

## **MIKE SAVIAGE**

Good afternoon and thank you for joining us today on short notice. Joining me on the call are Shantanu Narayen, Adobe's President and CEO; Brad Rencher, Executive Vice President and General Manager of Adobe's Digital Experience business; and John Murphy, Executive Vice President and CFO.

In the call today, we will discuss the announcement of Adobe's intent to acquire Marketo. We've posted copies of today's press release and our prepared remarks for this call on our Investor Relations page under Quick Links for reference.

Before we get started, we want to emphasize that some of the information discussed in this call, particularly the timing of closing and the potential benefits of our acquisition of Marketo, is based on information as of today, September 20, 2018, and contains forward-looking statements that involve risk and uncertainty. Actual results may differ materially from those set forth in such statements. For a discussion of these risks and uncertainties, you should review the Forward-Looking Statements Disclosure in today's press release, as well as Adobe's SEC filings.

Call participants are advised that the audio of this conference call is being recorded for playback purposes, and an archive of the call will be made available later today for reference.

I will now turn the call over to Shantanu.

**SHANTANU NARAYEN**

Thanks Mike and good afternoon.

Adobe's strategy to "Empower people to create" and "Transform how businesses compete" continues to drive our momentum. Our customers recognize that great experiences have become the basis of differentiation in an increasingly competitive world. With the world's best digital media and digital experience solutions, Adobe has become the go-to-company for developing and delivering transformative customer experiences.

We created the digital marketing category to serve the unmet needs of Chief Marketing Officers, Chief Digital Officers and Chief Revenue Officers. Today, we serve thousands of enterprise customers, who rely on Adobe Experience Cloud every day to deliver compelling experiences to hundreds of millions of consumers. This innovative platform includes content management, personalization, segmentation, advertising, analytics and commerce solutions that leverage Adobe Sensei, our AI and machine learning framework.

Our success has stemmed from serving businesses that sell directly to consumers in industries such as retail, financial services, media and entertainment, and travel and hospitality. Increasingly, our platform is also being adopted by B2B and B2B2C customers who face many of the same marketing challenges.

To address this large opportunity, we are excited to announce our intent to purchase Marketo, the leading B2B marketing engagement platform. We believe the combination of Adobe Experience Cloud's analytics, personalization and content solutions with Marketo's lead management, account-based marketing and attribution technology will make us the leading platform for all marketers.

We are thrilled with the Marketo team, their technology and the opportunity to serve their customers. Brad will share more details about Marketo and our strategy, and John will address the financial details of the transaction.

Brad.

## BRAD RENCHER

Adobe Experience Cloud is the most comprehensive, integrated and actionable platform for the modern enterprise, designed to help companies deliver consistent, continuous and compelling experiences to customers – across every touch point and channel. The breadth of our market leadership is underscored in nearly two dozen recent industry analyst reports, and in the success we've achieved with Experience Cloud bookings and revenue growth. With the acquisition of Magento last quarter, we added next-generation commerce capabilities to the Adobe Experience Cloud.

Today we're excited to announce the acquisition of Marketo. The imperative for businesses across all industries is a laser focus on providing relevant, personalized and engaging experiences. Adobe Experience Cloud has enabled B2C companies to successfully drive business impact by harnessing massive volumes of customer data and content in order to deliver on this imperative. When businesses buy from other businesses they now have the same high expectations as consumers.

The addition of Marketo widens Adobe's lead in customer experience across B2B and B2C. The combination of Marketo's leading B2B marketing engagement solution with Adobe's Advertising, Analytics, Commerce and Marketing Clouds, places Adobe at the heart of all marketing.

Specifically, the combination will enable businesses to:

- Acquire more customers through targeted, account-based advertising;
- Improve campaign creation and execution velocity with access to an intelligent repository of content assets;
- Use a data-driven approach to focus sales and marketing activities on the most valuable prospects and customers; and
- Deliver cross-channel experiences including web, mobile, email, in-store, and in-person that are personalized and consistent.

These are a few of the benefits that will allow customers across all industries, sizes, and routes to market to grow their revenue using the Adobe Experience Cloud.

Now, I'll share a few highlights about Marketo.

- Marketo Engagement Platform is a feature-rich, cloud-native, market-leading solution for B2B marketing planning, engagement and attribution.
- Their products are enterprise-ready with extensive customer adoption across a wide range of industries and geographies. Representative customers include Charles Schwab, Nvidia, Palo Alto Networks, JPMorgan and Workday.
- Marketo has an engaged marketing community with over 65,000 members and 500 ecosystem partners.

Marketo has a strong and talented team that we look forward to welcoming into the Adobe family. Upon close, their CEO Steve Lucas will continue to lead Marketo as part of the Digital Experience leadership team.

For more details on the financial aspects of the acquisition, I'll turn it over to John.

## JOHN MURPHY

Thanks Brad.

We are excited about the acquisition of Marketo, which will add a significant asset to our Digital Experience offering and accelerate our growth in an expanded addressable market.

We intend to fund the acquisition price of \$4.75 billion through our current cash position and new borrowing. The transaction is subject to typical government approvals and the satisfaction of other customary conditions. We expect the acquisition to close by the end of our fiscal Q4.

Marketo was public until 2016, at which time they were taken private by Vista Equity Partners and an experienced, enterprise-focused management team was brought in. Since then Marketo has successfully executed on their enterprise strategy and has regained their bookings and revenue momentum. As part of their credit rating process, Marketo reported pro forma revenue of approximately \$320 million in calendar year 2017 with expected growth of greater than 20% in 2018 and improving operating margin.

Given Marketo's market leadership, and their revenue and growth rate, we believe the acquisition represents a fair valuation.

With large growth opportunities in Digital Media and Digital Experience, Adobe remains committed to driving strong top line and bottom line growth with a focus on operating margin. The addition of Marketo is consistent with this strategy.

With our financial analyst meeting a few weeks away at MAX, we look forward to sharing more details.

I'll now turn the call back over to Mike.

## **MIKE SAVIAGE**

Thanks John.

If you wish to listen to a replay of today's call, you can access it by calling 855-859-2056; use conference ID #2867298. International callers should dial 404-537-3406. The phone playback service will be available beginning at 5:00pm Pacific Time today, and ending at 7:30pm Pacific Time on September 28, 2018.

We would now be happy to take a few questions related to today's announcement. And as always, we ask that you limit your questions to one per person.

Operator.