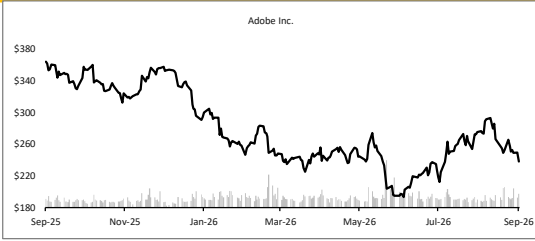


WISCONSIN VALUE FUND EQUITY RESEARCH FACTSHEET				Value Fit	7 / 10	
Adobe Inc. (ADBE)				Philosophy Fit	3 / 5	
University of Wisconsin–Milwaukee Lubar College of Business Investment Management Certificate Program				As of:	09/27/2026	
Analyst:	AJ Lohr		Recommendation:	BUY		
WISCONSIN VALUE FUND LENS — Maximize return by buying improving companies at reasonable valuations.						
Performance level — ROIC (FY2026E) vs. ke			53.5% vs 9.7% → Above ke			
Change in performance — ΔROIC			-2.1 pts, FY2026E vs FY2025A → Declining			
Lifecycle phase			Phase IV — high expectations, declining			
Valuation gap — target vs. price			+45.6% → Price below our value			
						
BUSINESS DESCRIPTION						
Adobe, Inc. is a global technology company, which engages in the provision of digital marketing and media solutions. It operates through the following segments: Digital Media, Digital Experience, and Publishing and Advertising. The Digital Media segment offers products and services that enable individuals, teams, businesses, and enterprises to create, publish, and promote content anywhere and accelerate productivity by transforming view, share, engage with and collaborate on documents and creative content. The Digital Experience segment focuses on integrated platform and set of products, services, and solutions that enable businesses to create, manage, execute, measure, monetize, and optimize customer experiences that span from analytics to commerce. The Publishing and Advertising segment includes legacy products and services that address diverse market opportunities, including eLearning solutions, technical document publishing, web conferencing, document and forms platform, web app development, high-end printing, and Adobe Advertising offerings. The company was founded by Charles M. Geschke and John E. Warnock in December 1982 and is headquartered in San Jose, CA.						
INVESTMENT THESIS						
Adobe trades at about 10 times FY2026 consensus EPS of \$24.48, a multiple that prices in decline for a franchise still earning a 45% non-GAAP operating margin and returning nearly all free cash flow through buybacks. The market's worry is real: net new ARR fell 37% to 39% year over year in Q3, price increases are paused to grow freemium users, and the CEO, CFO and Digital Media president are all changing within a year. The price already discounts that risk; if freemium users convert to paid in FY2027 as expected, the gap closes, so we rate the shares BUY.						
MARKET SNAPSHOT						
Current Price	\$238.25	Market Cap (\$B)	\$92.7	Beta	1.22	
52-Week Range	\$193 – \$364	Inst. Ownership	87.2%	Insider Own.	0.2%	
Shares Out. (mm)	426.0	Short Interest (% float)	4.4%	Dividend Yield	0.0%	
Consensus L-T Growth	14.1%	Payout Ratio	0.0%	Cost of Equity	9.7%	
Price Target	\$347.00	Upside to Target	45.6%	Value Range	\$332 – \$408	
VALUATION SUMMARY — equity DCF, FCFE discounted at ke						
Method	Value / Share	Upside	Terminal Assumption			
Equity DCF – terminal P/E	\$346.96	45.6%	10.0x P/E			
Equity DCF – terminal P/S	\$355.41	49.2%	3.0x P/S			
Equity DCF – terminal P/B	\$331.75	39.2%	3.0x P/B			
Equity DCF – constant growth	\$408.34	71.4%	2.0% g, 9.7% ke			
Average of methods	\$360.62	51.4%	Equal-weighted			
Analyst price target	\$347.00	45.6%	P/E method, 10x (today on FY2028E)			
PHILOSOPHY FIT — Five pillars · Score: 3 / 5						
1. Fundamental improvement & valuation discipline		ΔROIC -2.1 pts; price is 0.66x our average value			Fit? No	
2. Investing through company cycles		Phase IV; EBIT margin 36.7% → 34.5%			Yes	
3. Initial position sizing & risk limits		Held at full weight; review on a 20% drawdown or falling net new ARR			Yes	
4. Capital allocation discipline		Net debt/invested capital 0.3%; net debt/EBIT 0.0x			Yes	
5. Identifiable catalysts & conservative underwriting		Catalysts: FY2027 conversion, new CEO; support: about 10x EPS, buybacks			No	
VALUE CRITERIA — 10-Point Checklist · Score: 7 / 10						
1. Catalyst / Investment Drivers					Pass? Yes	
Driver 1 — Freemium-to-Paid Conversion		Free creative users passed 100 million (up 70% year over year), and total monthly users passed 1 billion. But AI products bring in just over \$650 million of annual recurring revenue, only 2.4% of the total. Adobe has delayed Creative Cloud price increases and expects this to cost about \$500 million of recurring revenue in the second half of FY2026. Watch: new recurring revenue added each quarter (\$0.4 billion in Q3)				
Driver 2 — Buyback-Led Per-Share Growth		Adobe's \$25 billion buyback program, approved in April 2026, equals about a quarter of its roughly \$92 billion market value. It repurchased about 9.5 million shares in Q3 and spent more than \$11 billion on buybacks in FY2025. BofA expects the share count to fall from 427 million in FY2025 to 371 million in FY2028. Watch: whether free cash flow keeps pace with buybacks.				
Driver 3 — Enterprise Marketing Software and AI Agents		The roughly \$1.9 billion Semrush acquisition, closed in Q2 FY2026, added \$480 million of annual recurring revenue. AI revenue in the enterprise marketing business grew fourfold year over year, and the GenStudio content platform grew 25%. More than 80% of Adobe's large marketing-platform customers now use its AI agents, and over 150 companies are testing its newest agent product. Watch: recurring revenue growth in the				
What does management say?		Management is prioritizing user growth and easy sign-up over near-term revenue, with no date for restarting price increases. It raised FY2026 adjusted EPS guidance to \$24.45 to \$24.50, with an operating margin of about 45%. But Q4 guidance came in below Wall Street expectations: 40 basis points lower on revenue growth and 30 basis points lower on margin.				
2. Low P/E Ratio					Yes	
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E
EPS (model)	\$11.88	\$12.44	\$16.74	\$17.79	\$21.34	\$24.67
P/E at current price	20.1x	19.2x	14.2x	13.4x	11.2x	9.7x
Peer median P/E (FactSet, subject excl.)	26.9x	FY2026E P/E vs. peer median		(50%)		
3. Low Price / Cash Flow					Yes	
FCFE / share	\$10.16	\$17.66	\$19.58	\$15.37	\$21.85	\$25.93
Price / FCFE	23.4x	13.5x	12.2x	15.5x	10.9x	9.2x
Peer median P/CF (FactSet, subject excl.)	20.2x	Price / FCFE (today) vs. peer median		(40%)		
4. Low Price / Book Value					No	
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E
Book value / share	\$36.14	\$31.55	\$27.28	\$35.98	\$44.13	\$53.15
Price / Book	6.6x	7.6x	8.7x	6.6x	5.4x	4.5x
ROE (EOY book)	32.9%	39.4%	61.3%	49.4%	48.4%	45.7%

Peer median P/B (FactSet, subject excl.)		9.3x	Price / book (today) vs. peer median		(6%)		
Adobe Inc. (ADBE) — Value Criteria, continued							
5. Financial Soundness							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Total debt (\$mm)	4,080	6,056	6,648	6,716	6,716	6,707	
Net debt (\$mm)	-3,762	-1,830	53	-2,100	-4,764	-7,768	
Total debt / equity (gross)	24.7%	42.9%	57.2%	45.7%	39.4%	34.5%	
Total debt / assets (gross)	13.7%	20.0%	22.5%	20.3%	18.6%	17.0%	
Net debt / invested capital	-18.0%	-8.7%	0.3%	-9.8%	-20.2%	-29.8%	
Net debt / EBIT	-0.6x	-0.2x	0.0x	-0.2x	-0.5x	-0.7x	
Cash \$5.64 billion vs debt about \$7 billion (Q3)							
Tax rate	18.4%	Book equity (\$mm)	11,623				
6. Positive Earnings Dynamics							No
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Sales growth	11.1%	11.1%	10.4%	12.0%	9.3%	8.7%	
EBIT margin	34.1%	36.4%	36.7%	33.4%	34.5%	34.5%	
EPS growth	17.4%	4.7%	34.6%	6.3%	20.0%	15.6%	
7. Business Strategy & Segment Mix							Yes
Strategy	Freemium funnel (Firefly, Express, Acrobat) builds users ahead of paid conversion, with price increases deferred; enterprise push through GenStudio, AEP and the Semrush acquisition in Customer Experience Orchestration.						
Segment / geography mix	Digital Media (Creative Cloud and Document Cloud) about 75% of revenue, Digital Experience about 25%; Q3 FY2026 subscription revenue: Creative & Marketing Professionals \$4.65 billion, Business Professionals & Consumers \$1.91 billion.						
8. Capable Management & Insider Ownership							No
Insider ownership	0.2%	Inst. ownership	87.2%	Buybacks, % of NOPAT (FY1E)		57.2%	
Insider activity / governance	CEO Shantanu Narayen hands over to Anil Chakravarthy on December 1 and becomes executive chair; the CFO left in June 2026. Insider ownership is 0.2%, so alignment rests on pay design.						
9. Valuation — Value Creation (ROIC vs. ke)							Yes
ROIC (FY1E)	53.5%	Cost of equity (ke)	9.7%	EVA spread (ROIC – ke)		43.8%	
Price target / upside	\$347.00	45.6%	Value / share range (low–high)		\$332 – \$408		
10. Uses of Capital — allocation discipline							Yes
Reinvestment 12% of NOPAT, dividends + buybacks 57% in FY2026; no dividend, a \$25 billion buyback authorization and the \$1.9 billion Semrush deal.							
VALUE FIT SCORE — criteria met		7 / 10					
FINANCIAL SUMMARY (\$mm except per share)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	CAGR 2023–2028
Sales	19,368	21,525	23,767	26,611	29,097	31,640	10.3%
Gross margin	87.0%	88.3%	88.6%	88.6%	88.6%	88.6%	
EBIT	6,611	7,835	8,712	8,888	10,038	10,916	10.6%
Net income	5,428	5,560	7,130	7,265	8,234	8,954	10.5%
EPS (basic)	\$11.88	\$12.44	\$16.74	\$17.79	\$21.34	\$24.67	15.7%
Dividend / share	—	—	—	—	—	—	
FCFE / share	\$10.16	\$17.66	\$19.58	\$15.37	\$21.85	\$25.93	20.6%
Invested capital	20,900	21,010	18,209	21,329	23,638	26,023	4.5%
ROIC	38.4%	46.9%	55.7%	53.5%	62.2%	71.0%	
NOPAT margin	27.3%	29.2%	29.9%	27.5%	28.5%	28.5%	
Sales / NWC	-3.92x	-3.68x	-3.49x	-3.84x	-4.00x	-4.08x	
Sales / NFA	1.04x	1.12x	1.21x	1.29x	1.41x	1.55x	
Sales / invested capital (ex cash)	1.41x	1.61x	1.86x	1.95x	2.18x	2.49x	
USES OF CAPITAL — full range, as % of cash generated (NOPAT)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	Avg 2023–2028
NOPAT before reinvestment (\$mm)	5,278	6,285	7,112	7,324	8,292	9,027	
Uses, as % of NOPAT							
Capex & acquisitions (Δ NFA)	10.0%	8.8%	4.8%	13.8%	0.0%	(1.4%)	6.0%
Working capital (Δ NWC)	(5.6%)	(14.6%)	(13.5%)	(1.5%)	(4.3%)	(5.4%)	(7.5%)
Dividends	—	—	—	—	—	—	—
Share buybacks	56.1%	126.9%	135.2%	57.2%	71.2%	72.4%	86.5%
Debt repaid (neg. = borrowing)	10.5%	(31.4%)	(8.3%)	(0.9%)	(0.0%)	0.1%	(5.0%)
Cash & securities build	33.1%	0.7%	(18.2%)	30.3%	32.1%	33.2%	18.5%
Interest & other (residual)	(4.0%)	9.6%	0.0%	1.1%	0.9%	1.0%	1.4%
Total uses of capital	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Discipline — reinvestment, % of NOPAT	4.4%	(5.8%)	(8.7%)	12.3%	(4.3%)	(6.8%)	(1.5%)
Dividends + buybacks, % of NOPAT	56.1%	126.9%	135.2%	57.2%	71.2%	72.4%	86.5%
Framework: the full range of capital allocation — CapEx/R&D/brand, dividends, buybacks, cash and debt. Cautious at the top of the cycle; invest for the future at the bottom, without over-levering. Total ties to 100% by construction, with interest and unallocated items in the residual.							
COMPS OVERVIEW (current multiples, FactSet)							
Ticker	Company	P/E	P/S	P/B	P/CF	EV/EBIT	
INTU	Intuit Inc.	17.7x	3.8x	4.1x	9.0x	14.2x	
CRM	Salesforce, Inc.	21.3x	4.4x	5.0x	12.2x	23.4x	
SNPS	Synopsys, Inc.	72.3x	8.4x	2.5x	26.8x	72.5x	
ADSK	Autodesk, Inc.	28.4x	5.9x	13.6x	16.0x	30.0x	
DDOG	Datadog, Inc. Class A	505.6x	23.1x	20.3x	74.7x		
APP	AppLovin Corp. Class A	25.3x	16.2x	34.8x	24.5x	55.3x	
Median	Peer median (subject excluded)	26.9x	7.1x	9.3x	20.2x	30.0x	
ADBE	Subject, at current price	14.2x	4.3x	8.7x	12.2x	11.7x	
Premium / (discount) to peer median		(47%)		(40%)	(6%)	(40%)	(61%)
Peer set from AutoTearSheet-5PageIDi4:Di9. Median is of peers only and excludes blanks.							
KEY RISKS							
1. AI-native competition: Figma, Canva, Claude Design and frontier image and video models lower the skill barrier and can shrink creative seats and pricing power in the prosumer and low end.							
2. Conversion fails: AI-first ARR is only 2.4% of total ARR, net new ARR fell 37% to 39% in Q3 and RPO growth slowed to 8%; if freemium users do not convert in FY2027, growth stays below 10%.							
3. Leadership: a new CEO from December 1, a new CFO and a departing Digital Media president at the most important point of the AI transition.							
Exit discipline: sell if net new ARR is still falling year over year after Q2 FY2027, if non-GAAP operating margin drops below 43%, or if the shares re-rate to about 15 times forward EPS without an ARR re-acceleration.							
Sources: model outputs linked to Auto-FinandValInfo and AutoTearSheet-5Page (FactSet). Information for educational purposes only. Not a recommendation to buy or sell any security.							