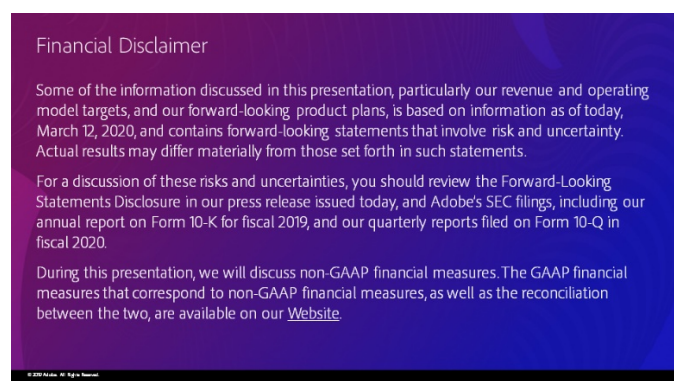


MIKE SAVIAGE

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

In our call today, we will discuss Adobe's first quarter fiscal year 2020 financial results. By now, you should have a copy of our earnings press release which crossed the wire approximately one hour ago. We've also posted PDFs of our earnings call prepared remarks and slides, and an updated investor datasheet on Adobe.com. If you would like a copy of these documents, you can go to Adobe's Investor Relations page and find them listed under Quick Links.

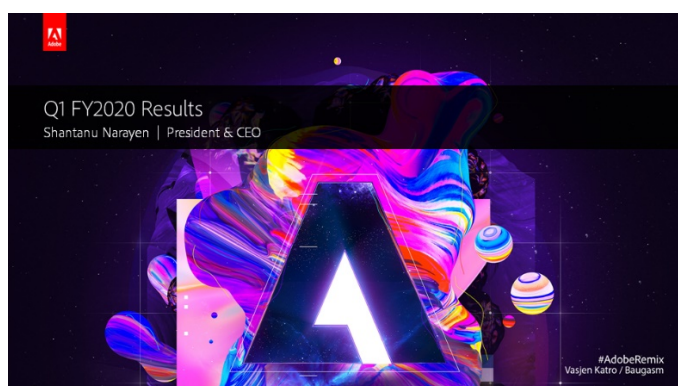


Before we get started, we want to emphasize that some of the information discussed in this call, particularly our revenue and operating model targets, and our forward-looking product plans, is based on information as of today, March 12th, 2020, and contains forward-looking statements that involve risk 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 the earnings press release we issued today, as well as Adobe's SEC filings.

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

Call participants are advised that the audio of this conference call is being webcast live, and is also being recorded for playback purposes. An archive of the webcast will be made available on Adobe's Investor Relations website for approximately 45 days, and is the property of Adobe. The call audio and the webcast archive may not be re-recorded, or otherwise reproduced or distributed without prior written permission from Adobe.

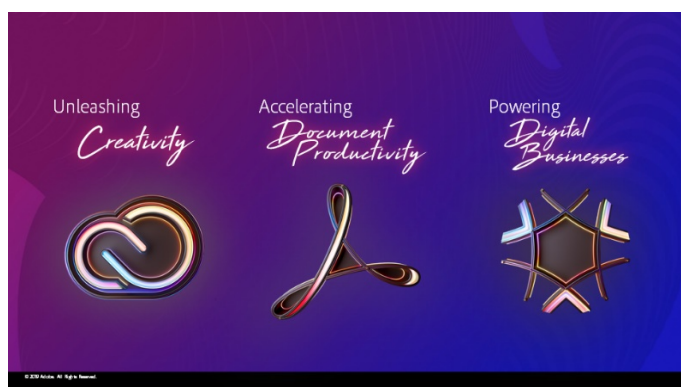
I will now turn the call over to Shantanu.



SHANTANU NARAYEN

Thanks, Mike and good afternoon.

We delivered another record quarter in Q1, achieving \$3.09 billion in revenue, representing 19% year-over-year growth. GAAP earnings per share for the quarter was \$1.96, and non-GAAP earnings per share was \$2.27.



Our strategy of unleashing creativity for all, accelerating document productivity and powering digital businesses continues to drive strong top and bottom-line performance. Adobe's unique advantage of enabling everyone—from students to creative professionals to small businesses and large enterprises—to create and deliver exceptional digital experiences is enabling our customers' success and fueling our business momentum. With Creative Cloud, Document Cloud and Experience Cloud, we're growing across all geographies and industries and appealing to a broader set of customers than ever before.



In our Digital Media business, we achieved record revenue in both Creative Cloud and Document Cloud in Q1. Net new Digital Media Annualized Recurring Revenue or “ARR” was \$400 million, and total Digital Media ARR exiting Q1 grew to \$8.73 billion. Q1 Creative revenue was \$1.82 billion, which represents 22% year-over-year growth.

The desire to create rich and expressive experiences is universal. Adobe is giving everyone—including newer customer segments like business communicators and social media creators— the inspiration and tools to tell their story.

We’re proud of the impact our flagship digital imaging solutions have had in shaping culture and creative expression. This year, Photoshop turns 30 years old. Photoshop has helped push the limits of creativity across a broad range of creative disciplines—from photography to graphic design. It is truly the heart of the creative world and we continue to develop a steady stream of innovative new Photoshop capabilities and applications across surfaces.

Demand for our mobile applications like Photoshop on iPad, Lightroom and Photoshop Express continues to grow. With more than 35 million new Adobe IDs in Q1, mobile is proving to be a strong pipeline for paid mobile-only as well as desktop subscriptions.

Film has always had the incredible power to connect us through compelling stories and Adobe continues to be the leader in video production software. At the recent Sundance Film Festival, more than 80% of the films created used Creative Cloud. Now, more than ever, we believe every voice needs to be heard. As part of our efforts to empower diverse voices and support the next generation of film makers, Adobe launched the inaugural Women at Sundance Adobe Fellowship and renewed our commitment to the Sundance Ignite program, which supports young film makers.

This quarter, Adobe Character Animator took home an Emmy for breaking new ground in television animation. This recognition reflects our continued ability to create innovative applications and establish new categories.

Adobe Spark, our easy-to-use application for creating social graphics, videos and web pages is now a top destination for hundreds of basic creative tasks. We are seeing great momentum with Spark, with organic search alone contributing more than 1 million new registered users per quarter. Business communicators and social marketers are increasingly turning to Spark to help them engage with their audiences in compelling ways.

Creativity is a fundamental skill in the digital age, and we remain committed to building STEAM skills for the next generation. We recently announced a one-of-a-kind partnership with Teach for America to provide educator training, workshops and tools to put creativity front and center in the classroom. Together, in this first phase our goal is to reach 15,000 teachers and 500,000 students in the US who otherwise wouldn't have access to creative tools or programs.

Our efforts to improve digital literacy extend across the globe. While visiting India recently, I had the opportunity to meet with students who were finalists in an Adobe creativity competition. In conjunction with the 150th anniversary of Mahatma Gandhi's birth, students from 20,000 schools were encouraged to depict how Gandhi's values can help our modern world prosper. I was inspired and moved by students' messages of humanity and the brilliant ways they chose to tell their stories using Creative Cloud.



With Adobe Document Cloud, we're accelerating document productivity – modernizing how people work with documents across all devices. Document Cloud revenue in Q1 was \$351 million and we grew Document Cloud ARR to \$1.15 billion. This momentum is being driven by strong customer acquisition and the expanding portfolio of PDF mobile and web applications. Key wins in the quarter included Equifax, Gannett, Shell and Cummins.

Acrobat continues to be the gold standard for creating, editing, scanning, signing and sharing digital documents. As more people are working on the go, our mobile app usage continues to rise. More than 600 million people have installed Acrobat on their mobile devices.

As digital transformation continues at organizations across the globe, Adobe Sign continues to power paper-to-digital workflows across all industries, including the majority of Fortune 100 companies. This quarter we extended the reach of Adobe Sign with an enhanced integration with SharePoint that enables people to easily create and sign digital forms.

We recently launched the ability to “convert to and from PDF” via one-click access on the web, providing a seamless onramp to PDF services and an Acrobat subscription. We're providing PDF functionality through APIs and expanding integrations with partners. Our recent integration with Google Drive gives its more than 1 billion users instant access to Acrobat's best-in-class tools to create, view, annotate, modify and share PDFs without leaving Google Drive.



In our Digital Experience business, we achieved revenue of \$858 million in Q1, which represents 15% year-over-year growth. Now more than ever, every business—across B2C and B2B, and mid-market to enterprise—must be a digital business, driving opportunity for Adobe Experience Cloud.

The industry's most comprehensive offering, Adobe Experience Cloud features innovative applications and services built on the Adobe Experience Platform and leveraging Adobe Sensei's AI and Machine Learning framework. Key wins this quarter included Intuit, PayPal, Bank of America, CommonSpirit Health, Travelzoo, State of Oklahoma, Kohl's, National Instruments, Toyota Motor and Accenture.

Only Adobe has data from trillions of transactions, tens of millions of products and thousands of retailers, which gives us the unique ability to assess the global digital economy in real-time. Building on the success of our annual Holiday Shopping report, we're developing an economic index to help companies get a better understanding of local and global trends so they can anticipate changes and manage their businesses effectively in this dynamic market.

A great experience starts with compelling content and is informed by data and insights. Harnessing the power of Adobe Experience Platform to stitch together siloed data across the enterprise, our recently released Customer Journey Analytics service gives our customers a set of analytics tools that provides a complete picture of the customer journey—online and offline.

We're continuing to drive strong performance with Adobe Experience Manager for omnichannel content delivery. This quarter, we launched Adobe Experience Manager as a Cloud Service enabling brands to go live with personalized campaigns and experiences across any channel, device or mobile app in days, instead of months. It provides agility and flexibility for enterprises and mid-sized companies with brands like Under Armour, Coca-Cola and Morningstar becoming early customers.

Adobe Commerce Cloud enables our customers to make every moment personal and every experience shoppable. With new functionality that enables merchants to natively add high-quality media assets to their websites and create personalized recommendations, we drove more than 50 percent year-over-year bookings growth.

For the third consecutive year, our industry leadership was validated in the Gartner Magic Quadrant for Digital Experience Platforms and achieved the strongest position in "Completeness of Vision."

The digital experience opportunity is immense, our roadmap is robust, and we're excited to have Anil Chakravarthy lead this business. Anil brings a powerful combination of business and product leadership and his impact is already being felt.



We're proud to have created a unique employee culture that embraces diversity and inclusion and supports the communities in which we live and work. This commitment has made Adobe one of Fortune's 100 Best Companies for the past 20 years. This quarter we were honored for our sustainability efforts on the CDP "A List" for climate change for the fourth consecutive year and we were included in the Bloomberg Gender Equality Index, recognizing our transparency in gender reporting and advancing women's equality in the workplace.

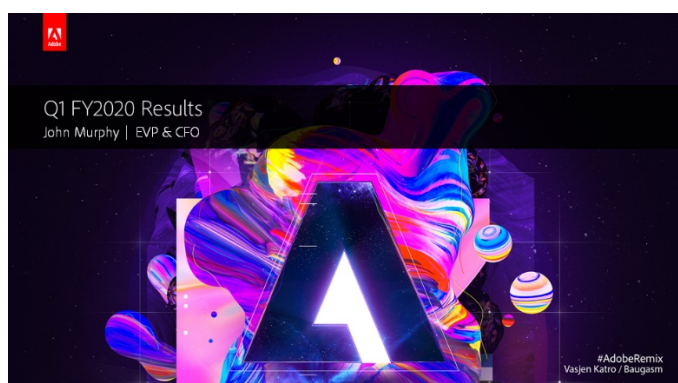
While Q1 was a typically strong quarter, I know what's top of mind for all of us is navigating the impact of COVID-19. The well-being of our employees and customers is our number one priority. In addition to encouraging employees in impacted regions to work from home for the next two weeks, we are restricting travel and cancelling in-person events. In keeping with that strategy, we made the tough decision to cancel the in-person Adobe Summit in Las Vegas and replace it with a digital event at the end of the month. We are proactively engaging digitally with our current customers to support their businesses and continuing to drive enterprise pipeline globally.

We are fortunate that the company's revenue and earnings are relatively predictable as a result of our move to a subscription-based business model. We have seen little to no impact on Adobe.com for Creative Cloud and Document Cloud demand thus far and will continue to acquire and engage customers digitally. In my conversations with business leaders across the globe, it is evident that investments in digital will continue to be critical but dealing with the implications of COVID-19 is *the* immediate priority. As a result, we expect some enterprises will delay bookings, postpone services implementation and reduce expenses. We will be using Adobe digital solutions to mitigate impact and to engage with our customers.

While the situation is concerning and there is tremendous uncertainty, the long-term fundamentals of our business remain undiminished. Adobe is at the center of three massive market opportunities across creativity, digital documents and customer experience management which will fuel growth in the near and long term. Businesses must transform to deliver a personalized digital relationship with every customer. The paper-to-digital revolution continues. Creativity and design have never been more relevant. We will continue to lead in these categories and manage the company for the long run while we navigate through this environment.

At times like this, the best companies like Adobe continue to innovate, drive increased focus and emerge stronger than ever before.

John.



JOHN MURPHY

Thanks, Shantanu.

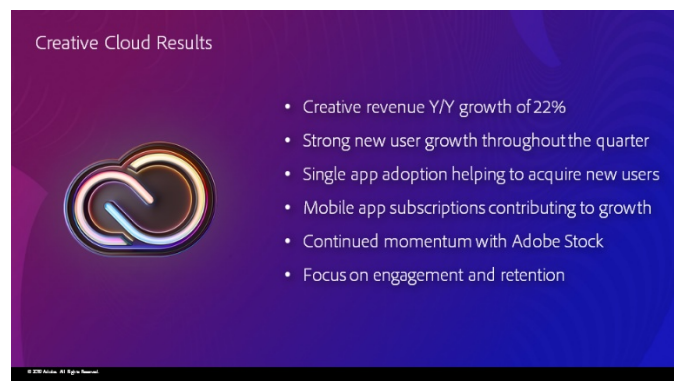
Q1 FY2020 Results		
Total Adobe revenue	\$3.09 billion (19% Y/Y growth)	
Digital Media segment revenue	\$2.17 billion (22% Y/Y growth)	
Digital Media ARR	\$400 million of net new ARR	
Digital Experience segment revenue	\$858 million (15% Y/Y growth)	
Earnings per share	GAAP: \$1.96	Non-GAAP: \$2.27
<ul style="list-style-type: none"> • EPS impacted by a charge related to event cancellations due to COVID-19 • Generated \$1.32 billion of cash flow from operations • Grew Remaining Performance Obligation (RPO) by 22% Y/Y to \$991 billion • Repurchased 2.4 million shares 		

In the first quarter of FY20, Adobe achieved record revenue of \$3.09 billion, which represents 19% year-over-year growth. GAAP diluted earnings per share in Q1 was \$1.96 and non-GAAP diluted earnings per share was \$2.27. Our earnings per share results include a charge related to the cancellation of corporate events including Adobe Summit due to the COVID-19 situation, which lowered both GAAP and non-GAAP EPS by 7 cents in the quarter.

Business and financial highlights in Q1 included:

- Digital Media revenue of \$2.17 billion;
- Net new Digital Media ARR of \$400 million, a record for Q1;
- Digital Experience revenue of \$858 million;
- Generating strong cash flow from operations of \$1.32 billion;

- Growing Remaining Performance Obligation, or RPO, to \$9.91 billion; and
- Repurchasing 2.4 million shares of our stock during the quarter.



In our Digital Media segment, we achieved 22% year-over-year revenue growth in Q1. The addition of \$400 million net new Digital Media ARR grew the total exiting the quarter to \$8.73 billion.

Within Digital Media, we achieved another strong quarter with our Creative business. Creative revenue grew 22% year-over-year and we increased Creative ARR by \$329 million.

Q1 Creative growth drivers included:

- Strong new user growth, starting early in the quarter with Cyber Monday, followed by continued customer acquisition throughout the quarter;
- Single app adoption, as we target new users who are more inclined to adopt Creative Cloud through the use of a specialized application – such as Photoshop, Illustrator, Premiere and Acrobat;
- Mobile app subscriptions, including adoption of Photoshop on the iPad;
- Continued momentum with creative services including Adobe Stock, where revenue again grew by 30% year-over-year; and
- Continued focus on engagement and retention.

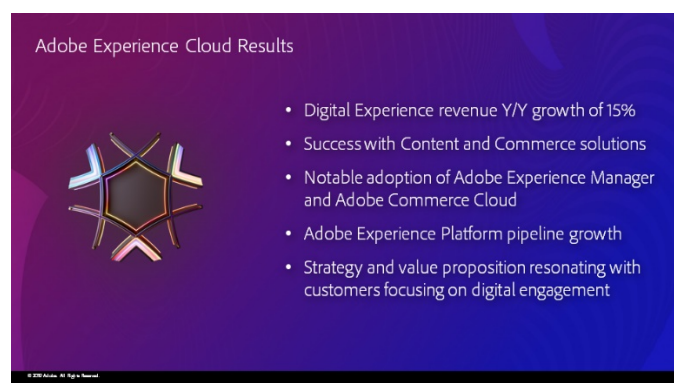


Strong Adobe Document Cloud revenue growth continued in Q1. We achieved record Document Cloud revenue of \$351 million which represents 24% year-over-year growth, and we added \$71 million of net new Document Cloud ARR during the quarter.

Document Cloud performance during Q1 was driven by:

- Consumer adoption of mobile apps, PDF services and Acrobat subscriptions;
- Conversion of free mobile app users to paid subscriptions for services such as Create PDF Online;
- Strong performance with enterprise customers, including new logos and renewals; and
- Document Cloud services adoption, including continued momentum with Adobe Sign revenue which grew greater than 20% year-over-year in Q1.

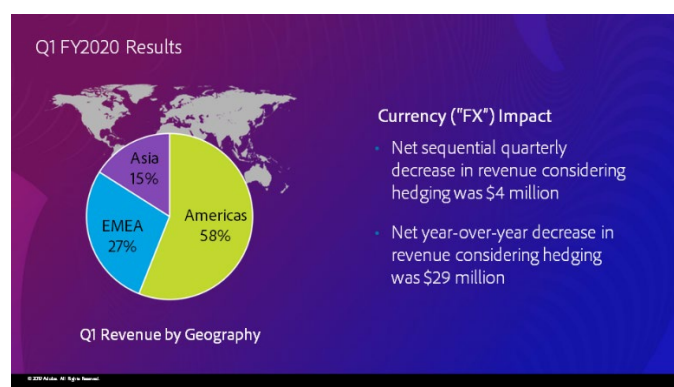
In Digital Media, the COVID-19 situation did not impact our overall business on Adobe.com in Q1. However, we did experience weakness in China, which is primarily a channel-based reseller market.



In our Digital Experience segment, we achieved quarterly revenue of \$858 million, which represents 15% year-over-year growth in Q1. Subscription revenue for the quarter was \$739 million, growing 21% year-over-year, and we grew our Digital Experience bookings by greater than 20% year-over-year.

Q1 Digital Experience highlights include success with our Content and Commerce solutions where we drove notable adoption of Adobe Experience Manager and Adobe Commerce Cloud. During the quarter, we continued to focus on closing Adobe Experience Platform opportunities while growing the pipeline. Our strategy and value proposition continue to resonate with customers who wish to increase their digital engagement with their customers.

In Digital Experience, the impact of the COVID-19 situation in Q1 was some unanticipated deal slippage during the last 10 days of the quarter.



From a quarter-over-quarter currency perspective, FX increased revenue by \$1 million. We had \$7 million in hedge gains in Q1 FY20, versus \$12 million in hedge gains in Q4 FY19; thus, the net sequential currency decrease to revenue considering hedging gains was \$4 million.

From a year-over-year currency perspective, FX decreased revenue by \$27 million. The \$7 million in hedge gains in Q1 FY20 versus the \$9 million in hedge gains in Q1 FY19 resulted in a net year-over-year currency decrease to revenue considering hedging gains of \$29 million.

Adobe's effective tax rate in Q1 was minus 4% on a GAAP basis and 10% on a non-GAAP basis. Both rates were lower than targeted due to a larger-than-expected deduction associated with the vesting of stock-based compensation. The reduction in our quarterly tax rates benefitted GAAP and non-GAAP EPS by \$0.17 and \$0.03, respectively, in the quarter.



Our trade DSO was 41 days, which compares to 46 days in the year-ago quarter, and 47 days last quarter.

Remaining Performance Obligation or "RPO" grew by 22% year-over-year to \$9.91 billion exiting Q1, which compares to \$9.82 billion exiting Q4. The sequential quarter-over-quarter growth was consistent with normal seasonality. Deferred revenue exiting Q1 was \$3.61 billion.

Our ending cash and short-term investment position exiting Q1 was \$4.17 billion, and cash flow from operations was \$1.32 billion in the quarter.

In Q1 we repurchased approximately 2.4 million shares at a cost of \$795 million. We currently have \$4.25 billion remaining of our \$8 billion repurchase authority which goes through 2021.

Q2 FY2020 Targets
March 12, 2020

Total Adobe revenue	~\$3.175 billion	
Digital Media segment revenue	~19% year-over-year growth	
Digital Media ARR	~\$385 million of net new ARR	
Digital Experience segment revenue	~12% year-over-year growth	
Earnings per share	GAAP: ~\$2.10	Non-GAAP: ~\$2.35

- Factoring expected impact from COVID-19 situation into Q2 targets
- Tax rates anticipated to be lower than originally targeted in FY2020
- As a market leader in three large, growing categories, with a real-time business and high percentage of recurring revenue, Adobe well positioned to navigate the global uncertainty created by COVID-19

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 2019 Proxy. Please also see our website for a discussion of these targets and a detailed reconciliation between GAAP and non-GAAP targets.

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Turning to our financial targets, I'd like to review two areas as you think about modeling the rest of our fiscal year.

First, our Q1 tax rates came in lower than planned as I discussed earlier, and we now anticipate both our GAAP and non-GAAP rates to be lower than we originally targeted for the full year. We continue to focus on managing costs and optimizing Adobe's international structure to deliver more value to our customers and investors. We anticipate making changes to our international structure during Q2 and Q4 of this year that will better align ownership of certain intellectual property rights with how our business operates, while allowing us to remain tax efficient.

We now anticipate our GAAP quarterly tax rates to be minus 10%, 10% and minus 85%, in Q2, Q3 and Q4 respectively. The changes to our international structure do not impact our non-GAAP tax rates, and we expect our non-GAAP quarterly tax rate to be 10% in Q2, Q3 and Q4.

The second area is the consideration of business impact we could see because of COVID-19. We have factored into our Q2 targets the expected impact of the global uncertainty caused by the COVID-19 situation as we understand it to date. While our revenue and earnings are relatively predictable as a result of our subscription-based business model, we do expect to be impacted in the following areas:

- Enterprises deferring bookings decisions, delaying consulting services implementations and reducing marketing spend;
- Consumers reducing spending in countries more adversely impacted by the COVID-19 situation; and
- Software license revenue driven by channel partners.

These impacts are expected to be more prominent in countries and industries most affected by the crisis.

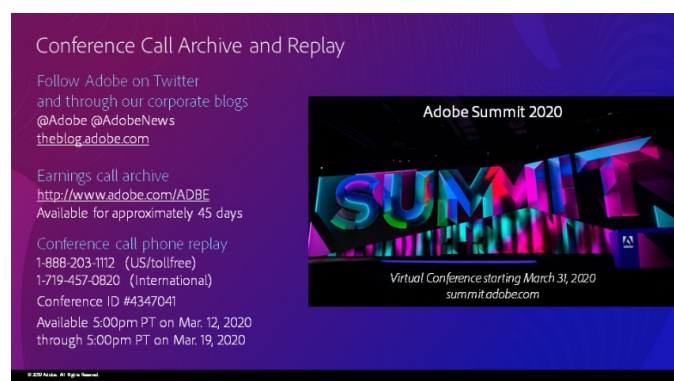
In Q2 FY20 we are targeting:

- Revenue of approximately \$3.175 billion;
- Digital Media segment year-over-year revenue growth of approximately 19%;
- Net new Digital Media ARR of approximately \$385 million;
- Digital Experience segment year-over-year revenue growth of approximately 12%;
- Net non-operating expense of approximately \$14 million;
- Tax rate of approximately minus 10% on a GAAP basis and 10% on a non-GAAP basis;
- Share count of approximately 486 million shares;
- GAAP earnings per share of approximately \$2.10; and
- Non-GAAP earnings per share of approximately \$2.35.

In summary, we continue to believe we are well positioned as the market leader in large, growing categories. The benefits of running a real-time business and the high percentage of our revenue that is recurring enables us to monitor and take action in how we drive revenue or control costs – all of which should enable us to deliver solid results as the world navigates the COVID-19 situation.

Finally, I want to share with you the news that Mike Saviage has decided to retire from Adobe later this year. As the head of Investor Relations, Mike has been an important champion of Adobe's growth and transformation story over the past three decades. We will be appointing an internal replacement and Mike will be on board for the next few months to help us transition the new leader. I want to thank Mike for his many contributions to Adobe and wish him well in his retirement.

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

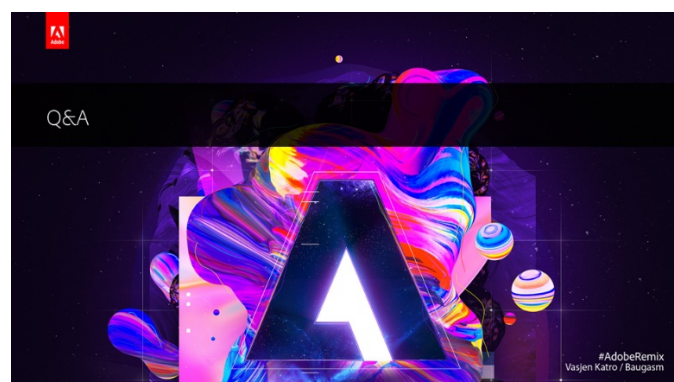


MIKE SAVIAGE

Thanks, John and thank you for those comments.

As we announced last week, we have shifted Adobe Summit – our annual Digital Experience user conference – to be an online event and virtual conference starting on Tuesday March 31st. As the event draws closer, we will provide instructions on the summit.adobe.com website for how to access online keynote presentations and educational sessions, along with the timing of them.

If you wish to listen to a playback of today's conference call, a webcast archive of the call will be available on our IR site later today. Alternatively, you can listen to a phone replay by calling 888-203-1112; use conference ID #4347041. International callers should dial 719-457-0820. The phone playback service will be available beginning at 5pm Pacific Time today and ending at 5pm Pacific Time on March 19th, 2020.



We would now be happy to take your questions, and we ask that you limit your questions to one per person. Operator.