

AI-Era Software: ADBE vs MSFT vs GOOGL

Monte Carlo Valuation Comparison | 3 / 5 / 7 / 10-year horizons | June 19, 2026

Margin of safety runs inverse to market affection. All three are secular software franchises with intact, double-digit-growing fundamentals - the spread is about price and sentiment, not business quality. The less the market loves a name, the cheaper it is.

	ADBE - Adobe	MSFT - Microsoft	GOOGL - Alphabet
SNAPSHOT			
Spot price	\$194.64	\$377.35	\$368.00
Market cap	~\$80.8B	~\$2.82T	~\$4.50T
Valuation	8.2x P/FCF (12% yield)	22.5x P/E	28x P/E (core ~32x)
1-year price move	-68%	-23%	+74%
Risk character	Exogenous: AI disrupts it	Endogenous: capex ROI	Search moat + capex + DOJ
Realized vol / max drawdown	36% / -72%	26% / -38%	30% / -44%
Dividend	none (buybacks)	~0.85% + buybacks	~0.22% + buybacks
Required return (hurdle)	12.5%	10.5%	11.0%
5-YEAR OUTCOME			
Expected CAGR	13.3%	12.3%	8.3%
Probability of loss	28%	7% (lowest)	22%
Sortino ratio	0.84	4.76 (highest)	0.94
MARGIN OF SAFETY (PRESENT VALUE VS SPOT)			
3 / 5 / 7 / 10-year	+21 / +21 / +21 / +21%	+9 / +14 / +19 / +28%	-6 / -7 / -7 / -6%
VERDICT			
Risk-adjusted call	CHEAP - high variance	CHEAP - best of trio	RICH - fully priced
The bet	Fear is overdone (re-rating)	Capex earns its ROI	Already-priced quality

MSFT offers the best risk-adjusted profile (similar return, lowest loss probability, highest Sortino). **ADBE** offers the fattest upside tail - the 8x multiple gives the most re-rating leverage, at the cost of the deepest drawdowns. **GOOGL** is the highest-quality business but the only one fully priced after a +74% year.

Why no cyclicals (NVDA, AMD, memory). They require timing BOTH entry and exit, so a long-hold terminal-value model does not apply - and they sit near multi-year highs as the most-leveraged expression of the same AI-capex bet these three already price.

Disclaimer: educational / illustrative model output, NOT investment advice. Fundamentals-driven Monte Carlo (500,000 paths per name) anchored to live market data as of June 18-19, 2026 (Polygon); assumptions calibrated by a six-lens adversarial review. Each name uses its own required return, so margin-of-safety figures are risk-adjusted per name. Probabilistic estimates conditioned on stated assumptions, not forecasts. Do your own research.