

ADOBE INC.

Equity Research | ADBE | Creative, document and experience software | 5 October 2026

BUY RECOMMENDATION	UNCHANGED RATING CHANGE	76 / 100 INVESTMENT SCORE	\$237.69 CLOSE, 2 OCTOBER
\$225 - \$245 IDEAL BUY RANGE (WAS \$235 - \$250)	\$210 CUT-LOSS (UNCHANGED)	\$285 / \$320 TARGETS (UNCHANGED)	1.71x REWARD TO RISK, TARGET 1

Adobe closed at \$237.69 on 2 October, 56 cents below the \$238.25 at which the last report reaffirmed a Buy. In between, the shares broke beneath the published \$235 floor, touched \$224.67 on 28 September, and recovered. The \$210 cut-loss was never threatened, the earnings base is unchanged, and the stock still trades below ten times the earnings management has guided to. The rating stays at Buy. Two things are different. The ideal buy range is reset to \$225 to \$245, because the old \$250 ceiling no longer paid enough against the stop, and the Management score falls one point: the executive who ran the flagship creative and document business stepped down on 27 September, the second senior seat to turn over this year, with the chief executive change still to come on 1 December.

Where the published levels stand

The last report set a \$235 to \$250 ideal buy range, a \$210 cut-loss and targets of \$285 and \$320. Every one of those levels was tested or re-examined against the price action since. The range floor did not hold on a closing basis: the stock closed at \$235.47 on 25 September, \$231.01 on 28 September and \$233.17 on 29 September, and printed an intraday low of \$224.67, before closing back inside the range at \$239.94 on 30 September. The stop sat 6.5% beneath that low and was not approached. The targets are scenario values, and the scenarios have not changed, so neither have the targets.

The upper half of the old range is the part that no longer works. At \$250 the first target is \$35 away and the stop \$40 away, a reward-to-risk below one. The ceiling is therefore lowered to \$245, close to the 100-day average at \$243.39 and below the 20-day at \$247.05, which is where the recovery stalled on 1 October after an intraday high of \$248.30. The floor moves down to \$225, the level the market defended on 28 September. Even at the \$245 ceiling the first target pays 1.14 times the risk to the stop; at the current close it pays 1.71 times. The floor stays well above the stop.

Level	Published 23 September	Now	Status
Ideal buy range	\$235 to \$250	\$225 to \$245	Reset. Floor broken on a closing basis and recovered; ceiling no longer paid against the stop.
Recommended entry	\$234 to \$246	\$228 to \$242	Reset around the current close and inside the new range.
Cut-loss	\$210	\$210	Unchanged. Above the July low of \$207.06; \$14.67 below the 28 September low.
Target 1	\$285	\$285	Unchanged. Base-case value; 19.9% above \$237.69.
Target 2	\$320	\$320	Unchanged. 34.6% above \$237.69.
Reward to risk, target 1	1.65x	1.71x	Slightly better; the price is lower and the stop is unchanged.

Levels measured against the 2 October close of record. Structural lows from completed daily sessions.

What has moved since the last report

Input	Then (23 September)	Now (5 October)	Read
Price of record	\$238.25	\$237.69	Flat over the period after a round trip to \$224.67.

Input	Then (23 September)	Now (5 October)	Read
Multiple on guided FY26 EPS	9.7x	9.7x	Unchanged earnings base, unchanged multiple.
Ten-year Treasury	4.94%	5.28%	Up 34 basis points; touched about 5.33% intraday on 1 October.
Fed hike odds, October meeting	At least one more hike projected	Roughly 16% to 18% after the payroll report	September payrolls rose 29,000 against 98,000 expected; unemployment 4.2%.
Broker actions	Wide dispersion, \$200 to \$373	TD Cowen Hold \$245, Goldman Sachs Sell \$200, William Blair Hold	All maintained; no upgrades or downgrades.
Leadership	CEO change set for 1 December	Head of Creativity and Productivity stepped down 27 September	Added execution risk; Management score down one.
Technical posture	Below all four averages; MACD widening	Below all four averages; MACD narrowing	Momentum has stopped deteriorating.

Price of record from Alpha Vantage GLOBAL_QUOTE. Multiple uses the midpoint of guided FY26 non-GAAP EPS of \$24.45 to \$24.50. Yields from the U.S. Treasury par curve.

Company developments

No development in the period changes the investment case. The most consequential item is a leadership change rather than a product: David Wadhwani stepped down as President of the Creativity and Productivity business on 27 September. The one large dated product event ahead is Adobe MAX, the annual creative conference, on 10 to 12 November.

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Creativity and Productivity leadership	Effective 27 September 2026; disclosed 8 September	David Wadhwani stepped down as President, Creativity and Productivity Business, and moves to a senior advisor role through the transition.	Not applicable; a personnel change with no financial guidance attached.	Medium
Chief executive transition	Pending, effective 1 December 2026	Anil Chakravarthy becomes President and CEO; Shantanu Narayen becomes Executive Chair.	No change of strategy has been published alongside the transition.	Medium
Adobe MAX 2026	Scheduled, 10 to 12 November 2026, Miami Beach	Adobe's annual creative conference; online sessions on 10 and 11 November.	Product and Firefly announcements are expected on the usual pattern; none has been pre-announced.	Medium
Acrobat Productivity Agent expansion	Shipping since 9 September 2026	Interactive reports, audio summaries, a cross-document Knowledge Base and Student Spaces inside Acrobat Studio, Express and AI Assistant Plus.	No pricing change, revenue figure or attach-rate target published.	Medium
National Hockey League partnership	Announced 28 September 2026	Adobe becomes an official creative, marketing and AI partner of the NHL, using GenStudio, Experience Platform and Journey Optimizer.	No financial terms or duration disclosed.	Low
Holiday e-commerce forecast	Published 28 September 2026	Adobe Analytics forecasts US online holiday spending of \$275.1 billion, up 6.7% year on year.	A forecast of the economy, not of Adobe's revenue.	Low
Jet2 partnership, Experience Cloud	Announced September 2026	Jet2 adopts Adobe's agentic personalisation stack.	No contract value disclosed.	Low

Company announcements and filings; forecasts attributed where stated.

The leadership change matters more than its low profile suggests. The Creativity and Productivity business, which covers Creative Cloud, Firefly, Express and Acrobat, is the larger part of Adobe's revenue and the part on which the generative-AI debate turns. Its leader since 2021 leaves in the middle of a freemium push whose conversion rate is the central

unanswered question in this thesis, and three months before a new chief executive takes over. The finance chief role also turned over in June. None of this changes reported earnings or guidance, and the sizing is zero on the income statement. It changes who answers the conversion question, and it lowers confidence that the answer arrives on schedule. That is why it moves the Management score from 7 to 6 and nothing else. The verdict, the scenarios and the targets would be the same without it.

Adobe MAX is the more interesting dated item for the share price. It is the first large stage for the creative roadmap under the incoming leadership, and the first chance to see whether Adobe quantifies freemium conversion or Firefly monetisation. The entry range is meant to be used before the event; nothing in the levels assumes a particular outcome from it.

Valuation

At \$237.69 Adobe trades at 9.7 times the midpoint of management's raised fiscal 2026 non-GAAP earnings guidance of \$24.45 to \$24.50, an earnings yield of about 10.3%. Market capitalisation is roughly \$94.5 billion on about 397.5 million shares, against trailing twelve-month revenue of \$25.97 billion growing 12.0%. Fiscal third-quarter revenue was \$6.76 billion and non-GAAP EPS \$6.13, both ahead of the company's targets, and AI-first annual recurring revenue passed \$650 million, up 150% year on year. Nothing filed or announced since has revised those figures.

The multiple is what it was twelve days ago, so the valuation case is the same one: the market is pricing a terminal problem in a business still compounding revenue at a double-digit rate and retiring shares every quarter. The bear argument deserves its weight. Generative tools may collapse the price of ordinary creative output, the freemium push may convert poorly, and the recurring base may erode from the entry layer upward. Neither side gained evidence in the period.

The macro variables that matter here are the discount rate on a long-duration earnings stream and enterprise software budgets. The first moved. The ten-year Treasury rose from 4.94% to 5.28% and briefly traded near 5.33% on 1 October, its highest level since 2002, after a stronger second-quarter GDP revision and a jump in manufacturing input prices. Software shares traded lower as yields climbed in late September. Against Adobe's earnings yield, though, the spread to the ten-year has narrowed only from about 5.4 to about 5.0 percentage points, a far smaller squeeze than a stock on 40 times earnings would feel. The second variable did not visibly move. September payrolls rose only 29,000 and job openings in professional and business services fell, which points to more selective hiring, but nothing yet shows a contraction in software spending. Core PCE inflation held at 3.0% in August and the Federal Reserve, which raised rates on 16 September, meets again on 27 and 28 October with the market now pricing a further increase as unlikely.

Scenario analysis

Scenario	Prob.	Operating path	Fair value
Bull	30%	Freemium users convert at a measurable rate, AI-first ARR keeps compounding, and enterprise adoption expands. The multiple returns toward the mid-teens.	\$340
Base	50%	Revenue and EPS stay in low-double-digit growth, the 10.2% ending-ARR target is met, and buybacks keep supporting per-share value. The multiple settles near 12x.	\$285
Bear	20%	Net new ARR weakness persists, pricing power fades, and generative competition compresses both growth and the multiple. Leadership change slows execution.	\$190

Probability-weighted fair value: $0.30 \times \$340 + 0.50 \times \$285 + 0.20 \times \$190 = \$282.50$, about 18.9% above the \$237.69 close. The probabilities and values are unchanged. The leadership change was weighed against them and fits inside the bear case's execution risk rather than warranting a shift of probability, because it alters no reported figure and no published target. The higher ten-year yield was also weighed; at a single-digit multiple it does not move the base-case value by enough to justify a change. The bear value of \$190 remains the June low, a level this stock has traded.

Sentiment

Broker opinion has not moved. On 2 October TD Cowen maintained its Hold rating and \$245 target, describing solid near-term execution against uncertain freemium and AI monetisation, and Goldman Sachs maintained its Sell rating and \$200 target. William Blair maintained its Hold on 24 September. The range of published targets therefore still runs from Goldman's \$200 to Bernstein's \$373. That spread is the disagreement itself: whether generative AI widens Adobe's market or eats into it is a question conversion data will settle, and none has arrived.

There has been no insider filing since Shantanu Narayen's \$31.3 million sale, reported on 18 September around his move to Executive Chair. No new Form 4 or Rule 144 notice appeared in the period.

Institutional positioning is mixed and does not bear on the verdict either way. Reported holdings show a net reduction of 0.25% of reported shares over four quarters and 0.03% year on year, but the latest quarter turned to a net addition of 0.44%, with 22 managers adding and 27 cutting. Selling had faded from about 1.3% of reported shares to flat over five quarters before that turn. Capital Group was the largest net reduction at 1.6%; Arrowstreet and Dodge & Cox were the largest net additions at about 0.9% each. Active share of the register fell from 17.8% to 12.8%. Positioning is as of 30 June 2026, filings through 19 August 2026. 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.

Risks

Risk	Probability	Severity	Comment
Freemium-to-paid conversion unproven	Medium	High	Adobe has not shown at what rate free engagement becomes durable paid growth.
Generative competition and pricing power	Medium	High	Cheaper generative output could erode the recurring base from the entry layer upward.
Net new ARR softness into Q4	Medium	Medium	The maintained 10.2% ending-ARR growth target gets its first real test in December.
Leadership turnover	Medium	Medium	Finance chief left in June, the flagship business head on 27 September, and the CEO changes on 1 December.
Discount rate	Medium	Medium	Long yields at multi-decade highs weigh on software multiples, though less at a single-digit P/E.
Technical momentum	High	Low	Price below all four major averages; treated as entry timing, not thesis.

Probability and severity are judgement calls over a 12 to 24 month horizon.

Read together, these describe a financially strong business with two serious, unresolved strategic questions and a crowded calendar of leadership change. That is a moderate-risk profile, consistent with a Risk score of 7 on a scale where 10 is the lowest risk.

Technical setup

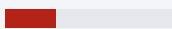
Indicator	Reading	Interpretation
Close of record, 2 October	\$237.69	Below all four major simple moving averages.
SMA 20 / 50	\$247.05 / \$258.49	Price is 3.8% and 8.0% below.
SMA 100 / 200	\$243.39 / \$259.87	Price is 2.3% and 8.5% below; the 100-day is the nearest ceiling.
RSI 14	41.0	Neutral, and below 50.
MACD	-7.08; signal -6.05; hist. -1.03	Histogram narrowed from -3.77 on 22 September; the MACD line has turned up.
ATR 14	\$9.16, or 3.9% of price	The stop is about three average sessions away.
Volume, 20-day vs 50-day	5.6m vs 5.1m, up 10.4%	Participation still elevated.
Structural levels	28 September low \$224.67; July low \$207.06; June low \$190.12	The new range floor sits on the 28 September low; the stop sits above the July low.

Computed from 300 completed, split-adjusted Twelve Data daily sessions to 2 October 2026. Distances measured against the price of record.

The setup is still poor, and the score stays at 3. Price remains below every major average. What changed is the direction of momentum. The last report advised waiting for the MACD histogram to stop widening before committing a full position. It has: the histogram has narrowed from -3.77 on 22 September to -1.03, for four straight sessions, and the MACD line has turned higher since 30 September. A higher low against the 28 September level would be the first constructive structure

since August, and a close above the 100-day average would be the second.

Scorecard

Factor	Score	Weight	What moved
Business Quality	 8/10	15%	Unchanged. Recurring revenue and cash conversion remain elite.
Financial Strength	 9/10	15%	Unchanged. Record cash flow and continued buybacks.
Competitive Advantage	 7/10	12%	Unchanged. No new competitive evidence in the period.
Management	 6/10	10%	Down from 7. The head of the flagship creative and document business stepped down on 27 September, ahead of a chief executive change on 1 December.
Growth Potential	 7/10	13%	Unchanged. AI-first ARR is scaling; net new ARR remains the open question.
Valuation	 9/10	20%	Unchanged. 9.7x guided FY26 earnings, the same multiple as twelve days ago.
Risk (10 = lowest risk)	 7/10	10%	Unchanged. Leadership turnover adds execution risk; the balance sheet and cash flow absorb it.
Technical Setup	 3/10	5%	Unchanged. Still below all four averages, but the September 28 low held and MACD momentum has stopped widening.

Scored 1-10, where 10 is always best, including Risk. Weighted score = 75.5, shown as 76/100, down from 77. The previous report used this same direction, so no restatement was required.

One factor moved. Management falls from 7 to 6 for the leadership turnover described above. The developments in the period moved no other factor.

Trade plan

Decision item	Level	Basis
Recommended entry	\$228 to \$242	Around the current close, inside the reset range.
Ideal buy range	\$225 to \$245	Floor on the 28 September low; ceiling near the 100-day average, where the first target still pays more than the stop risks.
Cut-loss	\$210	Unchanged. Above the July low of \$207.06; about three average true ranges below the close.
Target 1	\$285	Base-case fair value; 19.9% above \$237.69.
Target 2	\$320	Upper-base to lower-bull value; 34.6% above \$237.69.
Expected downside	11.6% to \$210	Measured from the close of record.
Reward to risk	1.71x to target 1; 2.97x to target 2	Measured from the close of record.
Holding horizon	12 to 24 months	Time for conversion data and for the new leadership to execute.
Position size	Moderate; 3% to 5% of portfolio	High business quality against an unresolved AI transition and leadership change.

Recommendation and final verdict

Adobe stays at Buy. The case rests on the same grounds as twelve days ago: a quarter that beat the company's own targets, raised full-year guidance, a multiple below ten times guided earnings, and a share count that keeps shrinking. The price is unchanged over the period, the earnings base is unchanged, and the stop was never at risk. The levels are adjusted, not abandoned: the range is moved to where the first target still pays for the stop.

The reasoning is not quite unchanged. The leadership bench is thinner than the last report allowed for. The person who ran the business at the centre of the AI debate has left, a new chief executive starts in December, and the finance seat changed hands in June. That does not alter the valuation argument, but it does make the conversion question harder to

answer on time, and it is why the Management score is lower.

The single biggest concern remains unquantified: at what rate free engagement becomes durable paid growth. The fiscal fourth quarter, due in December, tests the maintained 10.2% ending-ARR target; Adobe MAX in November is the first chance for the company to put numbers on conversion. Capital can be committed inside \$225 to \$245, staged into weakness, with a \$210 stop and a moderate allocation. With a 3.9% average true range, position sizing should assume the stop can be reached in about three sessions.

What would change the view

Trigger	Evidence required
Strengthen the Buy	Fiscal Q4 ending ARR reaches the 10.2% target and management quantifies freemium conversion or pricing yield, at MAX or with the results.
Strengthen the Buy	AI-first ARR and enterprise adoption keep accelerating together without margin erosion.
Move back to Watchlist	A sustained price above \$285 without better ARR evidence, or a Q4 miss against the maintained 10.2% target.
Move lower	Further senior departures in the creative business, or evidence that generative alternatives are compressing retention or professional pricing, visible in net new ARR.
Macro condition	Long rates have risen further; a sustained contraction in enterprise software budgets alongside them would reduce fair value.

Dated milestones ahead: Adobe MAX on 10 to 12 November 2026; the chief executive transition on 1 December 2026; fiscal fourth-quarter results expected in mid-December on the usual pattern, date not yet announced.

Sources

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U.S. Treasury par yield curve; BLS Employment Situation, September 2026; BEA Personal Income and Outlays, August 2026; BEA GDP third estimate, Q2 2026; ISM Manufacturing, September 2026

Price of record, 2 October close: alphavantage.co, GLOBAL_QUOTE

Daily price history for technical calculations: twelvedata.com

Institutional positioning: quarterly 13F reported holdings, as of 30 June 2026

This report is for informational purposes only and is not financial advice. Figures are as of 2 October 2026 unless stated. Forecasts and fair values are estimates and may prove wrong.