

JONATHAN VAAS

Good afternoon and thank you for joining us. With me on the call today are Shantanu Narayen, Adobe's President and CEO, and John Murphy, Executive Vice President and CFO.

On this call, which is being recorded, we will discuss Adobe's third quarter fiscal year 2021 financial results. You can find our Q3 press release, as well as PDFs of our prepared remarks and financial results, on Adobe's Investor Relations website.

Financial Disclaimer

Some of the information discussed in this presentation, including our financial targets and product plans, is based on information as of today, September 21, 2021, and contains forward-looking statements that involve risk, uncertainty and assumptions. 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 our press release issued today and Adobe's SEC filings.

During this presentation, we will discuss non-GAAP financial measures. The GAAP financial measures that correspond to non-GAAP financial measures, as well as the reconciliation between the two, are available on our [Website](#).



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On this call we will discuss GAAP and non-GAAP financial measures. Reconciliations between the two are available in our earnings release and on Adobe's Investor Relations website.

I will now turn the call over to Shantanu.

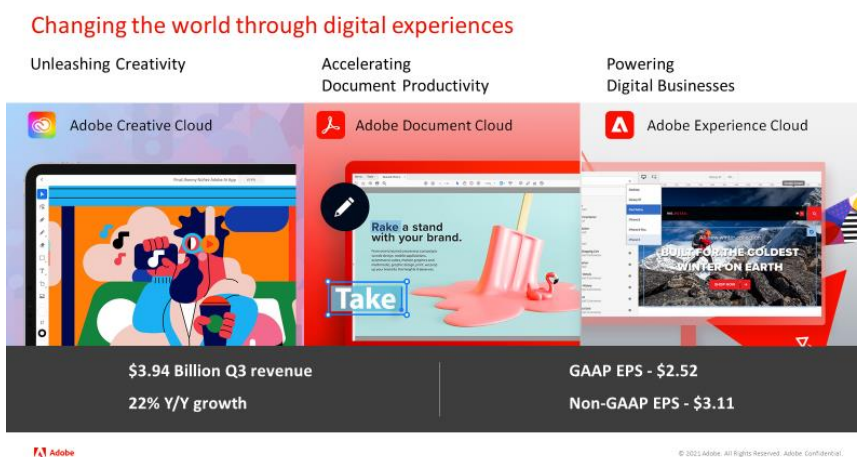


SHANTANU NARAYEN

Thanks, Jonathan.

Good afternoon. I hope you are all staying safe and healthy.

Adobe had another outstanding quarter as people across the globe continue to embrace new ways of storytelling, learning and customer engagement in a digital-first environment.



This quarter we delivered significant new product innovations, announced the exciting acquisition of Frame.io and continued to increase customer engagement across an ever-expanding customer base. We are executing on our strategy of unleashing creativity for all, accelerating document productivity and powering digital businesses as reflected in our strong performance.

In Q3, Adobe achieved \$3.94 billion in revenue, representing 22 percent year-over-year growth. GAAP earnings per share for the quarter was \$2.52 and non-GAAP earnings per share was \$3.11.

Digital Media

In Q3, we drove record performance in our Digital Media business, achieving \$2.87 billion in revenue, representing 23 percent year-over-year growth. Net new Digital Media Annualized Recurring Revenue or ARR was \$455 million, and total Digital Media ARR exiting Q3 grew to \$11.67 billion.



Adobe Creative Cloud

- Creative revenue of \$2.37 billion
- Innovative enhancements to our photography offerings
- Creative Cloud applications now running natively on Apple's new Silicon M1 chip
- The release of Adobe Substance 3D Collection
- Partnerships such as "The Great Untold" with Netflix, enabling next-gen creators to tell their stories
- Key customer wins at the Department of Education of the Philippines, Facebook, Nike, Rutgers University and the U.S. Department of the Interior

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Digital Media: Creative Cloud

Creativity has always played a central role in the human experience. Over the last year, we have all witnessed the way creativity has sustained us. We've shared photographs with loved ones on different continents, taught art classes to students at their kitchen tables and launched entirely new businesses online. Building on decades of leadership, Adobe continues to pave the way in core creative categories, including photography and design, while pushing the boundaries across a wide range of emerging categories such as AR and 3D.

Whether it's the latest binge-worthy streaming+ series, a social media video that sparks a movement or a corporate video, creation and consumption of video is experiencing explosive growth. In August, we announced an agreement to acquire Frame.io, a leading cloud-based video collaboration platform. Video editing is rarely a solo activity and it's traditionally been highly inefficient. Frame.io streamlines

the video production process by enabling editors and key project stakeholders to seamlessly collaborate using cloud-first workflows.

The combination of our leading video editing offerings—including Photoshop, Premiere Pro and After Effects—with Frame.io’s cloud-based review and approval functionality will radically accelerate the creative process and deliver an end-to-end video platform. The addition of Frame.io creates an opportunity for Adobe, in conjunction with the partner ecosystem, to expand beyond video editors to a broader set of customers, teams and enterprises. We hope to close the Frame.io transaction in Q4 and look forward to welcoming the team to Adobe.

Next month we’ll host Adobe MAX, the world’s largest creativity conference. MAX has always been the place to be inspired, connect with the creative community and experience the latest Creative Cloud innovations. Our programming will feature iconic speakers including Oscar-winning writer/director/producer Chloé Zhao, actress Tilda Swinton and SNL star and executive producer Kenan Thompson. This year’s fully digital experience allows us to expand our reach and engage with more people across our global creative community than ever before. MAX will be hosted on Adobe’s custom digital event platform, built on Adobe Experience Cloud.

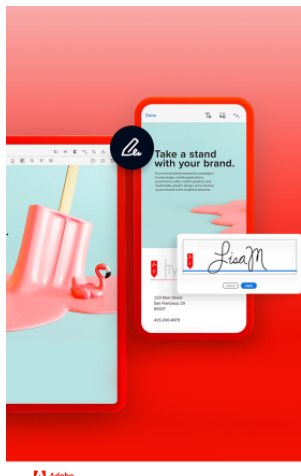
In Q3, we achieved Creative revenue of \$2.37 billion with strong new user acquisition, engagement and renewal across all Creative products and geographies, with particular strength in our Creative Cloud for Teams offering.

Q3 Creative Cloud highlights include:

- Innovative enhancements to our photography offerings, including new services and AI-driven capabilities in Lightroom.
- Creative Cloud applications now running natively on Apple’s new Silicon M1 chip, delivering a boost in performance.
- The release of Adobe Substance 3D Collection, a suite of interoperable tools and services that support 3D creativity.
- Partnerships such as “The Great Untold” with Netflix, enabling next-gen creators to

tell their stories.

- Key customer wins at the Department of Education of the Philippines, Facebook, Nike, Rutgers University and the U.S. Department of the Interior.



Adobe Document Cloud

- Document cloud revenue of \$493 million
- Continued adoption of Adobe Sign in Acrobat, with transactions growing over 10x in the last three years
- Growth across Acrobat web and frictionless PDF
- Increased adoption and usage of mobile applications including Acrobat, Scan and Sign, with over 100 million monthly active users
- Proliferation of Liquid Mode, with over 300 million PDF files reflowed in the last year
- Key customer wins at Daimler AG, FujiFilm, Micron and PwC

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Digital Media: Document Cloud

Document Cloud is accelerating document productivity by powering the paper-to-digital revolution and enabling all document actions to be frictionless across web, desktop and mobile. From complex legal documents to sales contracts to employee welcome kits, documents are at the core of work. Using the power of AI with Adobe Sensei, Document Cloud is automating workflows and adding new value across all document “verbs.”

In Q3, Document Cloud achieved record revenue of \$493 million, growing 31 percent year over year. Driving this performance was increased unit demand for Acrobat subscriptions globally and strength in the SMB segment.

Q3 Document Cloud highlights include:

- Continued adoption of Adobe Sign in Acrobat, with transactions growing over 10x in the last three years.
- Growth across Acrobat web and frictionless PDF, which optimize the customer journey and capture organic search-driven demand.

- Increased adoption and usage of mobile applications including Acrobat, Scan and Sign, with over 100 million monthly active users.
- Proliferation of Liquid Mode, an adaptive and responsive mobile experience, with over 300 million PDF files reflowed in the last year.
- Key customer wins at Daimler AG, FujiFilm, Micron and PwC.



Adobe Experience Cloud

- Digital Experience revenue was \$985 million in Q3 with subscription revenue of \$864 million
- Product innovations including new personalization capabilities
- Workfront momentum
- Key partnerships in commerce with Walmart and PayPal
- Industry analyst recognition - Forrester Wave and Gartner Magic Quadrant
- Strong customer adoption of Adobe Sensei
- Key customer wins at Accor, the Australian Government, Bertelsmann, Capital One, CVS Pharmacy, Daimler AG, Facebook, Ford Motor Company, Fidelity Brokerage Services, Honeywell, Real Madrid and The Gap

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Digital Experience: Experience Cloud

Businesses of every size across every category are investing in customer experience management (“CXM”). Adobe Experience Cloud is powering CXM for B2B and B2C companies with applications focused on customer journey management, data insights and audiences, content and personalization, commerce and marketing workflows. Adobe Experience Cloud empowers companies to deliver predictive, personalized, real-time digital experiences across every touch point of the customer lifecycle.

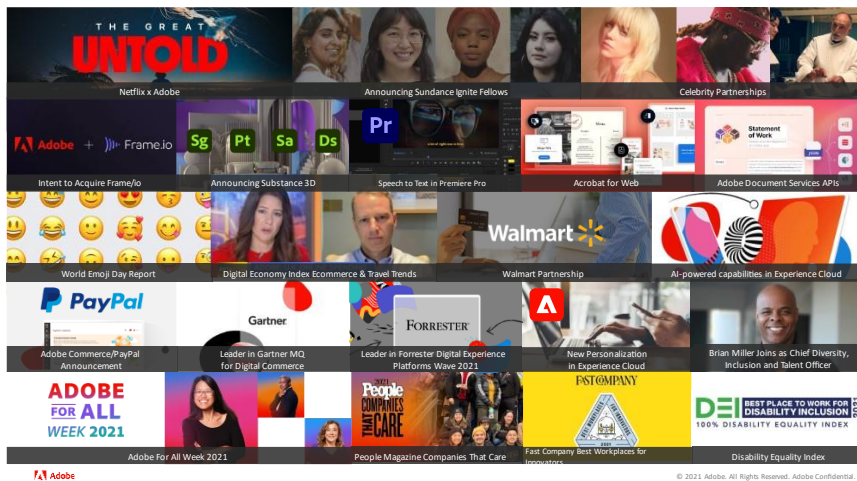
In the digital economy, companies are relying on digital presence and commerce as the dominant channels to drive business growth. According to the Adobe Digital Economy Index, U.S. consumers spent over \$541 billion in eCommerce from January through August, 58 percent more than what we saw two years ago.

In Q3, we delivered Experience Cloud revenue of \$985 million, driven by strong performance across both subscription and professional services. Q3 subscription revenue was \$864 million,

representing 29 percent year-over-year growth. As businesses reopen around the world, interest in Adobe CXM solutions as an enterprise priority is resulting in increasing spend in both software and services.

Q3 Experience Cloud highlights include:

- Product innovations including new personalization capabilities in Adobe Experience Cloud to help customers move from third-party cookies to first-party data strategies.
- Workfront momentum, reflecting the need for workflow and collaboration to deliver global campaigns and growing customer interest in a pioneering marketing system of record.
- Key partnerships in commerce with Walmart to integrate their omni-channel fulfillment technologies and with PayPal to offer a robust, secure and integrated payment solution for companies of all sizes.
- Continued industry analyst recognition including being recognized as a Leader in the Forrester Wave: Digital Experience Platforms and achieving the highest score of all participating vendors for “Current Offering”. Adobe was also named a Leader in the 2021 Gartner Magic Quadrant for Personalization Engines and a Leader in the Gartner Magic Quadrant for Digital Commerce.
- Strong customer adoption of Adobe Sensei-powered capabilities in Adobe Experience Cloud as over 80 percent of customers now rely on our AI-powered capabilities to drive data insights and optimization.
- Key customer wins at Accor, the Australian Government, Bertelsmann, Capital One, CVS Pharmacy, Daimler AG, Facebook, Ford Motor Company, Fidelity Brokerage Services, Honeywell, Real Madrid and The Gap.



Summary

Adobe's strength has always come from our most important asset, our people. I want to thank our 25,000+ employees for their dedication and resilience, our customers and partners for their trust as we continue to navigate a dynamic external environment.

I am proud of the continued industry recognition we receive as a great and equitable place to work. This quarter Adobe received a 100 percent score on the Disability Equality Index for Best Places to Work for Disability Inclusion and we were named to People Magazine's Companies That Care list for the fifth consecutive year.

Last week we held our Adobe for All virtual conference designed to bring employees together around our shared values of diversity, equity and inclusion. As part of that event, we reaffirmed pay parity. We continue to pioneer Opportunity Parity to ensure that employees are offered equal career development and growth across all demographic groups.

As part of our ongoing efforts to bring in more diverse talent, Adobe has established partnerships with Historically Black Colleges and Universities (HBCUs) and Hispanic-serving Institutions (HSIs). This new program offers a \$1 million donation to schools, scholarships, internships and career readiness programs. Our goal with these deep, focused partnerships is to provide opportunities for students to learn technology and creative skills.

The health and safety of our employees remains our top priority. Our offices are slowly reopening

to fully vaccinated employees on a voluntary basis. As we look ahead to the future of work at Adobe, we will remain hybrid and flexible and continue to do what's best for our employees and our business.

I'm confident that Adobe's culture of innovation, category-defining products, strong brand and the unwavering dedication of our employees will drive our continued business success and a strong close to the fiscal year.

John.



JOHN MURPHY

Thanks, Shantanu.

Our financial results feature strong growth across revenue, Digital Media ARR, Digital Experience subscription revenue, RPO and EPS demonstrating the power of our category-defining offerings.

In a digital-first world, Adobe's market opportunity is larger than ever, and we are investing for sustained growth through product innovation and by driving awareness and demand for our products with customers of all sizes. With our data-driven operating model (or "DDOM"), we continue to leverage our Experience Cloud technology to create personalized experiences for our customers in real-time, driving traffic to Adobe.com and app stores to acquire new customers.

Q3 FY2021 Results

Total Adobe revenue	\$3.94 billion (22% Y/Y growth)	
Digital Media segment revenue	\$2.87 billion (23% Y/Y growth)	
Digital Media ARR	\$455 million of net new ARR	
Digital Experience segment revenue	\$985 million (26% Y/Y growth)	
Digital Experience subscription revenue	\$864 million (29% Y/Y growth)	
Earnings per share	GAAP: \$2.52	Non-GAAP: \$3.11

- Generated \$1.42 billion of cash flows from operations
- Repurchased 1.7 million shares

- Grew Remaining Performance Obligations (RPO) by 22% Y/Y to \$12.63 billion

As a result, in Q3 Adobe achieved record revenue of \$3.94 billion, which represents 22 percent year-over-year growth.

Business and financial highlights included:

- GAAP diluted earnings per share of \$2.52 and non-GAAP diluted earnings per share of \$3.11;
- Digital Media revenue of \$2.87 billion;
- Net new Digital Media ARR of \$455 million;
- Digital Experience revenue of \$985 million;
- Cash flows from operations of \$1.42 billion;
- RPO of \$12.63 billion exiting the quarter; and
- Repurchasing approximately 1.7 million shares of our stock during the quarter.

Digital Media

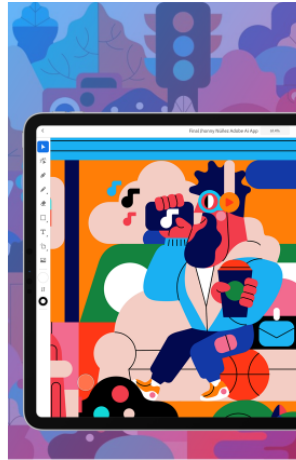
In our Digital Media segment, we achieved 23 percent year-over-year revenue growth in Q3, and we exited the quarter with \$11.67 billion of Digital Media ARR.

As anticipated, with regions beginning to reopen across the globe, we saw pronounced summer seasonality in Q3. This is consistent with the experience of businesses across industries, as evidenced by data from the Adobe Digital Index, which showed that June and July marked the highest consumer travel season in two years. This correlated with lower web traffic while individuals enjoyed their summer holidays. We do see continued recovery in the SMB segment associated with the reopening.



Adobe Creative Cloud | Results

- Creative revenue of \$2.37 billion growing 21% Y/Y, with \$348 million of net new Creative ARR
- Strong engagement, retention and renewal across all Creative products and customer segments
- New user acquisition for Creative Cloud All Apps
- Continued recovery in the SMB segment with our Creative Cloud for Teams offering, including through our reseller channel
- Driving subscriptions for our flagship products, including our photography and video applications on both desktop and mobile
- Adoption of our 3D and immersive applications, including Adobe Substance



Creative Cloud

We achieved Creative revenue of \$2.37 billion, which represents 21 percent year-over-year growth, and we added \$348 million of net new Creative ARR. Our strong Q3 results demonstrate continued demand for our offerings and execution driven by our DDOM insights.

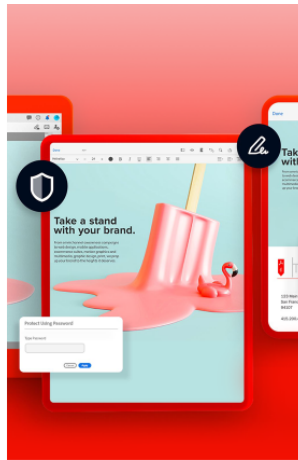
Third quarter Creative growth drivers included:

- Strong engagement, retention and renewal across all Creative products and customer segments;
- New user acquisition for Creative Cloud All Apps, driven by global marketing campaigns;
- Continued recovery in the SMB segment with our Creative Cloud for Teams offering, including through our reseller channel;
- Driving subscriptions for our flagship products, including our photography and video applications on both desktop and mobile; and
- Adoption of our 3D and immersive applications, including Adobe Substance.



Adobe Document Cloud | Results

- Document Cloud revenue of \$493 million growing 31% Y/Y, with \$107 million of net new Document Cloud ARR
- Adoption of Sign in Acrobat driven by the increased need to collaborate in a hybrid work environment
- Increasing unit demand for Acrobat subscriptions globally
- Strength in new licensing and renewal for our Acrobat for Teams offering in the SMB segment
- Continued adoption of our Acrobat web and Acrobat mobile offerings



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Document Cloud

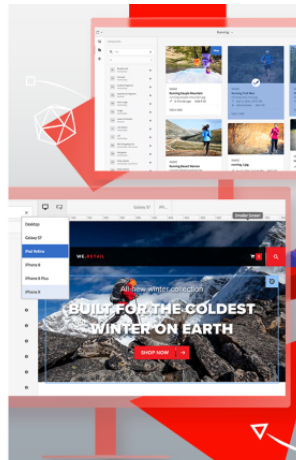
Adobe achieved Document Cloud revenue of \$493 million, which represents 31 percent year-over-year growth, and we added \$107 million of net new Document Cloud ARR in the quarter. Digital documents are essential to the changing nature of work, and we saw the paper-to-digital transformation continue in Q3 as Document Cloud remained our fastest-growing business.

Third quarter Document Cloud growth drivers included:

- Adoption of Sign in Acrobat driven by the increased need to collaborate in a hybrid work environment;
- Increasing unit demand for Acrobat subscriptions globally;
- Strength in new licensing and renewal for our Acrobat for Teams offering in the SMB segment; and
- Continued adoption of our Acrobat web and Acrobat mobile offerings.

Adobe Experience Cloud | Results

- Digital Experience revenue of \$985 million growing 26% Y/Y, with subscription revenue of \$864 million growing 29% Y/Y
- Strong deal volume, including several large Adobe Experience Platform deals
- Momentum in Adobe Commerce, with strong revenue growth and new customer acquisition
- Merchant services growth through new strategic partnerships
- Increasing adoption of our Workfront and Customer Journey Management offerings
- Strong customer retention
- Demand for Adobe's professional services



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Digital Experience

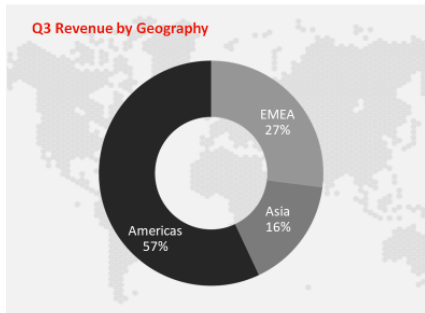
Turning to our Digital Experience segment, in Q3 we achieved revenue of \$985 million, which represents 26 percent year-over-year growth. Digital Experience subscription revenue was \$864 million, representing 29 percent year-over-year growth.

We continue to see subscription revenue acceleration in Digital Experience as large and midsized enterprises increase their investments in customer experience management (“CXM”).

Business performance in Digital Experience during the quarter was driven by:

- Strong deal volume, including several large Adobe Experience Platform deals;
- Momentum in Adobe Commerce, with strong revenue growth and new customer acquisition;
- Merchant services growth through new strategic partnerships;
- Increasing adoption of our Workfront and Customer Journey Management offerings;
- Strong customer retention, as we focus relentlessly on value realization for our customers; and
- Demand for Adobe's professional services.

Q3 FY2021 Results



Investing for Profitable Growth

- Made strategic investments and increased headcount
- Continue to invest in facilities for return to hybrid work, moderate levels of travel and increase in headcount

Currency ("FX") Impact

- Net sequential quarterly increase in revenue considering hedging was \$10 million
- Net year-over-year increase in revenue considering hedging was \$80 million



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Income Statement and Balance Sheet

Operating expenses increased in Q3 as we continued to make strategic investments and increase headcount. We began to reopen our facilities and return to moderate levels of business travel. The majority of our employees continue to work from home, while the return to business travel is expected to ramp slowly. And we expect to further ramp our hiring in Q4.

From a quarter-over-quarter currency perspective, the impact of FX net of accounting for hedging activities caused a sequential currency increase to revenue of \$10 million. From a year-over-year currency perspective, the impact of FX net of accounting for hedging activities caused a currency increase to revenue of \$80 million.

Adobe's effective tax rate in Q3 was 14.5 percent on a GAAP basis and 16 percent on a non-GAAP basis. The sequential reduction in our GAAP tax rate is primarily due to a decrease in U.S. tax accrued on foreign earnings and tax benefits associated with share-based payments.

Q3 FY2021 Results

- Trade DSO of 36 days
- RPO of \$12.63 billion
- Cash and short-term investments of \$6.16 billion
- Cash flows from operations of \$1.42 billion
- Repurchased 1.7 million shares



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Our trade DSO was 36 days, which compares to 37 days in the year-ago quarter, and 35 days last quarter.

RPO grew by 22 percent year over year to \$12.63 billion exiting Q3, benefitting from strong enterprise licensing during the quarter.

Our ending cash and short-term investment position exiting Q3 was \$6.16 billion. Cash flows from operations in Q3 were \$1.42 billion, sequentially down from Q2 due to increases in prepaid expenses, income tax payments and a decrease in accrued expenses.

We repurchased approximately 1.7 million shares in the quarter at a cost of \$1 billion. We currently have \$14.1 billion remaining of our \$15 billion authority granted in December 2020 which goes through 2024.

Q4 FY2021 Financial Targets | September 21, 2021

Total Adobe revenue	~\$4.07 billion	
Digital Media segment revenue	~20% Y/Y growth	
Digital Media ARR	~\$550 million of net new ARR	
Digital Experience segment revenue	~22% Y/Y growth	
Digital Experience subscription revenue	~26% Y/Y growth	
Tax rate	GAAP: ~17%	Non-GAAP: ~16%
Share count	~480 million shares	
Earnings per share	GAAP: ~\$2.52	Non-GAAP: ~\$3.18

The information discussed on this slide contains forward looking statements that involve risk and uncertainty. Actual results may differ materially. For a discussion of these risks and uncertainties, you should review Adobe's SEC filings. Please see our website for a discussion of these targets and a detailed reconciliation between GAAP and non-GAAP targets.



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Targets

The following Q4 targets factor current macroeconomic conditions and typical year-end seasonal strength, including an expected increase in back-to-school spending and year-end enterprise licensing strength.

- Total Adobe revenue of approximately \$4.07 billion;
- Digital Media segment revenue growth of approximately 20 percent year over year;
- Net new Digital Media ARR of approximately \$550 million;
- Digital Experience segment revenue growth of approximately 22 percent year over year;
- Digital Experience subscription revenue growth of approximately 26 percent year over year;
- Tax rate of approximately 17 percent on a GAAP basis and 16 percent on a non-GAAP basis;
- Share count of approximately 480 million shares;
- GAAP earnings per share of approximately \$2.52; and
- Non-GAAP earnings per share of approximately \$3.18.

Summary

Given Adobe's year-to-date performance and our Q4 targets, we are clearly on track to exceed our updated annual targets for fiscal 2021 provided in March. With the massive opportunities across creativity, digital documents and customer experience management, we continue to invest and drive strong business results.

I will now turn the call over to the operator to take your questions.

Q&A

