

Adobe Inc.

NASDAQ: ADBE | Creative, document and experience software | Equity research | 17 October 2026

Recommendation	Rating change	Investment score	Close of record	Fair value
BUY	Unchanged	72.8	\$245.20	\$273.50
from fundamentals	Buy since 11 Sep	out of 100; 77.9 restated prior	16 Oct 2026; +3.2% since 2 Oct	probability-weighted; 11.5% above
Ideal buy range	Cut-loss	Targets	Reward to risk	Next event
\$225 - \$240	\$210	\$283 / \$320	1.07x	10 Nov
was \$225 - \$245	unchanged	was \$285 / \$320	to target 1 at the close; 1.43x at \$240	Adobe MAX, 10 to 12 Nov

Verdict: Buy, from fundamentals. Technical read (chart only): Neutral. The chart is building a base between the 28 September low and the 50- and 200-day averages, so the better entries sit inside the \$225 to \$240 range. A close back above the 50-day average at \$256.54 would be the first sign the base has resolved upward.

Adobe closed at \$245.20 on 16 October, 3.2% above the \$237.69 at which the last report reaffirmed a Buy. The fortnight brought no change to the company's own numbers and a sharp change in how brokers talk about them. Wells Fargo cut the shares two notches to Underweight on 12 October with a \$225 target, citing a survey of technology buyers that showed Adobe losing budget share in AI evaluations, and HSBC moved to Hold the next day. On 8 October the Labor Department suspended Adobe, with Microsoft and several outsourcing firms, from the permanent labour certification programme. On 15 October Adobe and NVIDIA widened their collaboration across Photoshop, Premiere, Frame.io and Brand Concierge.

The rating stays at Buy. At 10.0 times the earnings Adobe has guided to for this fiscal year, with record cash flow and a share count falling by more than 2% a quarter, the price still discounts a good deal of the bear case. What changes is the price at which buying pays. The base case is worth \$283, on fiscal 2027 EPS of \$26.95 at 10.5 times. From the close, that pays only 1.07 times the risk to the \$210 stop, so the top of the buy range comes down from \$245 to \$240. Growth Potential, Valuation and Risk each lose a point, and the Investment Score falls to 72.8 from a restated 77.9. Adobe MAX on 10 to 12 November and the fiscal fourth quarter, expected around 9 December, are the next hard tests.

Where the published levels stand

The last report set a \$225 to \$245 ideal buy range, a \$210 cut-loss and targets of \$285 and \$320. None was broken. The lowest print since then was \$227.00 on 7 October, \$2.33 above the floor, and the Wells Fargo downgrade took the shares only to a \$232.85 intraday low. On 15 October the stock rose 4.6% to \$251.67, briefly above the old ceiling, then reversed from \$256.51 on 16 October, right at the 50-day average, to close 20 cents above the old \$245 ceiling.

The anchors have been checked against the current averages. The ceiling was set close to the 100-day average, then \$243.39; it is now \$242.90, so that anchor has barely moved. The floor sits on the 28 September low of \$224.67, which held. The stop sits above the July low of \$207.06 and is now 3.9 average true ranges below the close, with the ATR at \$8.92. The part that no longer works is the ceiling, and the reason is the first target rather than the chart. Target 1 is the base-case value, which is now \$283. Bought at \$245, it would pay 1.09 times the risk to the stop; at \$240 it pays 1.43 times. The ceiling therefore moves to \$240, just under the 100-day average and above the 20-day at \$239.55. The floor stays \$15 above the stop.

Level	Published 5 October	Now	Status
Ideal buy range	\$225 to \$245	\$225 to \$240	Ceiling lowered; at \$245 the first target no longer pays enough against the stop. Floor unchanged.
Recommended entry	\$228 to \$242	\$228 to \$238	Staged into weakness; the close is above it.
Cut-loss	\$210	\$210	Unchanged. Above the July low of \$207.06; never approached.
Target 1	\$285	\$283	Base-case value; 15.4% above \$245.20.

Level	Published 5 October	Now	Status
Target 2	\$320	\$320	Unchanged; 11.9x base-case FY27 EPS; 30.5% above the close.
Reward to risk, target 1	1.71x	1.07x	Lower: price higher, target slightly lower, stop unchanged.

Levels measured against the 16 October 2026 close of record. Structural lows from completed daily sessions.

What has moved since the last report

Input	5 October report	Now	Read
Price of record	\$237.69 (2 Oct)	\$245.20 (16 Oct)	+3.2%, after a range of \$227.00 to \$256.51.
P/E on guided FY26 EPS	9.7x	10.0x	Guidance unchanged at \$24.45 to \$24.50; the move is price.
Broker stance	Mostly Hold	Hold, with more Sells	Two downgrades in two days; targets \$200 to \$267 among recent actions.
Company developments	Leadership change	Labour suspension; NVIDIA work	No item large enough to move earnings.
Macro	Fed at 3.75% to 4.00%	Same; CPI 3.7%	The 10-year eased to 5.10% on 15 October; inflation re-accelerated.

Company developments

No development in the period is large enough to change base-case revenue or EPS. Two are worth weighing: a federal suspension that touches hiring rather than revenue, and a deeper engineering tie-up with NVIDIA. Adobe MAX, the company's annual product conference, has not yet happened; Adobe confirmed on 15 October that it runs from 10 to 12 November.

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Labor Department suspension from permanent labour certification	Announced 8 Oct 2026	The department will not accept new or pending certification applications involving Adobe and other suspended firms; the administration alleges fraud. No duration stated. Adobe has not published a response.	None	Medium
NVIDIA collaboration expanded	Announced 15 Oct 2026	Photoshop, Premiere and Substance 3D optimised for NVIDIA's RTX Spark chip; NVIDIA video acceleration in Frame.io; Brand Concierge on Nemotron models, which NVIDIA will use on NVIDIA.com. No financial terms.	Adobe: up to 2x faster AI processing; Nemotron Brand Concierge for enterprises later this year	Medium
Adobe MAX 2026	Scheduled 10 to 12 Nov 2026	Annual creative conference in Miami Beach; Adobe and NVIDIA plan to show new work there.	Product and Firefly announcements expected on the usual pattern	Medium
Chief executive transition	Effective 1 Dec 2026	Anil Chakravarthy becomes President and CEO; Shantanu Narayen becomes Executive Chair.	No strategy change published	Medium
Creative business leadership	Took effect 27 Sep 2026	David Wadhwani stepped down as head of the Creativity and Productivity business and moved to an advisory role.	None	Medium
Heathrow Airport partnership	Announced 8 Oct 2026	Heathrow's website moves to Adobe CX Enterprise, with Experience Manager and Brand Visibility. No financial terms.	None	Low
National Hockey League partnership	Announced 28 Sep 2026	Adobe becomes an official creative, marketing and AI partner of the NHL. No financial terms.	None	Low

Adobe newsroom releases of 8 and 15 October 2026 and earlier filings; Labor Department action as reported by TechCrunch, 8 October 2026.

Why the suspension is rated Medium. It does not touch a customer contract or a product, so it has no direct earnings effect. It does constrain how Adobe sponsors permanent residence for skilled foreign staff, at a time when it is competing for AI engineers, and an allegation of fraud by a federal department is a governance and reputational question the company has not yet answered. It moves the Risk score, not the earnings base. **Why the NVIDIA work is rated Medium.** It touches the flagship applications, but as performance work rather than a new product or price. Its value is in keeping Adobe's tools the default for professionals on the newest hardware, and in a reference customer for Brand Concierge. It moves no score.

Business and the latest quarter

Adobe sells subscriptions to creative, document and marketing software, now reported in two customer groups: business professionals and consumers (Acrobat, Express and entry creative plans) and creative and marketing professionals (Creative Cloud Pro, Firefly for enterprises, GenStudio and the experience platform). Subscriptions are 97% of revenue. The fiscal third quarter, reported on 10 September, was the company's largest yet, and full-year targets were raised.

Measure	Q3 FY26	Comment
Revenue	\$6.76bn, +13%	12% in constant currency
Subscription revenue	\$6.58bn, +14%	Business and consumer \$1.91bn (+16%); creative and marketing \$4.65bn (+13%)
Non-GAAP / GAAP EPS	\$6.13 / \$4.62	Against \$5.31 / \$4.18 a year earlier
Non-GAAP operating margin	44.0%	Own calculation: \$2,974m / \$6,760m
Total ending ARR	\$27.50bn	AI-first ARR grew more than 150% year on year
Operating cash flow	\$2.52bn	A third-quarter record
Buybacks	9.5m shares, \$2.23bn	Diluted share count 395m, guided to about 389m in Q4
FY26 targets	Revenue \$26.58bn to \$26.63bn	Non-GAAP EPS \$24.45 to \$24.50; ending ARR growth 10.2%

Adobe Q3 FY2026 results release (Form 8-K, Exhibit 99.1), 10 September 2026. Margin is an own calculation from reported figures.

The question the market is pricing is not this quarter but the next two years. The fourth quarter needs ending ARR to grow 10.2% for the year. Wells Fargo argues that this requires net new ARR to roughly double from the third quarter, and it now models negative net new ARR growth and about 7% total ARR growth in fiscal 2027, below the consensus above 8%. Management has not yet given fiscal 2027 targets; they normally come with the December results.

Competitive position, growth and management

Adobe's advantage is workflow lock-in: file formats, plug-ins, templates and team habits across Photoshop, Premiere, Acrobat and the experience stack, and a licensing position on Firefly that enterprises value for commercial safety. The threat is that cheaper generative tools commoditise the entry layer, and that enterprise AI budgets flow to model vendors rather than application suites. The strongest evidence for Adobe is that AI-first ARR more than doubled; the strongest against is the broker survey work showing it losing share in AI evaluations. Neither yet shows up in net new ARR, which is why December matters.

Driver	Status	Fact	Forecast (by whom)	Likelihood / impact
Freemium conversion	Under way	Free tiers widened across Express, Acrobat and Firefly	No conversion rate disclosed	Medium / High
AI-first products	Shipping	AI-first ARR more than doubled year on year	None quantified by the company	High / Medium
Enterprise GenStudio and CX	Shipping	Heathrow, NHL and NVIDIA.com reference wins	None quantified	Medium / Medium
Buybacks	Ongoing	9.5m shares retired in Q3	Q4 diluted count about 389m (company)	High / Medium

Company releases and filings.

Management execution on the numbers is good: the third quarter beat the company's own targets and the year was raised. The bench is the concern. The finance chief left in June and the role is held on an interim basis, the head of the flagship creative business left on 27 September, and the chief executive changes on 1 December. The Management score stays at 6.

Valuation

An earnings multiple fits a business with stable 44% margins and almost entirely recurring revenue. At \$245.20 the shares trade at 10.0 times guided fiscal 2026 EPS of \$24.475 (midpoint) and 9.3 times the fiscal 2027 consensus of \$26.40. That consensus appears not to reflect the September raise fully, since the fiscal 2026 consensus of \$23.47 sits below Adobe's own range. This report's base case uses fiscal 2027 EPS of \$26.95: revenue up 8.5% to \$28.86bn, a 44.0% non-GAAP operating margin and 376m diluted shares. At 10.5 times, below the software average and close to where Adobe has traded since the summer, the base case is worth \$283.

Measure	Value	Comment
P/E, guided FY26	10.0x	Midpoint of \$24.45 to \$24.50 non-GAAP EPS
P/E, FY27 consensus	9.3x	\$26.40, range \$24.07 to \$28.11, 35 analysts
P/E, FY27 base case	9.1x	Own estimate, \$26.95
Net debt	About \$0.7bn	Cash and short-term investments \$5.64bn; debt \$6.36bn (28 Aug)
Weighted fair value	\$273.50	11.5% above the close; down from \$282.50

Guidance and balance sheet from the Q3 FY2026 release; consensus from Yahoo Finance, retrieved 17 October 2026. Base-case EPS and multiples are own calculations on the \$245.20 price of record.

The macro variables that matter here

Two matter. The first is the discount rate. Adobe's revenue line is subscription-based and barely rate-sensitive, but its multiple is not: the Federal Reserve raised its target range to 3.75%-4.00% on 16 September, and the 10-year yield, though it eased to 5.10% on 15 October, remains high enough to cap what investors pay for long-duration software earnings. At ten times earnings that pressure is smaller than for a richly valued peer. The second is the health of business software budgets, which drive seat growth in both customer groups. September consumer prices rose 3.7% on the year with core up 0.3% on the month, while retail sales rose 0.8%, so nominal demand is holding but costs are rising for Adobe's small-business customers.

Scenario analysis

Case	Prob.	What has to happen	FY27 revenue / EPS	Multiple	Fair value
Bull	22%	Freemium converts at a measurable rate, AI-first ARR keeps compounding, the December quarter clears the 10.2% target and fiscal 2027 targets show net new ARR growing.	\$29.4bn / \$28.53	13.0x	\$371
Base	50%	The 10.2% target is met or narrowly missed, revenue grows in the high single digits, margins ease slightly as Adobe invests in users, and buybacks carry EPS growth.	\$28.9bn / \$26.95	10.5x	\$283
Bear	28%	Net new ARR falls, generative competition compresses entry pricing, margins are cut to defend share and the multiple compresses further.	\$27.9bn / \$24.04	7.5x	\$180
Weighted	100%				\$273.50

Own estimates. Revenue growth 10.5% / 8.5% / 5.0%, non-GAAP operating margin 45.5% / 44.0% / 41.0%, diluted shares 374m / 376m / 380m. Weighted value = 0.22 x \$371 + 0.50 x \$283 + 0.28 x \$180 = \$273.52, computed in code.

The bear case carries more weight than the bull. Two brokers have downgraded, one citing evidence about budget share, the fourth quarter asks for a step-up in net new ARR that the third quarter did not show, and leadership will change in the middle of it. The bull case still has real support in AI-first ARR growth and the raised year, so it is not small. Compared with the last report, the base value is \$2 lower, on a lower multiple applied to a later year's earnings, and the bull value is higher because it now uses fiscal 2027 earnings. The probabilities move from 30/50/20 to 22/50/28, and the weighted value falls from \$282.50 to \$273.50.

Risks

Risk	Probability	Severity	Comment
Net new ARR shortfall in Q4	Medium	High	The 10.2% ending-ARR target needs a sharp fourth-quarter step-up.
Generative competition and budget share	Medium	High	Broker surveys show AI budgets moving toward model vendors.
Freemium conversion unproven	Medium	High	No disclosed rate at which free users become paid ones.
Leadership turnover	High	Medium	Interim CFO, departed creative head, new CEO from 1 December.
Labour certification suspension	High	Low	Constrains skilled hiring; reputational until answered.
Discount rate	Medium	Medium	Long yields near 5% weigh on software multiples.

Probability and severity are this report's judgement over a 12 to 24 month horizon.

Risk scores 6 out of 10, where 10 is the lowest risk, down from 7. The table describes a business with a strong balance sheet facing three open strategic questions at once, plus a new regulatory overhang. That is a moderate risk profile, slightly higher than a fortnight ago, and the score agrees with it.

Sentiment and positioning

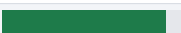
Date	Firm	Action	Price target
13 Oct	HSBC	Buy to Hold	\$310 to \$267
12 Oct	Wells Fargo	Overweight to Underweight	\$270 to \$225
8 Oct	Evercore ISI	Target raised	\$225 to \$250
6 Oct	Citi	Hold maintained	Cut to \$250
2 Oct	TD Cowen	Hold maintained	\$245
2 Oct	Goldman Sachs	Sell maintained	\$200

Broker actions 2 to 13 October 2026, as published in broker notes relayed by the moomoo research feed, TipRanks and Benzinga.

The consensus is Hold, with about 5 Buy, 15 Hold and 3 Sell ratings over the last three months and an average target near \$270, about 10% above the price. The tone has worsened: two downgrades in two days, and Sell ratings now include Wells Fargo and Goldman Sachs. Insider filings in mid-September followed the usual post-results pattern, and none has been filed since 18 September.

Reported holdings of active managers were **Mixed** as of 30 June 2026, filings through 19 August 2026. Selling faded over five quarters and turned to a small net addition of 0.44% of reported shares in the latest quarter, though the four-quarter flow is still a net reduction of 0.25%, with 22 managers adding and 27 cutting. The latest quarter looks like a turning point, and active managers' share of the register fell. Based on reported holdings filed by the cutoff. Late filers are not included, and passive, strategic and mixed holders are left out of the flow measure. This predates the October downgrades.

Scorecard

Factor	Score	Weight	Prior	What moved
Business Quality	 8/10	16%	8/10	Unchanged. Recurring subscription revenue of \$6.58bn a quarter and a 44% non-GAAP operating margin.
Financial Strength	 9/10	16%	9/10	Unchanged. Record \$2.52bn quarterly operating cash flow; cash and investments of \$5.64bn against \$6.36bn of debt.
Competitive Advantage	 7/10	16%	7/10	Unchanged. Workflow lock-in in creative and document software holds; AI-first ARR more than doubled, but brokers now report budget-share pressure.
Management	 6/10	10%	6/10	Unchanged. Interim finance chief, a departed creative-business head and a CEO change on 1 December.
Growth Potential	 6/10	16%	7/10	Down from 7. The fourth quarter needs a sharp step-up in net new ARR, and at least one broker now models negative net new ARR growth next year.
Valuation	 8/10	16%	9/10	Down from 9. 10.0x guided FY26 EPS, up from 9.7x; a cheap multiple, but one that now carries a visible terminal-value debate.
Risk (10 = lowest risk)	 6/10	10%	7/10	Down from 7. A federal labour-certification suspension and an unproven freemium model add to leadership risk; the balance sheet still absorbs it.
Investment Score	72.8 / 100	100%	77.9	Weighted sum, computed in code

Scored 1-10, where 10 is always best, including Risk. The prior report used the same direction for Risk, so no Risk restatement was needed. The prior score is restated without the former technical factor for comparability: 75.5 as published, 77.9 on the seven-factor basis.

Three factors moved, each by one point. Growth Potential falls because the evidence on next year's net new ARR has turned against the company, at least among brokers. Valuation falls because the multiple has risen to 10.0 times and because the discount now reflects a live debate on long-run growth rather than simple neglect. Risk falls on the labour-certification suspension and the budget-share evidence. Business Quality, Financial Strength and Competitive Advantage are unchanged on the same third-quarter figures; Management is unchanged with the same transitions still pending.

Recommendation and trade plan

Adobe stays at **Buy**. The verdict is unchanged, but it rests on narrower grounds. The last report could point to an unchanged earnings base and a quiet tape; this one has to set a cheap multiple against a sell-side that is turning against the stock on evidence about AI budgets. The case survives because the price already assumes much of that: a 7.5 times multiple on bear-case earnings gives \$180, 26.5% below the close, while the base case pays 15.4% and the shares retire more than 2% of their count each quarter. Capital should be committed inside \$225 to \$240, not at the close.

Decision item	Level	Basis
Recommended entry	\$228 to \$238	Staged into weakness inside the range.
Ideal buy range	\$225 to \$240	Floor on the 28 September low; ceiling where target 1 pays 1.43x the stop risk.
Cut-loss	\$210	Above the July low of \$207.06; 3.9 ATRs below the close.
Target 1	\$283	Base-case value; 15.4% above the close.
Target 2	\$320	11.9x base-case FY27 EPS; 30.5% above the close.
Expected downside	14.4% to \$210	Measured from the close of record.
Reward to risk	1.07x to target 1; 2.13x to target 2	From the close; 1.43x to target 1 at \$240.
Holding horizon	12 to 24 months	Time for conversion data and new leadership.

Decision item	Level	Basis
Position size	Moderate; 2% to 4%	Trimmed from 3% to 5% for the higher risk; size for a gap through the stop on results day.

What would change the view

Condition	Direction
Fiscal fourth-quarter ending ARR meets the 10.2% target and fiscal 2027 targets show net new ARR growing	Up
Adobe quantifies freemium conversion or pricing yield at MAX or with the December results	Up
Fiscal 2027 targets imply ending-ARR growth near 7% or lower, or a fourth-quarter miss against 10.2% (move to Watchlist, with \$200, about 7.5x fiscal 2027 consensus EPS, as the level of interest)	Down
The labour-certification action widens into federal contracts or procurement	Down
Further senior departures in the creative business before the new CEO starts	Down
Long yields rise further alongside a contraction in enterprise software budgets	Down
A close below the \$210 cut-loss	Down

Technical read

Chart as of 16 October 2026 close

Verdict: Buy, from fundamentals. **Technical read (chart only): Neutral.** The chart is base-building, which neither confirms nor contradicts a Buy. The shares closed under the 200-day average within the last ten sessions, but the 50-day average is rising and no new 60-day closing low has printed. The 15 to 16 October rally stalled at the 50-day (\$256.54) and 200-day (\$254.21) averages. Entries are better inside \$225 to \$240; a close above \$256.54 would show the base resolving upward, and a close below the 60-day closing low of \$225.11 would show it failing.

Indicator	Value	Reading
Close, 16 Oct 2026	\$245.20	Reversed from a \$256.51 high
SMA 20 / EMA 20	\$239.55 / \$243.39	Price 2.4% and 0.7% above
SMA 50 / EMA 50	\$256.54 / \$247.52	Price 4.4% and 0.9% below; SMA 50 rising
SMA 100 / EMA 100	\$242.90 / \$249.55	Price 0.9% above and 1.7% below
SMA 200 / EMA 200	\$254.21 / \$267.35	Price 3.5% and 8.3% below
RSI (14)	50.1	Neutral
MACD (12,26,9)	-2.81 vs -4.67	Negative, above its signal; histogram +1.86
ATR (14)	\$8.92	3.6% of price
Volume, 20-day vs 50-day	4.5m vs 4.8m	Participation down 7.6%
Support / resistance	\$224.67 and \$207.06 / \$254 to \$257	28 Sep low and July low; the 200- and 50-day averages
52-week range	\$190.12 - \$363.70	Price 32.6% below the high

Computed from 300 completed, split-adjusted Twelve Data daily sessions, 8 August 2025 to 16 October 2026; Wilder smoothing for RSI and ATR, SMA-seeded EMAs. Distances measured against the \$245.20 price of record.

The Technical read looks only at the price chart. It does not change the verdict or the Investment Score, and only guides entry timing.

Final verdict

Would an investor put new money into Adobe at \$245.20? Yes, but patiently. The business is still earning record cash flow, guiding higher and shrinking its share count, at ten times this year's earnings. What has changed is the burden of proof. One broker has now argued, with survey evidence, that Adobe is losing ground in the budgets that will decide its next decade, another has stepped back to Hold, and the company will answer with a new chief executive, an interim finance chief and a fourth quarter that has to accelerate. The thesis fails if fiscal 2027 targets confirm that net new ARR is

shrinking. Until December, this is a Buy inside \$225 to \$240, with a \$210 stop, a \$283 first target and a smaller position than before.

Sources

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Beating The Bull economic data posts, 14 to 16 October 2026 (CPI, PPI, retail sales, 10-year yield) and 17 September 2026 (FOMC decision)

Alpha Vantage GLOBAL_QUOTE (price of record, 16 October 2026); Twelve Data daily time series (technical indicators)

Reported 13F holdings, quarter ended 30 June 2026, filings through 19 August 2026

This report is for informational purposes only and is not financial advice. Figures are as of the 16 October 2026 close unless stated. Fiscal 2027 estimates, scenario values and probabilities are this report's own judgement. Investors should do their own research and consider their own circumstances.