically always been conservative and ADBE has a number of drivers to beat a low bar. Citi downgrading to Neutral in early October expecting continued investments in Digital Experience, potentially through M&A, to keep a lid on margin growth. MSCO out on 10-30 with a \$340 PT noting that the base case for the Investor meeting is \$1.4B to \$1.6B in net new ARR additions which could drive the stock higher by 4-5%. Short interest is 1.5%. Hedge fund ownership fell 6.5% in Q2, Maplelane Capital a buyer of call options.

### Hawk Vision:



**Hawk's Perspective:** ADBE fits the mold of what we are seeing with rotations to better value/quality names across Tech and like the wedge breakout and shorter term moving averages need to hold here with some bull crosses nearing, a top name to own in Tech.

**Confidence Ranking:** \$\$