

SIKULI CAPITAL

Conviction through contrarian research

Adobe (ADBE)

Valuation Snapshot — Fair Value Range

As of May 20, 2026 | Creative + Document + Marketing software platform

CURRENT PRICE	PROBABILITY-WEIGHTED FAIR VALUE	FAIR VALUE RANGE
\$250.28	~\$320	\$210 - \$470
Close 5/8/26	Bull 25% / Base 50% / Bear 25%	~27% upside to weighted FV

Verdict: ADBE looks materially undervalued. The stock is down 38.7% over 52 weeks^[1] on AI-disruption fears, but Q1 FY26 delivered +12% revenue growth, +19% non-GAAP EPS, and AI-first ARR more than tripling YoY^[2]. At a forward P/E of 10.6x and EV/EBITDA of 10.8x^[1] — roughly half the S&P 500's 21x multiple — Adobe trades like a value stock despite double-digit growth, ~45% operating margins, and a \$230M net-cash position^[3]. Our blended FV of ~\$320 implies ~27% upside, aligned with the consensus PT of \$327. The bear case (\$210) requires AI-native rivals (OpenAI, Canva, Midjourney) to actually displace Creative Cloud at scale — a thesis we view as plausible but slow-moving.

CURRENT SNAPSHOT

Metric	Value	Notes / Source
Stock price	\$253	Close 5/8/26 ^[4]
52-week change	-38.7%	Sharp de-rating on AI fears ^[1]
Market cap	\$102B	^[1]
Diluted shares	~404M	^[1]
Cash / Debt	\$6.9B / \$6.2B	Net cash \$230M ^[3]
Q1 FY26 revenue	\$6.40B (+12%)	11% cc ^[2]
Q1 FY26 non-GAAP EPS	\$6.06 (+19%)	AI ARR tripled YoY ^[2]
FY26 revenue guide	\$25.9B - \$26.1B	^[2]
FY26 EPS guide	\$23.30 - \$23.50	non-GAAP ^[2]
Forward P/E	10.6x	Trailing 14.7x ^[1]
EV/EBITDA	10.8x	^[1]
Operating margin	~45%	Non-GAAP ^[2]
Consensus PT	\$327	39 analysts; Hold consensus ^[1]

MACRO CONTEXT — RATES & MARKET LEVELS

The 10-yr UST yields 4.68% — a 16-month high — putting downward pressure on long-duration software multiples^[5]. The S&P 500 trades at ~21x forward earnings with an earnings yield of 4.78%^[6]. **Implication for ADBE:** Adobe trades at a forward P/E of 10.6x — less than half the S&P's multiple — implying the market has already priced in a meaningful AI-disruption discount. Multiple expansion to even market-multiple territory (16-18x) would unlock substantial upside, even before any earnings beat.

METHODOLOGY

We anchor on three lenses: **(1) P/E on FY26E EPS** (\$23.40 midpoint), **(2) EV/EBITDA on FY26E** (~\$11.5B EBITDA implied by 45% margins), and **(3) P/E on FY27E EPS** assuming +12% growth (~\$26.20). Probability weights: Bull 25% / Base 50% / Bear 25%. Net cash held flat at ~\$0.2B; share count flat at 404M (active buyback program offsetting dilution).

BULL / BASE / BEAR SCENARIOS

Scenario (weight)	P/E on FY26E EPS	EV/EBITDA on FY26E	P/E on FY27E EPS	Blended FV
Bull (25%) <i>AI-first products drive re-acceleration to 15%+ growth, multiple re-rates to 18x</i>	18x → \$421	16x → \$440	18x → \$472	~\$445
Base (50%) <i>Hit guide, +12% growth, multiple expands to market discount (14x)</i>	14x → \$328	13x → \$354	13x → \$341	~\$340
Bear (25%) <i>AI-native disruption accelerates, growth slows to single digits, multiple stays 9-10x</i>	9x → \$211	9x → \$241	9x → \$236	~\$230
Probability-weighted	~\$317	~\$337	~\$348	~\$320

Blended fair value (~\$320) = simple average of the three method-level probability-weighted outputs (\$317 / \$337 / \$348). Range \$210-\$470 spans bear-to-bull across all three lenses. Wall Street avg PT of \$327 sits within our base case range.

PEER COMPARISON

Company	Fwd P/E	Rev Growth	Notes
Adobe (ADBE)	~11x	+12%	Cheap on growth; AI-disruption discount ^[1]

Company	Fwd P/E	Rev Growth	Notes
Microsoft (MSFT)	~30x	+13%	AI-leverage premium; Copilot story
Salesforce (CRM)	~13x	+10-11%	Similar P/E despite slower growth
Autodesk (ADSK)	~25x	+11%	CAD/AEC subscription; activist pressure
Intuit (INTU)	~25x	+12%	TurboTax/QuickBooks; AI well-received
SAP	~25x	+10%	Enterprise ERP; multi-year cloud transition

Adobe is the cheapest large-cap software name in the peer set on both P/E and EV/EBITDA, despite comparable or superior revenue growth and the highest operating margin. The discount reflects market skepticism about AI competitive risk — but the same risk exists across every name on the list and they trade at 2-3x ADBE's multiple. PEG ratio of ~0.9x is anomalous for a category leader.

Key Risks & Watch Points

- **Generative AI disruption:** OpenAI Sora, Midjourney, Canva, and Runway target Creative Cloud's core. Adobe's Firefly is competitive but not clearly winning.
- **Enterprise subscription saturation:** Mature TAM in Creative; Digital Experience growth depends on enterprise budget recovery.
- **Multiple stickiness:** The de-rating could persist for quarters. Catalyst-driven re-rating requires a clear AI monetization metric.
- **Regulatory:** Figma deal blocked; future M&A faces stronger scrutiny.
- **Capital allocation:** \$25B+ buyback authorization is supportive but not a fundamental driver.
- **FX:** 60%+ revenue is international; dollar strength compresses reported growth.

What Would Change Our View

- **Upside:** AI-first ARR disclosure showing \$1B+ run-rate, Q2 revenue beat to \$6.55B+, multiple re-rating to 14-15x forward.
- **Downside:** Revenue growth slowing below 10%, Firefly metrics disappointing, large enterprise contract churn.

Sources

[1] <https://stockanalysis.com/stocks/adbe/statistics/>

[2] <https://www.fool.com/earnings/call-transcripts/2026/03/12/adobe-adbe-q1-2026-earnings-call-transcript/>

[3] <https://stockanalysis.com/stocks/adbe/financials/balance-sheet/>

[4] <https://finance.yahoo.com/quote/ADBE/>

[5] <https://fred.stlouisfed.org/series/DGS10>

[6] <https://insight.factset.com/sp-500-earnings-season-update-may-8-2026>

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