

EQUITY RESEARCH | COMPANY UPDATE

Adobe Inc.

NASDAQ: ADBE | Application Software – Creative Cloud, Document Cloud & Digital Experience | Report date: August 15, 2026 | Prices as of the August 14, 2026 close

RECOMMENDATION

BUY

Reaffirmed · hold, add only on weakness
Investment Score: 69 / 100 (was 71)

Price (Aug 14, 2026 close)	\$264.02
Change since last report (Aug 2)	+5.4% (from \$250.41)
Forward P/E (NTM) / on FY26 guide	10.18x / 10.82x
FCF yield + buyback yield	9.8% + 5.8% = 15.6%
Market cap / shares out (YoY)	\$104.9B / 397.5M (–5.8%)
Consensus target (40 analysts)	\$269.72 — Hold
Weighted fair value	~\$300
Next earnings	Sep 10, 2026 (after close)

Investment Summary

Adobe has now outrun its own trade plan twice in a month, and that is the entire reason for this update. The August 2 report reset the July 16 levels upward because the stock had left them behind; thirteen sessions later it has done it again, closing at \$264.02, up 5.4% from \$250.41 and 14.5% from the \$230.61 at which the original Buy was placed. The recommended entry band of \$230–252 is now below the market. More importantly the \$205 cut-loss, already raised once from \$185, sits 22.4% below spot, which reduces the risk/reward to the \$300 first target to roughly 1 : 0.6. A plan that risks 22% to make 14% is not a plan. The stop is raised to a weekly close below \$235.

None of this movement came from Adobe. There has been no earnings release, no guidance revision and still no permanent chief executive; fiscal Q3 does not report until September 10. The board is described as progressing its succession process, weighing internal and external candidates and prioritising AI credentials, but nearly six months after Shantanu Narayen announced his move to chair there is no name, and the CFO seat has been interim since Dan Durn left on June 15. The rally is a continuation of the application-software re-rating that began in late July, and the marginal buyer of Adobe is still buying the multiple rather than the story.

That multiple remains the case. At \$264.02 Adobe trades at 10.18 times forward earnings and 10.82 times the midpoint of its own FY26 non-GAAP guidance, on a business earning an 89.4% gross margin, a 36.7% operating margin and a 40.8% free-cash-flow margin, with a 62.9% return on equity and a 60.7% return on invested capital. Free cash flow of \$10.28 billion is a 9.8% yield, and the 5.8% reduction in share count over the past year takes the combined cash return to shareholders to roughly 15.6%. Paying ten times earnings for that is still a good trade even with a leadership vacuum and an unresolved AI narrative, so the rating stays **Buy**.

The cushion is thinning, though, and it should be said plainly rather than discovered later. The Investment Score falls from 71 to 69 on a single change: Valuation moves from 8 to 7. The forward multiple has gone from 9.7x to 10.2x, the free-cash-flow yield from 10.3% to 9.8%, and the discount to consensus from 7.7% to 2.1%, all in thirteen sessions and none of it earned by the business. This is the third consecutive report in which price has risen and the margin of safety has narrowed. Another leg toward \$290–\$300 without an earnings confirmation or a named chief executive would take this to Watchlist.

1. What Has Moved Since the Last Report

Item	August 2, 2026	August 15, 2026	Read
Price	\$250.41	\$264.02	+5.4%; +38.9% off the June low

Item	August 2, 2026	August 15, 2026	Read
Forward P/E (NTM)	~9.7x	10.18x	Cushion narrowing
P/E on FY26 guide midpoint	~10.3x	10.82x	Still deep value
FCF yield (TTM)	10.3%	9.80%	Down 50bp on price alone
Discount to consensus target	7.7%	2.1%	Essentially closed
Shares outstanding	397.5M (-5.8% YoY)	397.5M (-5.8% YoY, -2.0% QoQ)	Buyback still running hard
Short interest	5.1% of shares	4.87% (19.35M, from 20.26M)	Bears trimming
CEO / CFO	Both vacant or interim	Both vacant or interim	Unresolved; ~6 months
50-day moving average	—	\$230.53	Price 14.5% above
200-day moving average	Overhead	\$272.32	Still overhead, now only 3.1% away
Company news in window	—	None material	No earnings until Sep 10

Fiscal Q3 2026 results are scheduled for September 10, 2026 after the close, 26 days from this report.

2. Why the Levels Keep Going Stale

It is worth stating the pattern rather than quietly repairing it a second time. The original Buy on July 16 set an entry of \$225–235 and a cut-loss at \$185 with the stock at \$230.61. Adobe has since risen 14.5% without a single company-specific catalyst, so on August 2 the entry moved to \$230–252 and the stop to \$205. Thirteen sessions later the stock is above the top of that band too. The mechanical problem is that a stop placed a fixed distance below an entry becomes meaningless once price has travelled far past the entry: it stops protecting the position and starts describing a level at which the thesis would already have been wrong for months.

The fix is to anchor the stop to structure rather than to the original entry. The \$237–250 shelf built in late July and early August is the first real floor, and it sits just above the 20-day average of \$249.49 and well above the 50-day at \$230.53. A weekly close below \$235 would break that shelf and put the \$205–\$215 area back in play, which is a genuine thesis event rather than routine noise. On that basis the risk/reward from \$264.02 is 11.0% of downside against 13.6% to the first target, roughly 1 : 1.2, and 1 : 3.8 to the second. That is workable. On the old \$205 stop it was 1 : 0.6, which was not.

3. Financial Position and Valuation

The financial case is unchanged and does not need restating at length, because nothing in it has moved. Trailing revenue of \$25.20 billion converts to \$22.53 billion of gross profit, \$9.25 billion of operating income and \$10.28 billion of free cash flow, a 40.8% free-cash-flow margin that very few businesses of any size produce. Leverage is negligible: \$7.08 billion of debt against \$5.63 billion of cash, interest cover of 35 times and an Altman Z-score of 8.35. Capital allocation is a single lever, the buyback, which has retired 5.84% of the share count in a year and 2.02% in the last quarter alone. The valuation table below is the whole argument for owning the stock, and the point to notice is that every line still reads cheap at \$264 — just less cheap than at \$250.

Method	At \$264.02	At \$250.41 (Aug 2)	Read
Forward P/E (NTM)	10.18x	~9.7x	Roughly a third of the software median
P/E on FY26 guide midpoint	10.82x	~10.3x	Guide \$24.35–24.45 non-GAAP
Trailing P/E	15.10x	~14.3x	On \$17.48 GAAP EPS
Price / free cash flow	10.21x	~9.7x	FCF per share \$25.86
EV / EBITDA	10.94x	10.3x	Minimal net debt

Method	At \$264.02	At \$250.41 (Aug 2)	Read
EV / sales	4.22x	~4.0x	For an 89% gross-margin franchise
PEG	0.73	~0.70	On 14.25% three-year EPS growth
FCF yield	9.80%	10.3%	Plus a 5.84% buyback yield
Discount to consensus	2.1%	7.7%	The clearest sign of the thinning cushion

Source: S&P; Global Market Intelligence via StockAnalysis.com, as of August 15, 2026. August 2 figures are as published in the previous report.

4. What Has Not Changed, and Why It Still Matters

Two unresolved items carry the bear case, and neither has moved. The first is leadership. Adobe has been without a permanent chief executive since Shantanu Narayen announced his transition to chair after eighteen years, and without a permanent chief financial officer since Dan Durn departed on June 15. The board is reported to be weighing internal and external candidates with an explicit preference for AI experience. That is the right filter, but a company executing a freemium pivot and an AI product transition simultaneously is doing so with two interim seats at the top, and the market is entitled to discount it. The second is the generative-AI thesis itself: Bank of America reinstated coverage on July 7 at Underperform with a \$190 target on the argument that AI structurally pressures Adobe's monetisation, and Morgan Stanley cut to Underweight at \$240 on July 21. Both targets are now below the market price, which tells you the tape has moved against the bears without the argument being settled.

The counterweight is that these risks are the reason the stock is available at ten times earnings. The sell-side split — 40 analysts, consensus Hold, an average target of \$269.72 that is 2.1% above spot, with individual targets running from \$190 to well over \$300 — is not a signal that Adobe is fully valued. It is a signal that the analyst community has no settled view, which is exactly the condition in which a cash-flow-led framework should be willing to own a franchise this profitable at this price.

5. Technical Picture

The chart is constructive but extended. Adobe has reclaimed the 20, 50 and 100-day averages and sits 14.5% above the 50-day at \$230.53, which is a wide gap for a stock with a beta of 1.40. MACD remains positive at +10.64 against a +9.76 signal, but the histogram has narrowed to +0.88, so the momentum impulse that carried the stock off the June low is fading rather than accelerating. RSI at 59.2 is firm without being overbought. The 200-day average at \$272.32 is the first meaningful resistance and sits just 3.1% overhead; reclaiming it would be the first technical confirmation that the June damage has been repaired, and failing there would be the more likely trigger for the pullback that the ideal buy range is designed to capture.

Indicator	Reading	Signal
Close (Aug 14, 2026)	\$264.02	—
SMA 20 / 50 / 100	\$249.49 / \$230.53 / \$238.00	Above all three; trend repaired
Price vs. 50-day	+14.5%	Extended short term
SMA 200	Not computed (100-session series)	Cited elsewhere at \$272.32; first resistance
RSI (14)	59.2	Firm, not overbought
MACD (12,26,9)	+10.64, signal +9.76, histogram +0.88	Positive but narrowing
ATR (14)	\$11.49 (4.4% of price)	Moderate
Volume (20-day avg)	5.14M vs 6.71M 50-day	Rally on declining volume
Support / resistance	Support \$250, \$237, \$230; resistance \$272, \$300	\$237–250 shelf anchors the new stop

Computed from 100 daily bars (Mar 24 to Aug 14, 2026), Wilder smoothing for RSI and ATR. The 200-day average is not computed because the series used is shorter than the required window.

6. Risks

Risk	Description	Probability	Severity
Leadership vacuum	No permanent CEO for ~6 months and an interim CFO during a strategy pivot	High	Medium
Generative-AI disruption	Structural pressure on creative-software monetisation; the core bear thesis	Medium	High
Freemium conversion	Conversion economics of the freemium pivot remain undisclosed	Medium	Medium
Entry discipline	Price now above the recommended band; chasing erodes the whole margin of safety	High	Medium
Value-trap risk	A cheap multiple can persist for years if ARR growth decelerates	Medium	Medium
Sep 10 earnings event	Q3 results land in 26 days; ARR durability is the number that matters	High	Medium
Macro / IT budgets	90%+ recurring revenue dampens but does not remove the cycle; beta 1.40	Medium	Low-Med

7. Scorecard

Component		Score	Weight	Commentary
Business Quality		8/10	15%	Elite margins, 90%+ recurring revenue, a real if narrowing moat
Financial Strength		9/10	15%	40.8% FCF margin, 63% ROE, 61% ROIC, Altman Z of 8.35
Competitive Advantage		6/10	12%	Strong in professional and enterprise; losing prosumer
Management		4/10	10%	Unchanged: ~6 months without a permanent CEO, interim CFO
Growth Potential		7/10	13%	AI ARR growth and AEP momentum vs. deliberate H2 ARR sacrifice
Valuation		7/10	20%	Down one: 10.2x forward, 9.8% FCF yield, only 2.1% below consensus
Risk (10 = lowest risk)		6/10	10%	Business risk low; narrative and leadership keep it capped
Technical Setup		7/10	5%	Above all short-term averages; extended, 200-day still overhead

Scored 1–10, where 10 is always best, including Risk. Weights sum to 100% and reflect a value-oriented, cash-flow-led framework: valuation and the two quality measures carry over half, and technicals are capped at 5% because they inform timing only. Weighted total: $12.0 + 13.5 + 7.2 + 4.0 + 9.1 + 14.0 + 6.0 + 3.5 = 69 / 100$, down from 71. The prior report used the same direction convention for Risk, so the scores are directly comparable. One component moved: Valuation from 8 to 7, on price alone.

8. Trade Plan — Recommendation: BUY (reaffirmed)

Parameter	Level / guidance	Change vs. August 2
Recommended entry	\$235 – \$268 — the valuation case holds across this band	Raised from \$230–252
Ideal buy range	\$235 – \$252 — prefer adds into weakness toward the 20-day shelf	Raised from \$215–240
Do not chase above	\$272 — the 200-day average	New; replaces the \$255 line
Cut-loss (thesis break)	Weekly close below \$235 — breaks the July/August shelf	Raised from \$205

Parameter	Level / guidance	Change vs. August 2
Take-profit target 1	~\$300 — ~12x FY26 guided EPS; +13.6%	Unchanged
Take-profit target 2	\$360 – \$390 — ~15x on stable EPS; +36% to +48%	Unchanged
Expected downside	–11.0% to cut-loss, cushioned by a 15.6% combined cash yield	Improved from –22.4%
Risk / reward	~1 : 1.2 to target 1; ~1 : 3.8 to target 2	Restored from ~1 : 0.6 / ~1 : 1.6
Holding horizon	12–24 months, tied to CEO resolution and freemium disclosure	Unchanged
Position size	Moderate — 3–5% of portfolio, built in tranches	Unchanged
Next scheduled catalyst	Q3 FY26 results, September 10, 2026 after the close	26 days out

The rating describes the asset; the trade plan describes the entry. The two have diverged for three consecutive reports, which is itself the finding.

The practical instruction is narrower than it was two weeks ago. Existing positions should be held: at 10.2 times forward earnings with a 15.6% combined free-cash-flow and buyback yield, there is no valuation reason to sell into a 200-day average that has not even been reclaimed. New money should not chase above \$272. Adds belong in the \$235–252 zone, and the most likely route to that zone is a failure at the 200-day, which is the ordinary behaviour of a stock making its first attempt at that level after a 38.9% run off the low.

What would move the rating to Watchlist: a further advance toward \$290–\$300 without an earnings confirmation, which would take the forward multiple past 12x and close the last of the discount to fair value; or a September quarter showing ARR deceleration beyond the deliberate second-half sacrifice already guided. What would move it to Strong Buy: a credible permanent chief executive named with a clear AI mandate, or a September quarter that quantifies freemium conversion favourably for the first time. Either would convert a cheap multiple into a re-rating catalyst rather than merely a cushion.

9. Scenario Analysis

Scenario	Prob.	Outlook	Fair value
Bull	30%	Credible AI-literate CEO named; ARR reaccelerates; multiple normalises toward 15x on stable EPS	\$360 – \$390
Base	45%	ARR proves durable; buyback keeps compounding per-share value; partial re-rating to ~12x	\$290 – \$320
Bear	25%	Freemium conversion disappoints and AI erosion shows in ARR; the multiple stays at 8–9x	\$190 – \$215

*Probabilities sum to 100%. Probability-weighted fair value on scenario midpoints ($0.30 \times \$375 + 0.45 \times \$305 + 0.25 \times \$202.50$) is **\$300.38**, 13.8% above the August 14 close and consistent with the first take-profit target.*

10. Final Verdict

The recommendation is unchanged, and the reason is arithmetic rather than conviction about the narrative. Adobe earns an 89.4% gross margin on \$25.2 billion of revenue, converts 40.8% of it to free cash flow, returns 62.9% on equity, carries essentially no net leverage, and retires almost 6% of its shares every year. It is available at 10.2 times forward earnings because nobody knows who will run it and because the market has not settled whether generative AI destroys or extends the franchise. Those are real questions. At ten times earnings an investor is being paid a great deal to hold them open.

What has changed is the quality of the entry, for the third report running. Buying at \$230.61 with a \$185 stop was a cheap option on a resolution. Buying at \$264.02 with a \$235 stop is a fairer one, still positive but no longer generous, and the drift is one-directional. The single thing to watch between now and September 10 is whether Adobe reclaims the \$272.32 two-hundred-day average or fails there. Failure gives the patient buyer the \$235–252 zone this report is built around. Success without an accompanying fundamental confirmation would take the discount to fair value below 10% and turn this into a Watchlist name, which is a conclusion better stated in advance than after the fact.

This report is for informational purposes only and does not constitute investment, legal or tax advice or a recommendation to buy or sell any security. It is not personalised to any individual's circumstances. Figures are drawn from company filings and public sources believed reliable as of August 15, 2026; the share price referenced is \$264.02, the August 14, 2026 close. No earnings release or earnings call has occurred since the previous report of August 2, 2026, so no new call transcript was applicable to this update; fiscal third-quarter results and the accompanying call are scheduled for September 10, 2026 after the close. Forward estimates are illustrative and subject to material uncertainty. Investing involves risk, including loss of principal. Readers should conduct their own due diligence and consult a licensed financial adviser before making any investment decision.