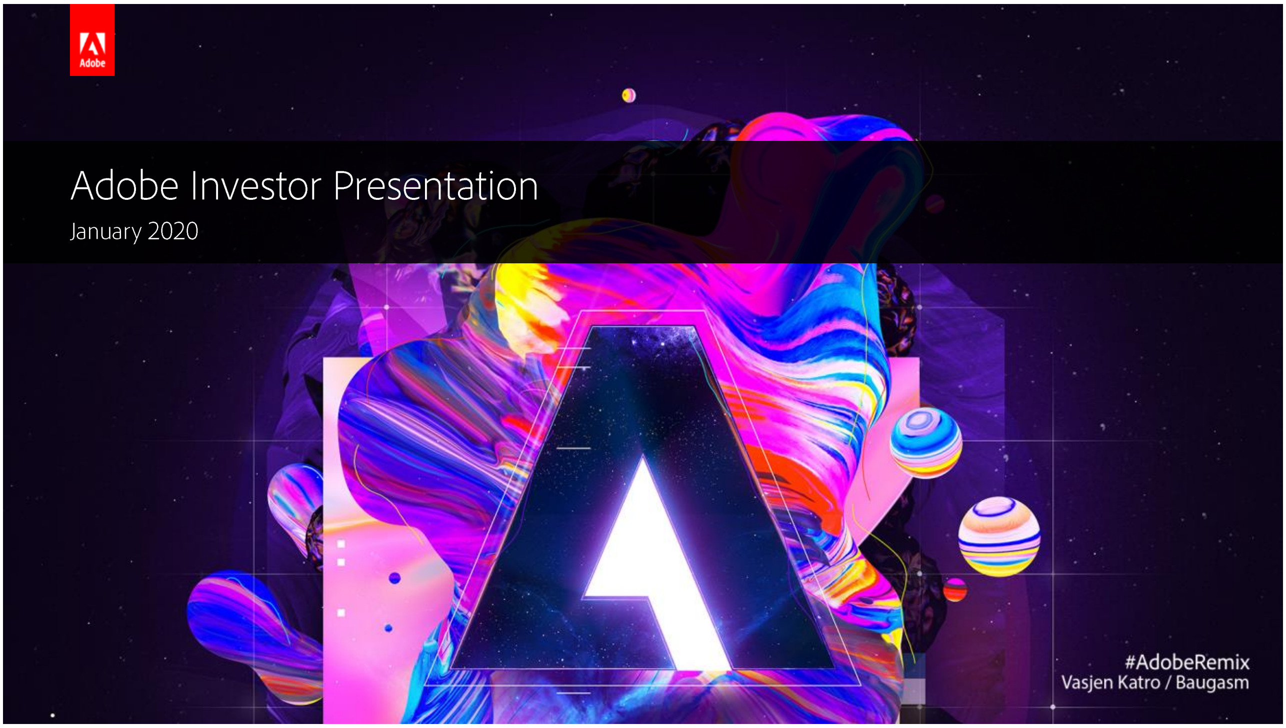
Adobe Investor Presentation

January 2020



1

Financial Disclaimer

Some of the information discussed in this presentation 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 the risks and uncertainties, you should review Adobe's SEC filings, including the annual report on Form 10-K for fiscal year 2019 and the quarterly reports on Form 10-Q filed by the company in 2020. In our presentation, we may discuss non-GAAP financial measures. The GAAP financial measures that correspond to such non-GAAP measures, as well as the reconciliation between the two, are available on our website at http://www.adobe.com/ADBE.

Adobe does not undertake an obligation to update forward-looking statements.

2


Changing the World Through Digital Experiences
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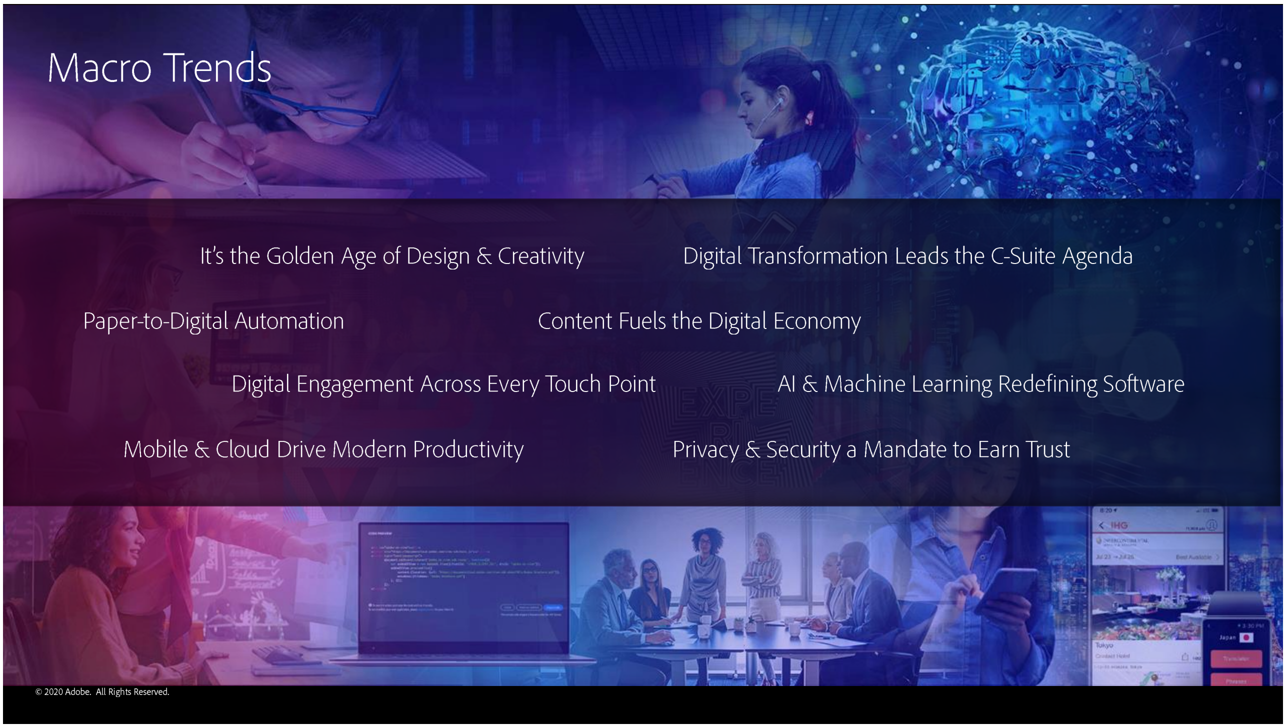
Macro Trends
It's the Golden Age of Design & Creativity
Digital Transformation Leads the C-Suite Agenda
Paper-to-Digital Automation
Content Fuels the Digital Economy
Digital Engagement Across Every Touch Point
AI & Machine Learning Redefining Software
Mobile & Cloud Drive Modern Productivity
Privacy & Security a Mandate to Earn Trust
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Adobe's Strategy

Unleashing *Creativity*

Accelerating *Document Productivity*

Powering *Digital Businesses*

5

Strategic Growth Vectors

Growing Customer Universe
Driving engagement from
consumers to the world's largest companies

Core Assets
Customers
Technology
Brand

Category Creation & Expansion
Innovating in Creativity, Documents
& Customer Experience Management

Apps + Services + Platforms
Expanding offerings
& monetization opportunities

6

Adobe Creative Cloud: Unleashing Creativity

- Creating & leading categories with multi-surface systems
- Expanding universe of users
- Innovative services fueling new market opportunities
- Data-driven customer insights driving ARR growth

7

Adobe Document Cloud: Accelerating Document Productivity

- PDF is the de-facto electronic document format
- Reader ubiquity on desktop, mobile & web
- Acrobat on all surfaces to deliver "document verb" capabilities
- Embedding PDF across cloud & apps through document services
- New customer acquisition, web & mobile offerings & migration to subscription driving unit & ARR growth

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Adobe Experience Cloud: Powering Digital Businesses

- Decade of leadership in Digital Marketing category
- Integrated suite designed to manage digital customer journeys across B2C, B2B, enterprise & midmarket
- Introduced generational innovation through new product & Experience Platform delivery in 2019
- Content, data & Sensei services unique differentiators
- Positioned to lead in explosive CXM category & drive subscription revenue growth

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Adobe Sensei

Creative intelligence

Document intelligence

Experience intelligence

Putting domain-specific artificial intelligence and machine learning at the center of amazing digital experiences

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Broad Range of Customers and Routes to Market

Unleashing *Creativity*	Accelerating *Document Productivity*	Powering *Digital Businesses*
ADOBE.COM	MID-MARKET	ENTERPRISE
Data-driven consumer engagement & "Customer Zero"	Resellers, inside sales & volume demand-gen to SMB & enterprises	High touch, consultative selling to Fortune 5000 & public sector

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Thriving Ecosystem

Community

~18M
Behance Members

>550,000
Education Exchange Members

~70,000
Solution Partner Members

~350,000
Magento Developers

>550,000
Experience League Visitors

Technology

Microsoft, SAP, SAMSUNG, facebook, Hootsuite, NVIDIA, workday, PayPal, servicenow, slack, ATLASSIAN

Solutions

PUBLICIS GROUPE, accenture, WPP, Deloitte., dentsu AEGIS network, Cognizant, EY, pwc, TATA, Capgemini, IBM, OmnicomGroup, wipro, Infosys

Source: Adobe, November 2019

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Adobe's Growth Advantage
~$128B
2022 Total Addressable Market
Category Creation & Expansion
Loyal & Growing Customer Universe
Innovative Technology Platforms
Globally Admired Brand
Unique Financial Profile
Source: Adobe, November 2019
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Adobe's Digital Media Business
Unleashing
Creativity
Accelerating
Document Productivity
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Digital Media Customers
Creative Professionals
Communicators
Consumers
Freelancers · Small Businesses · Agencies · Education · Enterprises · Governments · ISVs
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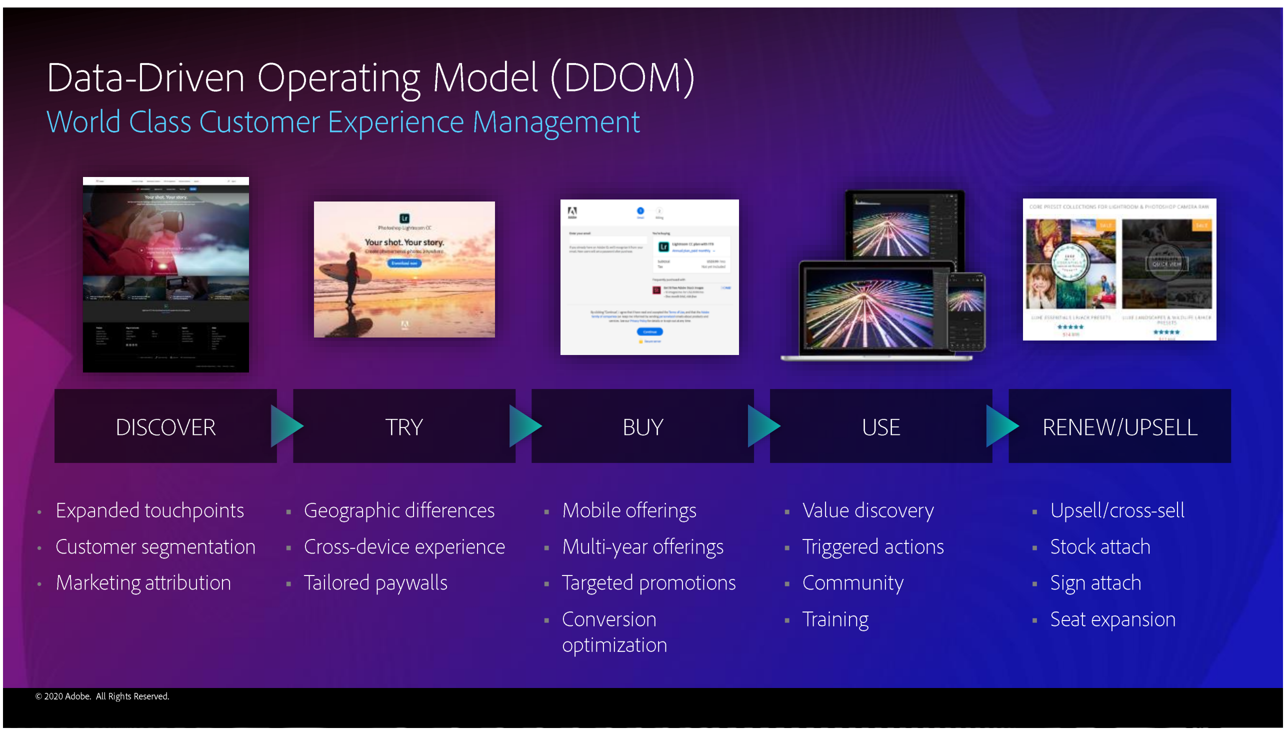
Data-Driven Operating Model (DDOM)
World Class Customer Experience Management
DISCOVER
TRY
BUY
USE
RENEW/UPSELL
Expanded touchpoints
Customer segmentation
Marketing attribution
Geographic differences
Cross-device experience
Tailored paywalls
Mobile offerings
Multi-year offerings
Targeted promotions
Conversion optimization
Value discovery
Triggered actions
Community
Training
Upsell/cross-sell
Stock attach
Sign attach
Seat expansion
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Digital Media Business Momentum
Digital Media Annualized Recurring Revenue (ARR)
$10B
$8B
$6B
$4B
$2B
$0B
$8.4B
Q1FY16
Q2FY16
Q3FY16
Q4FY16
Q1FY17
Q2FY17
Q3FY17
Q4FY17
Q1FY18
Q2FY18
Q3FY18
Q4FY18
Q1FY19
Q2FY19
Q3FY19
Q4FY19
Creative Cloud ARR
Document Cloud ARR
Source: Adobe
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Business Momentum
Digital Media ARR & Revenue
$10
$8
$6
$4
$2
$0
$Billions
FY2016
FY2017
FY2018
FY2019
ARR
Revenue
• Momentum continues with expected record net new ARR in FY2019
• Multiple drivers contributing to accelerated ARR performance
• Creative Cloud growth continues
• Adobe Document Cloud revenue growth accelerates after move to subscriptions
Source: Adobe; FY2019 ARR is based on November 2018 FX rates held constant through the year; FY2016-FY2018 ARR amounts are based on revalued FX rates exiting each fiscal year
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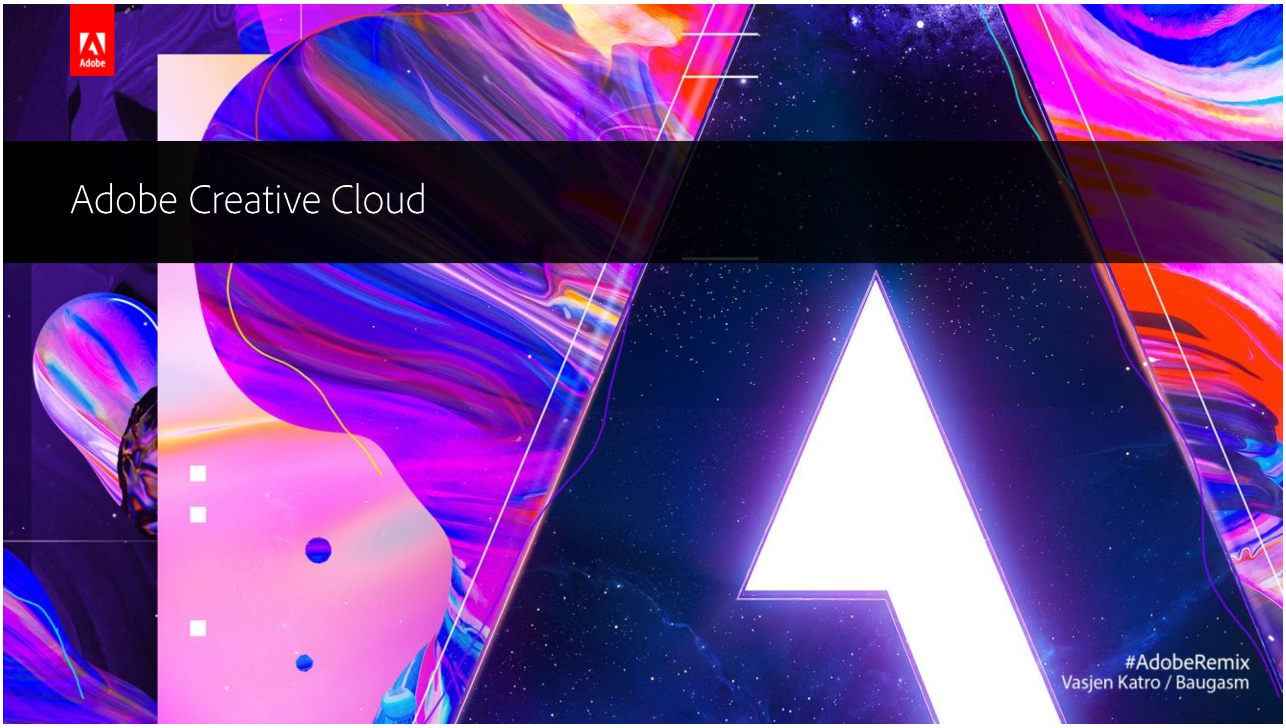
Adobe
Adobe Creative Cloud
#AdobeRemix
Vasjen Katro / Baugasm

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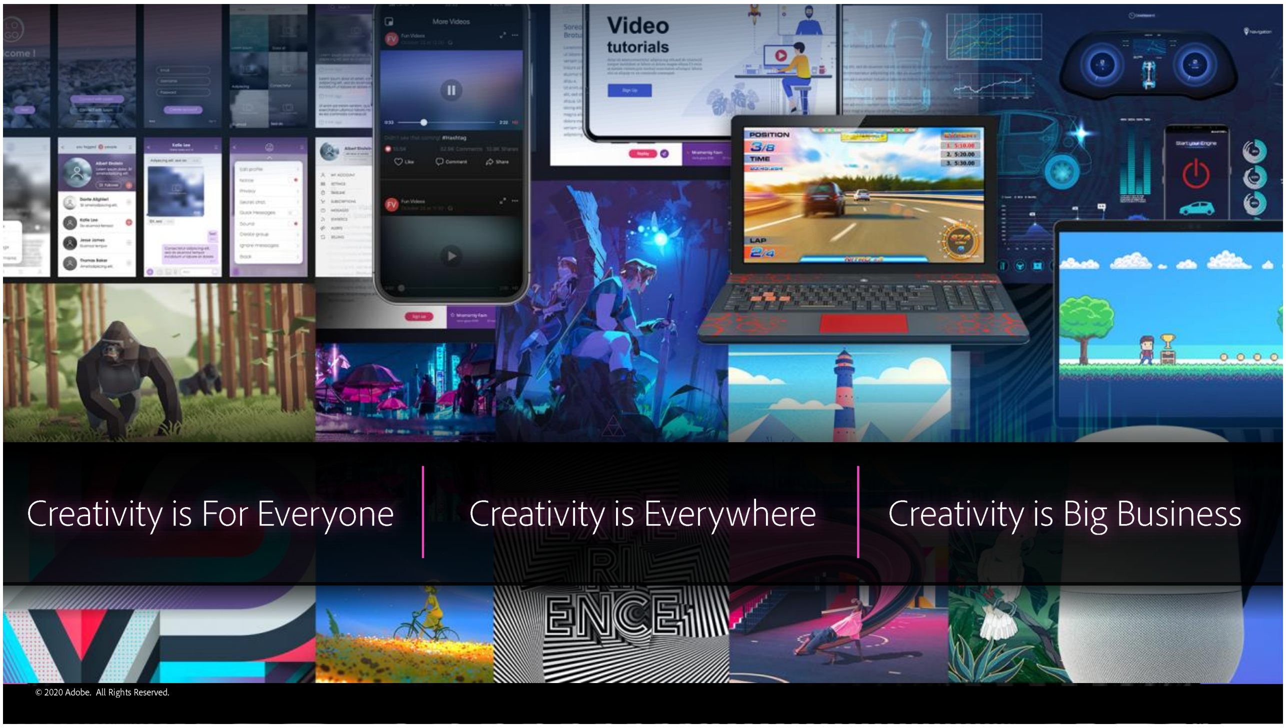
Video
tutorials
Creativity is For Everyone
Creativity is Everywhere
Creativity is Big Business
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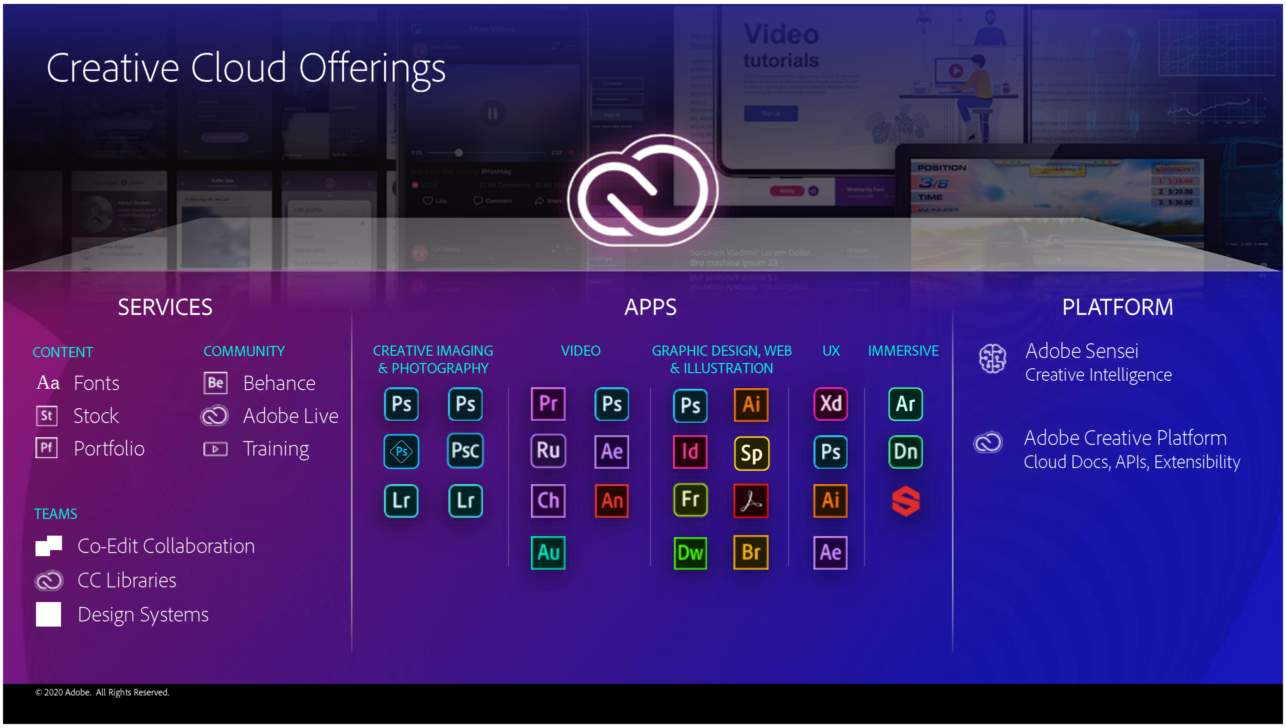
Creative Cloud Offerings
SERVICES
CONTENT
Aa Fonts
St Stock
Pf Portfolio
COMMUNITY
Be Behance
Adobe Live
Training
TEAMS
Co-Edit Collaboration
CC Libraries
Design Systems
APPS
CREATIVE IMAGING & PHOTOGRAPHY
Ps Ps Psc Lr Lr
VIDEO
Pr Ps Ru Ae Ch An Au
GRAPHIC DESIGN, WEB & ILLUSTRATION
Ps Ai Id Sp Fr Dw Br
UX
Xd Ps Ai Ae
IMMERSIVE
Ar Dn
PLATFORM
Adobe Sensei
Creative Intelligence
Adobe Creative Platform
Cloud Docs, APIs, Extensibility
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Creative Cloud Business Momentum
>50%
Cumulative new subscribers to Creative Cloud franchise
>90%
Enterprise seats with services
>15%
Y/Y seat growth in Enterprise
>40%
Y/Y revenue growth for Adobe Stock
~18M
Behance members
>200M
Mobile IDs created
~100%
Y/Y growth in mobile units
>5M
Adobe XD downloads
>23M
Students with Adobe Spark
Source: Adobe, as of Q3 FY2019
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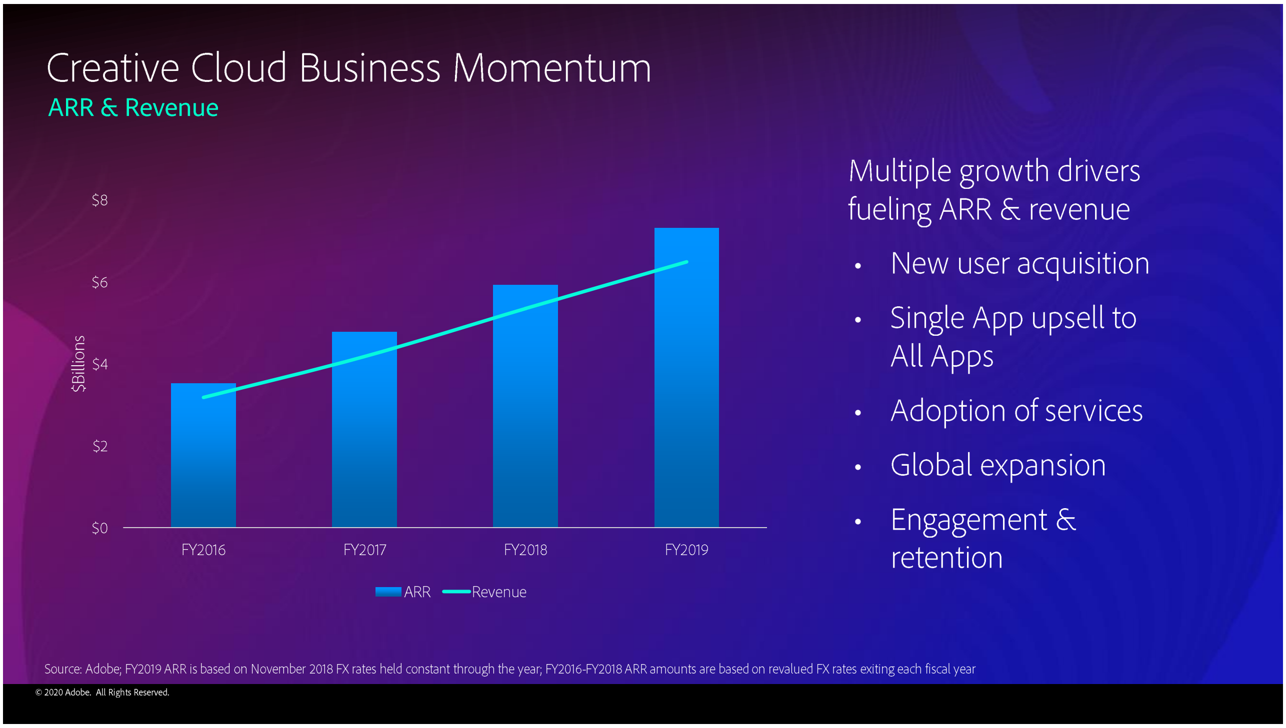
Creative Cloud Business Momentum
ARR & Revenue
$8
$6
$4
$2
$0
$Billions
FY2016
FY2017
FY2018
FY2019
ARR
Revenue
Multiple growth drivers fueling ARR & revenue
• New user acquisition
• Single App upsell to All Apps
• Adoption of services
• Global expansion
• Engagement & retention
Source: Adobe; FY2019 ARR is based on November 2018 FX rates held constant through the year; FY2016-FY2018 ARR amounts are based on revalued FX rates exiting each fiscal year
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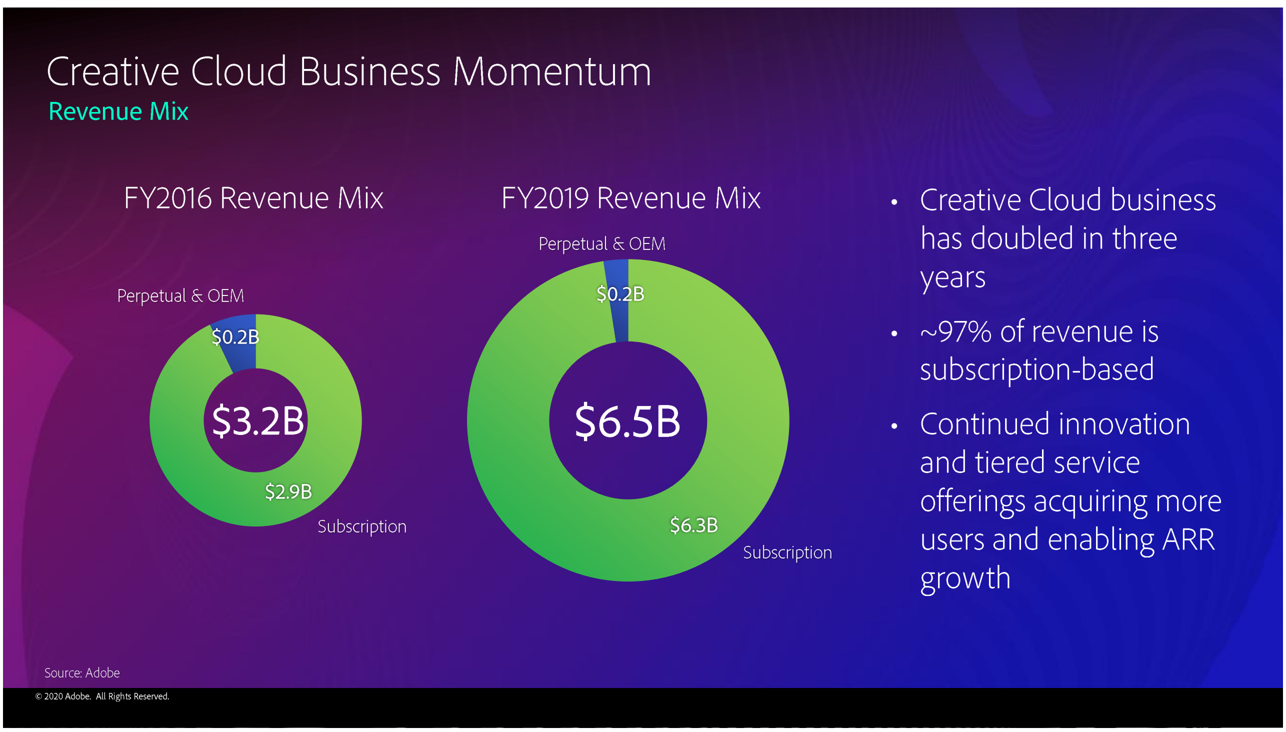
Creative Cloud Business Momentum
Revenue Mix
FY2016 Revenue Mix
Perpetual & OEM
$0.2B
$3.2B
$2.9B
Subscription
FY2019 Revenue Mix
Perpetual & OEM
$0.2B
$6.5B
$6.3B
Subscription
• Creative Cloud business has doubled in three years
• ~97% of revenue is subscription-based
• Continued innovation and tiered service offerings acquiring more users and enabling ARR growth
Source: Adobe
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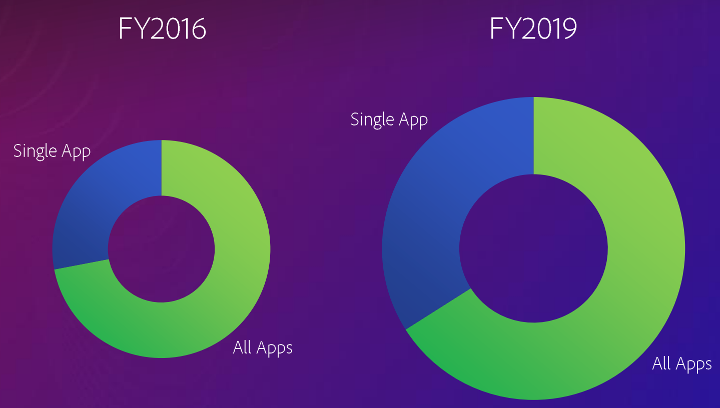
Creative Cloud Business Momentum

Creative ARR: Single App vs. All Apps



- Good mix of new and existing customers for Single App and All Apps
- New customer acquisition ramped up by Single App adoption
- Two-thirds of Creative ARR is based on All Apps subscribers

Source: Adobe; excludes ARR associated with enterprise site licensing

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Creative Professional Market Opportunity

Total Potential Users in 2022

~10M
Students in Creative Majors

~35M
Creative Pros
Freelance, Agencies, SMB, Enterprise

- Exploding job market for Creatives
- Multi-surface systems
- Emerging categories including screen design, 3D & AR
- Growing portfolio of services
- Remaining migration & non-genuine conversion
- Global market expansion

Source: Adobe, International Labor Organization, U.S Bureau of Labor Statistics, Business Software Alliance

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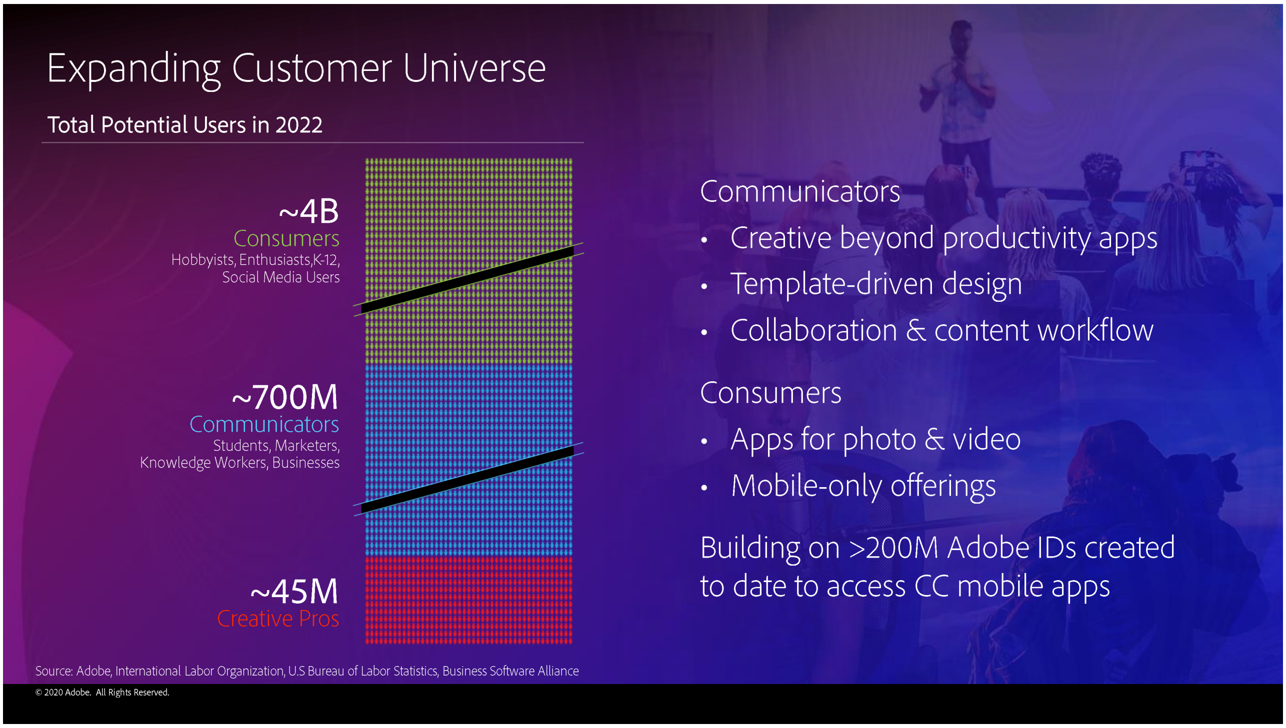
Expanding Customer Universe
Total Potential Users in 2022
~4B
Consumers
Hobbyists, Enthusiasts, K-12, Social Media Users
~700M
Communicators
Students, Marketers, Knowledge Workers, Businesses
~45M
Creative Pros
Communicators
• Creative beyond productivity apps
• Template-driven design
• Collaboration & content workflow
Consumers
• Apps for photo & video
• Mobile-only offerings
Building on >200M Adobe IDs created to date to access CC mobile apps
Source: Adobe, International Labor Organization, U.S Bureau of Labor Statistics, Business Software Alliance
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2022 Creative Cloud Total Addressable Market
2022 Creative Cloud TAM
~$31B
~$15B
Creative Professionals
• Creative job growth
• Multi-surface systems
• New media categories
• Services
~$12B
Communicators
• Creative content beyond productivity apps
• Template-driven design
• Collaboration & content workflow
~$4B
Consumers
• Apps for photo & video
• Mobile only offerings
Source: Adobe, November 2019
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Creative Cloud Strategy

Drive Customer Engagement	Extend Category Leadership	Accelerate Individual & Team Productivity	Expand to Communicators & Consumers	Embrace New Media Types

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Drive Customer Engagement

First Mile	Creative Cloud Web & Desktop	In-App Learning	Community

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Extend Category Leadership
Creative Imaging & Photography
Video
Graphic Design, Web & Illustration
UX
Immersive
Ps Photoshop
Ps Photoshop on iPad
Ps Photoshop Express
PsC Photoshop Camera
Lr Lightroom Mobile
Lr Lightroom
Pr Premiere Pro
Ps Photoshop
Ru Premiere Rush
Ae After Effects
Ch Character Animator
An Animate
Au Audition
Ai Illustrator
Ps Photoshop
Ai Illustrator
Id InDesign
Sp Spark
Fr Fresco
Br Bridge
Dw Dreamweaver
Acrobat
Xd XD
Ps Photoshop
Ai Illustrator
Ae After Effects
Ar Aero
Dn Dimension
Substance
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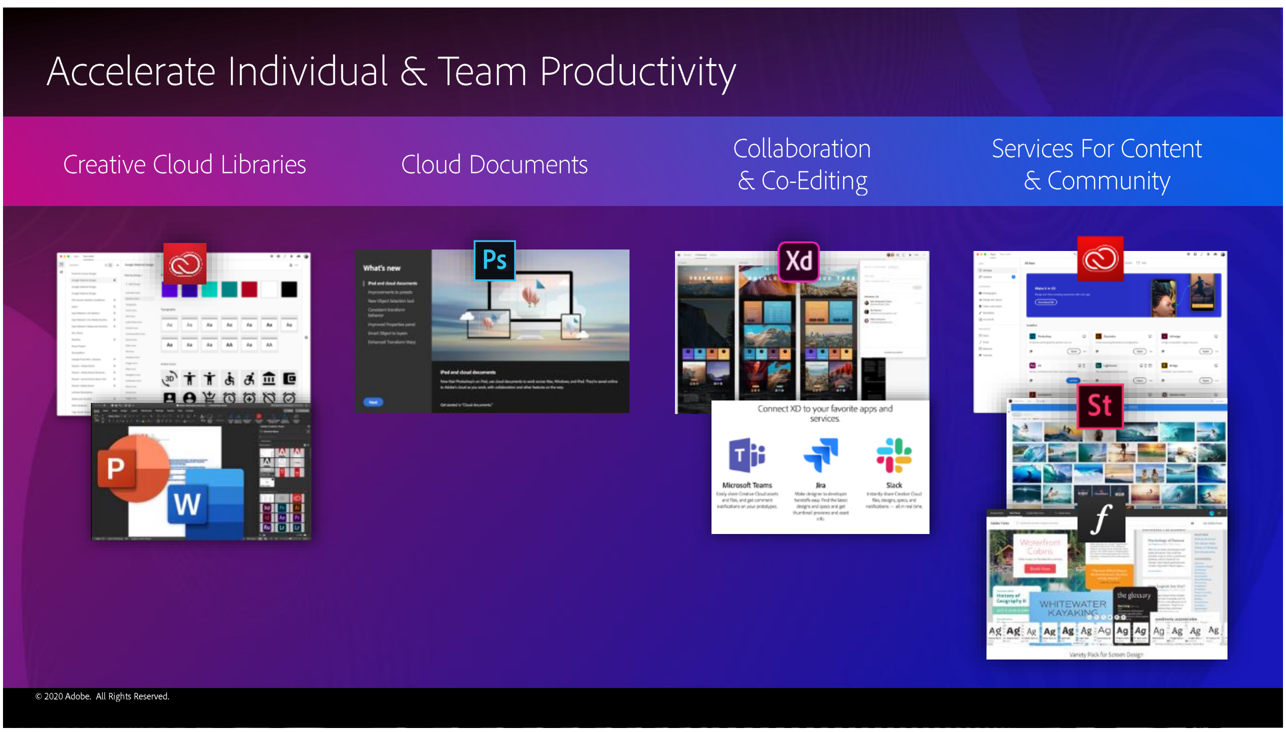

Accelerate Individual & Team Productivity
Creative Cloud Libraries
Cloud Documents
Collaboration & Co-Editing
Services For Content & Community
What's new
Ps
Xd
Connect XD to your favorite apps and services
Microsoft Teams
Jira
Slack
St
WHITEWATER KAYAKING
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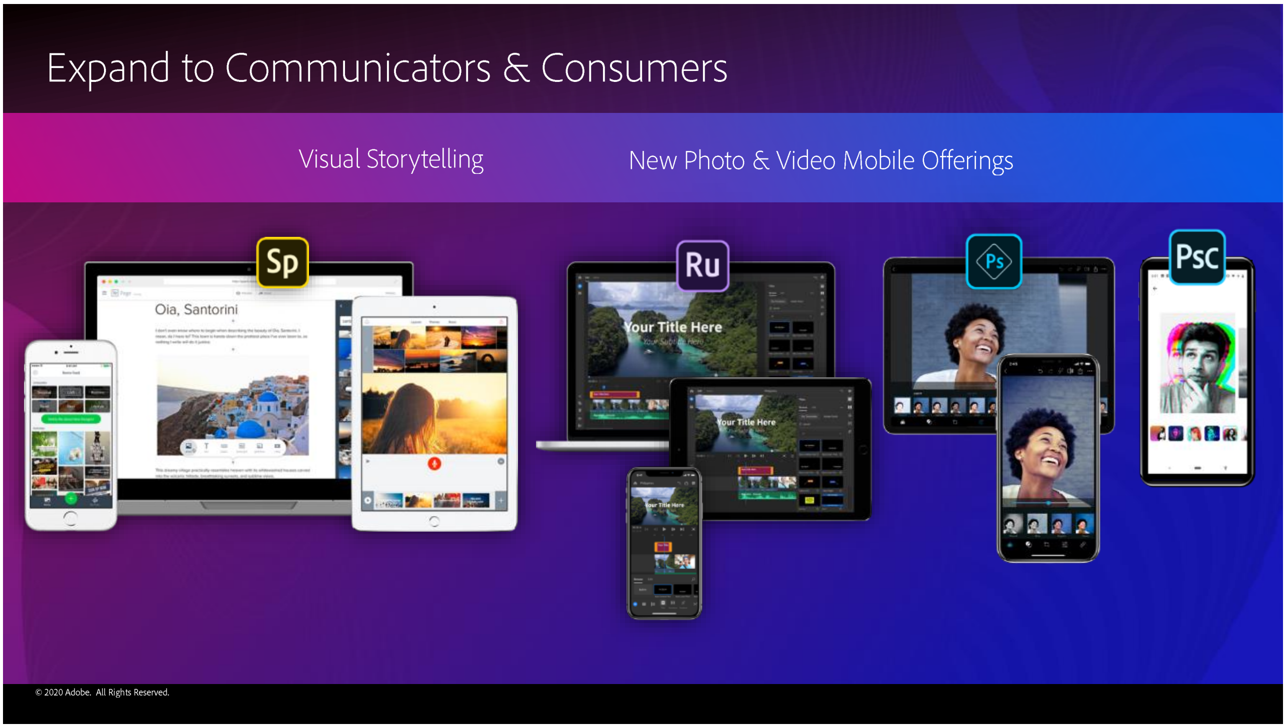
Expand to Communicators & Consumers
Visual Storytelling
New Photo & Video Mobile Offerings
Sp
Oia, Santorini
Ru
Your Title Here
Ps
PsC
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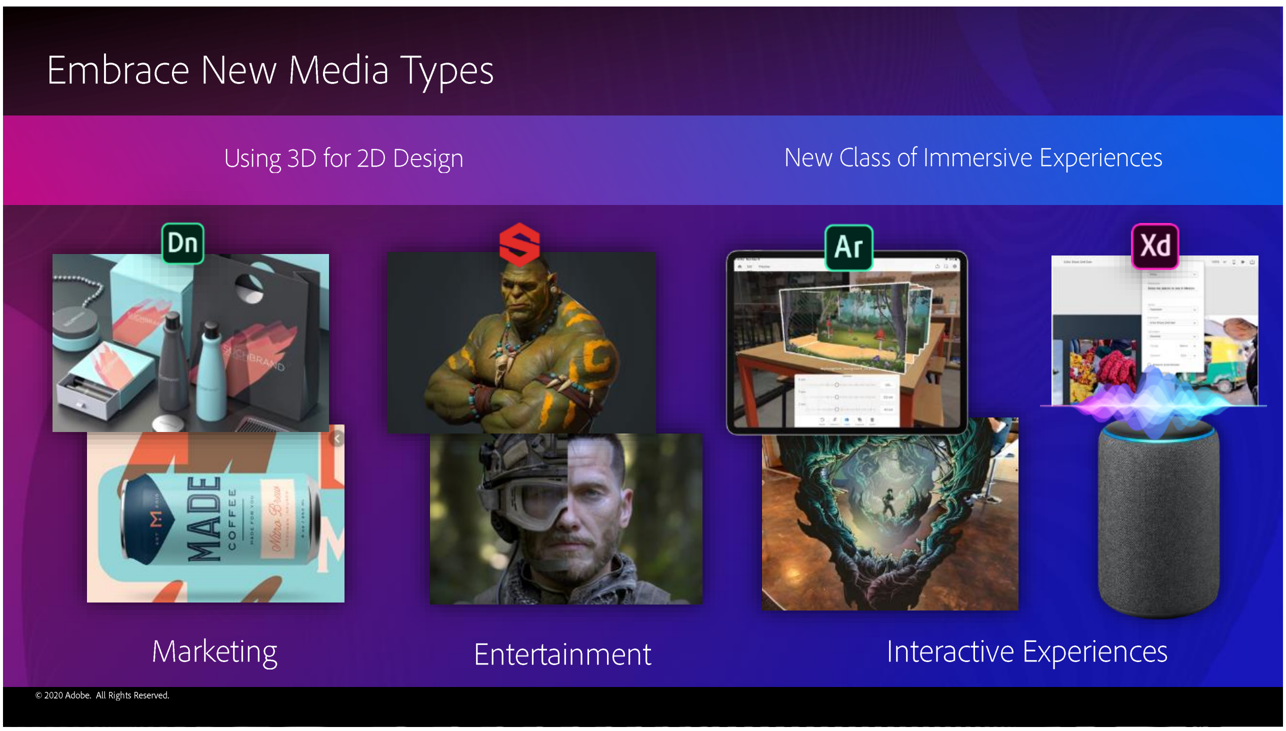
Embrace New Media Types
Using 3D for 2D Design
New Class of Immersive Experiences
Dn
MADE
COFFEE
Ar
Xd
Marketing
Entertainment
Interactive Experiences
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Creative Cloud Growth Drivers

~$31B

2022 Creative Cloud TAM

Creative Professionals | *Communicators* | *Consumers*

Growth in new creative jobs · K12 & higher ed student adoption · New media types 3D & AR

SMB & enterprise seat expansion · Stock content · Global expansion · Collaboration

Social media marketers · Photography & imaging enthusiasts · YouTubers & video enthusiasts

Anti-piracy · Free-to-paid · Mobile offerings · Partnerships · Learn & training

CS migration to subscriptions · Elements migration to subscriptions · Lightroom migration to subscriptions

Source: Adobe, November 2019

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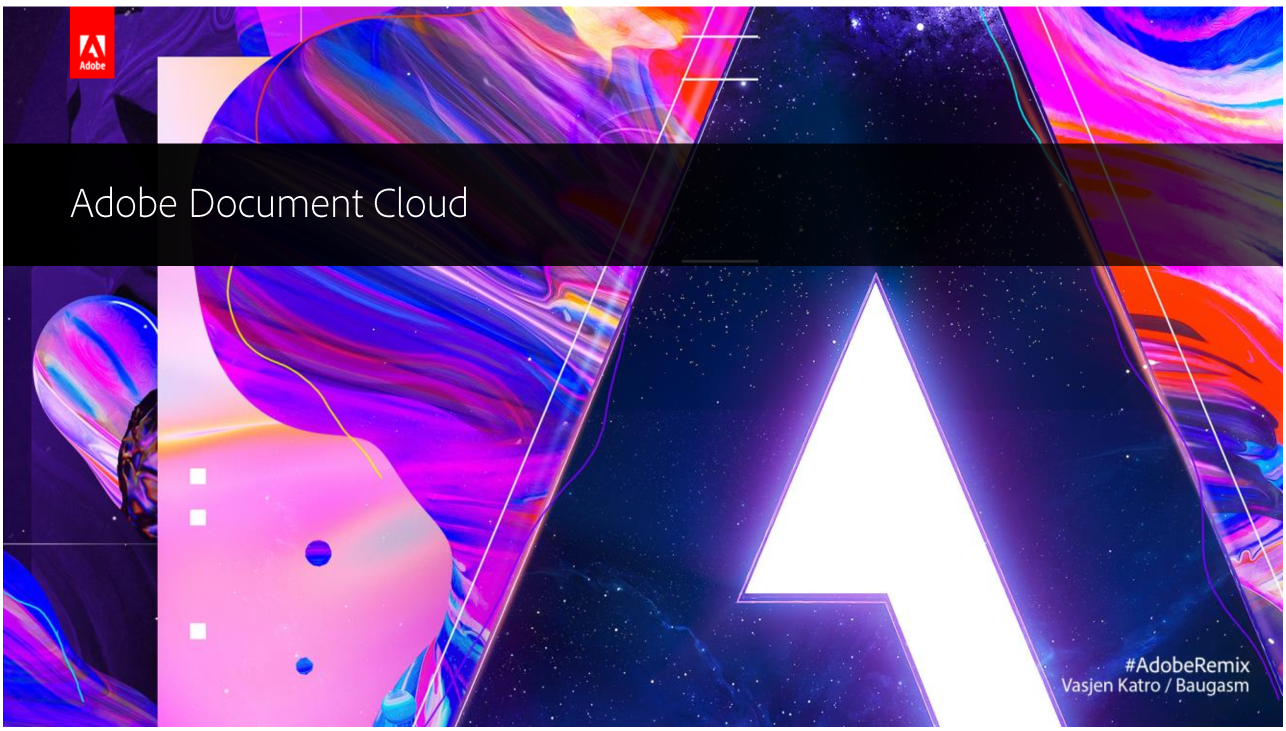

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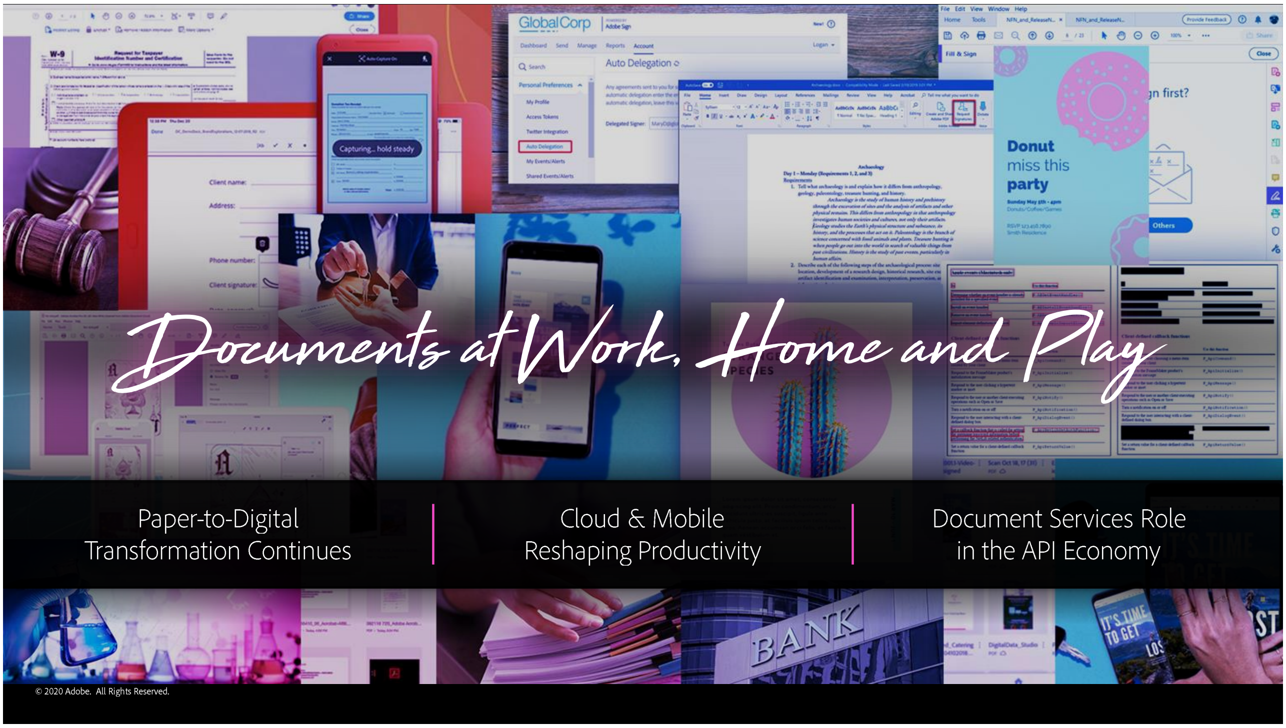
Documents at Work, Home and Play
Paper-to-Digital
Transformation Continues
Cloud & Mobile
Reshaping Productivity
Document Services Role
in the API Economy
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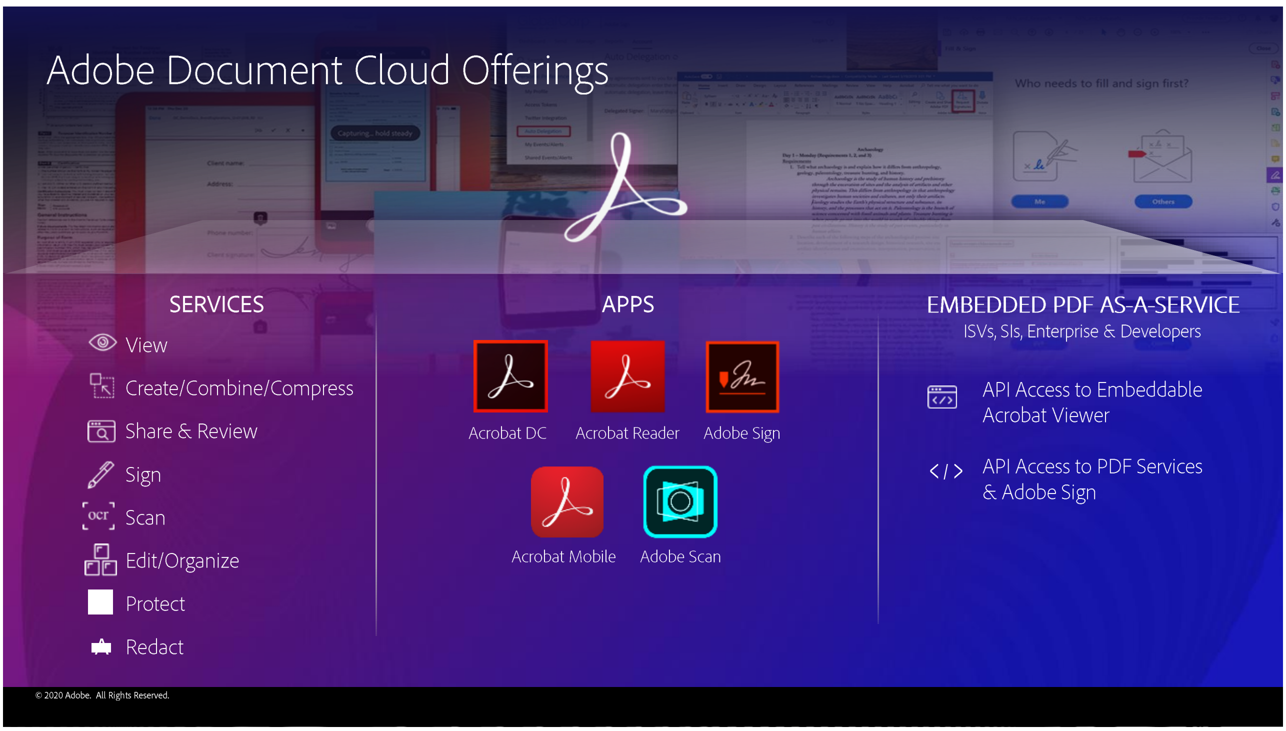
Adobe Document Cloud Offerings
SERVICES
View
Create/Combine/Compress
Share & Review
Sign
Scan
Edit/Organize
Protect
Redact
APPS
Acrobat DC
Acrobat Reader
Adobe Sign
Acrobat Mobile
Adobe Scan
EMBEDDED PDF AS-A-SERVICE
ISVs, SIs, Enterprise & Developers
API Access to Embeddable
Acrobat Viewer
API Access to PDF Services
& Adobe Sign
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Adobe Document Cloud Business Momentum

~2B
Mobile + Desktop devices with Reader or Acrobat installed

>100M
Mobile IDs created in past 2 years

~130%
Y/Y growth in scans uploaded to Document Cloud

>20%
Acrobat Y/Y unit growth for 3 consecutive years[1]

>40%
Of subscribers are new to Acrobat franchise

>60%
Channel units are subscriptions[2]

>70%
Enterprise book of business that has purchased services

>400%
Y/Y growth of Adobe Sign transactions in Acrobat

Source: Adobe, as of Q3FY19
[1] Across Creative Cloud and Adobe Document Cloud, Q2FY17 through Q3FY19
[2] Subscription units as a percentage of total units licensed through reseller channel including perpetually licensed units

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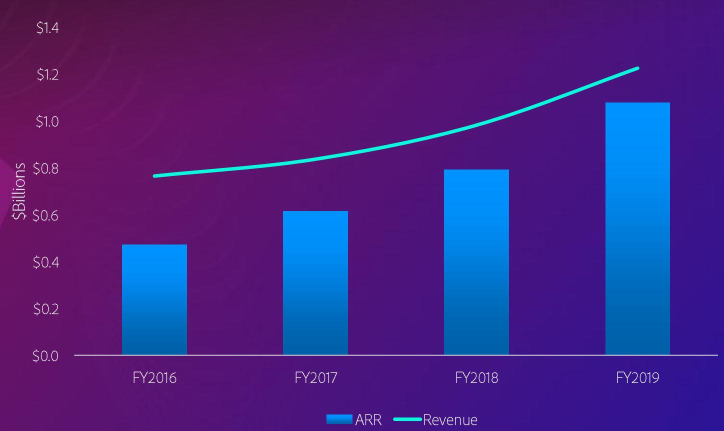
Adobe Document Cloud Business Momentum

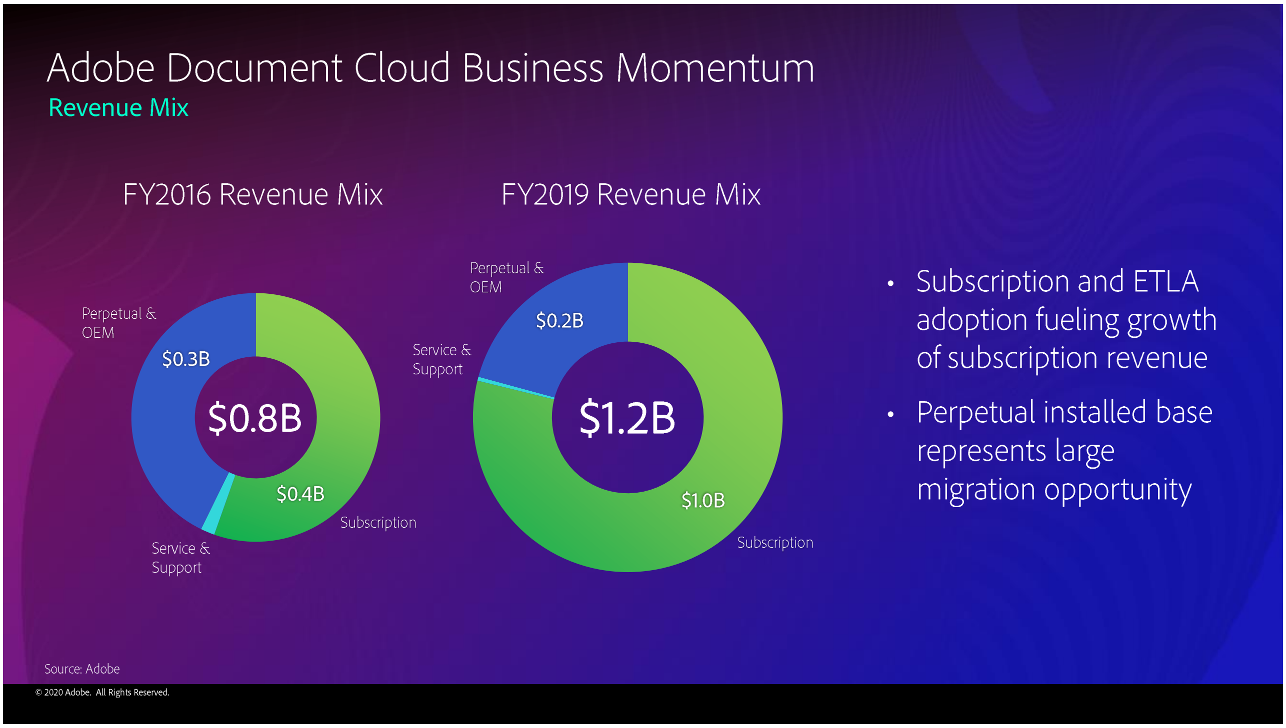
ARR & Revenue



- Acceleration in growth driven by new customer acquisition and stacking effect of subscriptions
- Incremental performance driven by new growth drivers
  - PDF services
  - Reader & mobile upsell
  - Migration of perpetual licenses to subscriptions

Source: Adobe; FY2019 ARR is based on November 2018 FX rates held constant through the year; FY2016-FY2018 ARR amounts are based on revalued FX rates exiting each fiscal year

40


Adobe Document Cloud Business Momentum
Revenue Mix
FY2016 Revenue Mix
Perpetual & OEM
$0.3B
$0.8B
$0.4B
Subscription
Service & Support
FY2019 Revenue Mix
Perpetual & OEM
$0.2B
Service & Support
$1.2B
$1.0B
Subscription
• Subscription and ETLA adoption fueling growth of subscription revenue
• Perpetual installed base represents large migration opportunity
Source: Adobe
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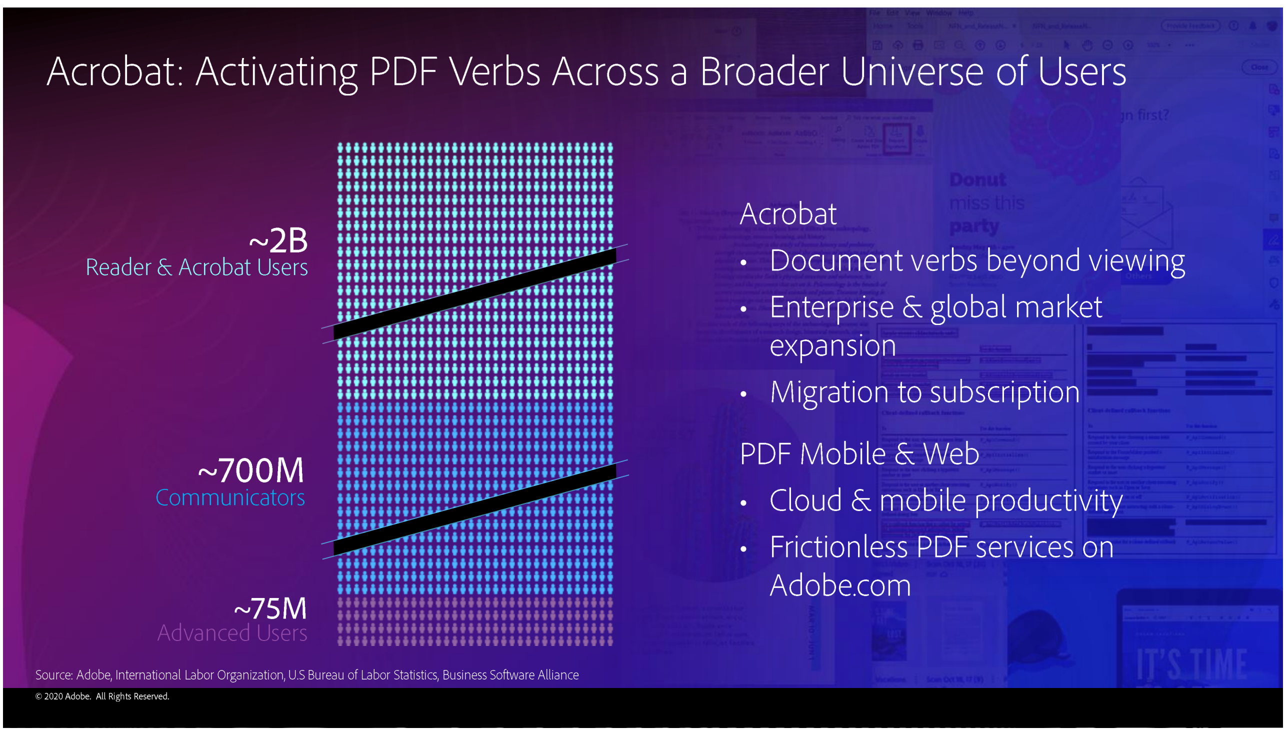
Acrobat: Activating PDF Verbs Across a Broader Universe of Users
~2B
Reader & Acrobat Users
~700M
Communicators
~75M
Advanced Users
Acrobat
• Document verbs beyond viewing
• Enterprise & global market expansion
• Migration to subscription
PDF Mobile & Web
• Cloud & mobile productivity
• Frictionless PDF services on Adobe.com
Source: Adobe, International Labor Organization, U.S Bureau of Labor Statistics, Business Software Alliance
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Embedded Document Services: Expanding PDF Beyond Acrobat

Trillions
of PDFs created every year

- eSignatures & workflows
- Embedded PDF-as-a-Service
- Document intelligence

~2B
Reader & Acrobat Users

Source: Adobe, International Labor Organization, U.S Bureau of Labor Statistics, Business Software Alliance

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2022 Document Cloud Total Addressable Market

2022 Document Cloud TAM

~$13B

~$7B
Acrobat Applications

- PDF category growth
- Expansion of Acrobat verbs
- Migration of perpetual users to subscriptions
- New mobile products
- Frictionless web experiences

~$6B
Document Services Platform

- eSignatures
- Embedded PDF-as-a-Service
- Document intelligence services

Source: Adobe, November 2019

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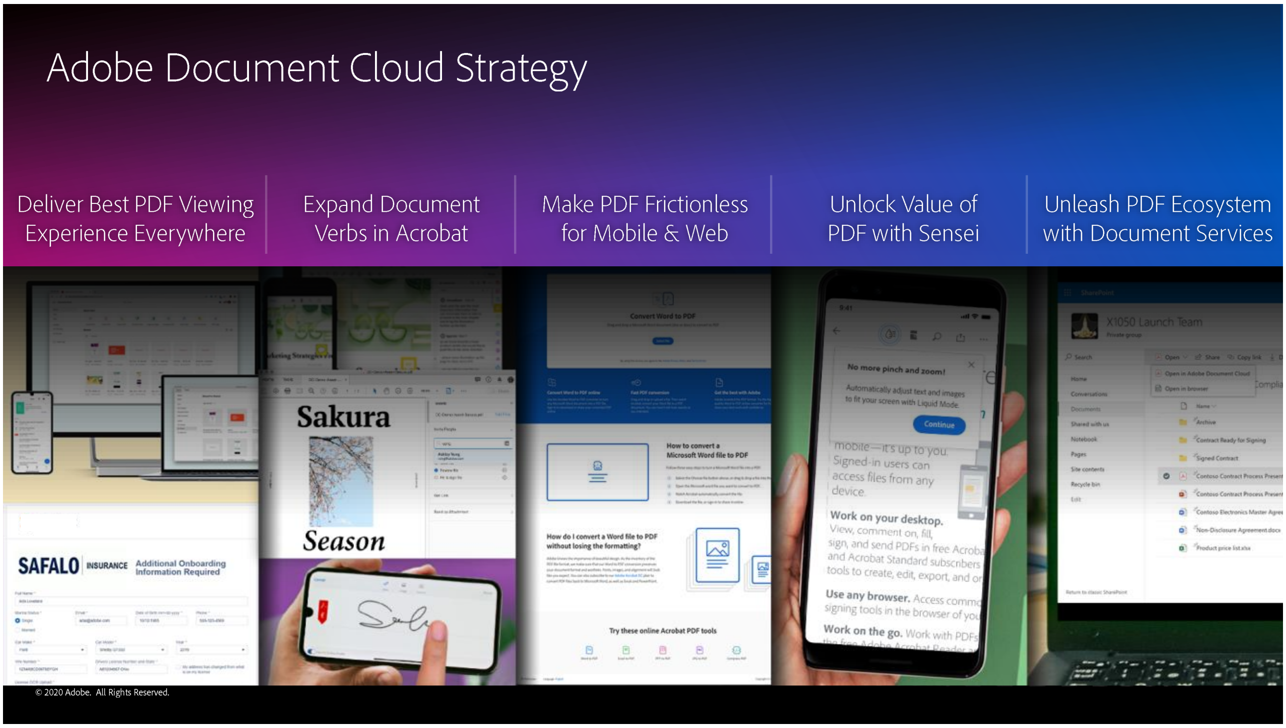

Adobe Document Cloud Strategy
Deliver Best PDF Viewing Experience Everywhere
Expand Document Verbs in Acrobat
Make PDF Frictionless for Mobile & Web
Unlock Value of PDF with Sensei
Unleash PDF Ecosystem with Document Services
SAFALO INSURANCE Additional Onboarding Information Required
Sakura
Season
No more pinch and zoom!
Work on your desktop.
Use any browser.
Work on the go.
X1050 Launch Team
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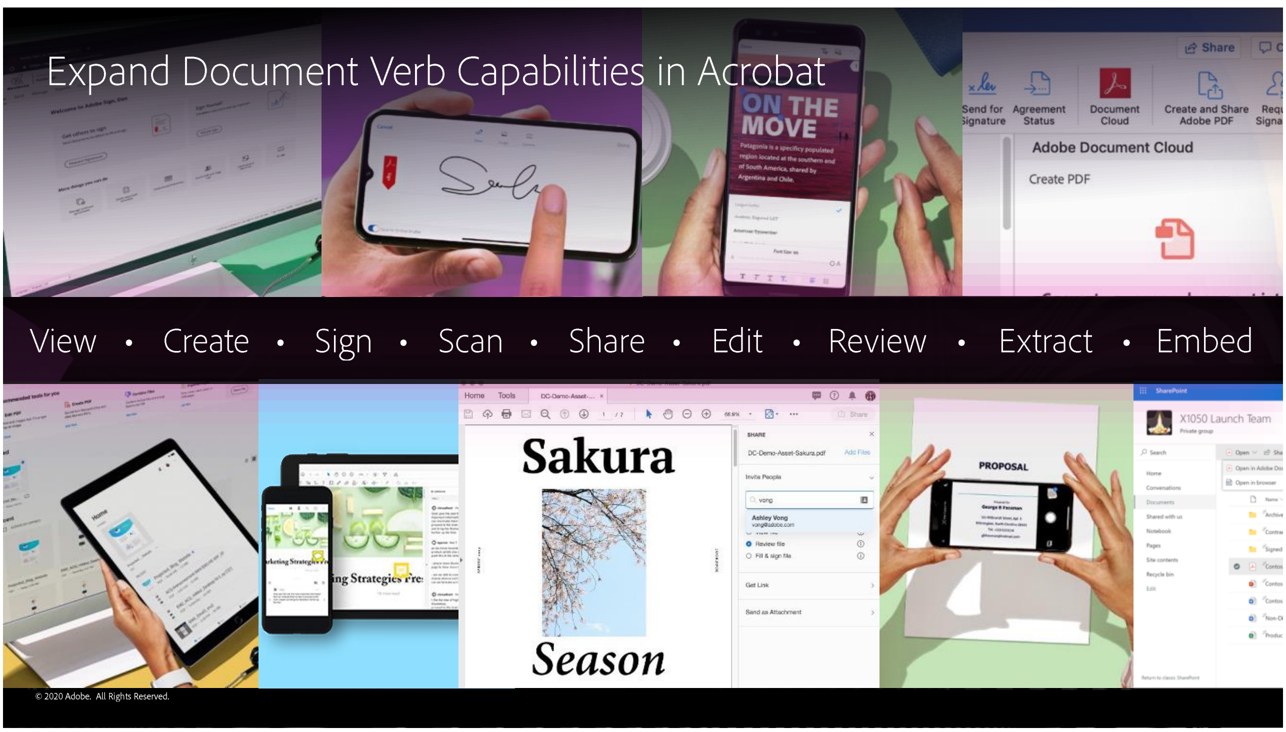

Expand Document Verb Capabilities in Acrobat
ON THE MOVE
Send for Signature
Agreement Status
Document Cloud
Create and Share Adobe PDF
Adobe Document Cloud
Create PDF
View • Create • Sign • Scan • Share • Edit • Review • Extract • Embed
Sakura
Season
PROPOSAL
X1050 Launch Team
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Deliver PDF Services for Mobile & Web

- Launched Create, Compress & Convert as services on Adobe.com
- Enabled PDF editing in Acrobat mobile
- Extended Scan leadership with Adobe Sensei
- Introduced paid funnel for Acrobat mobile

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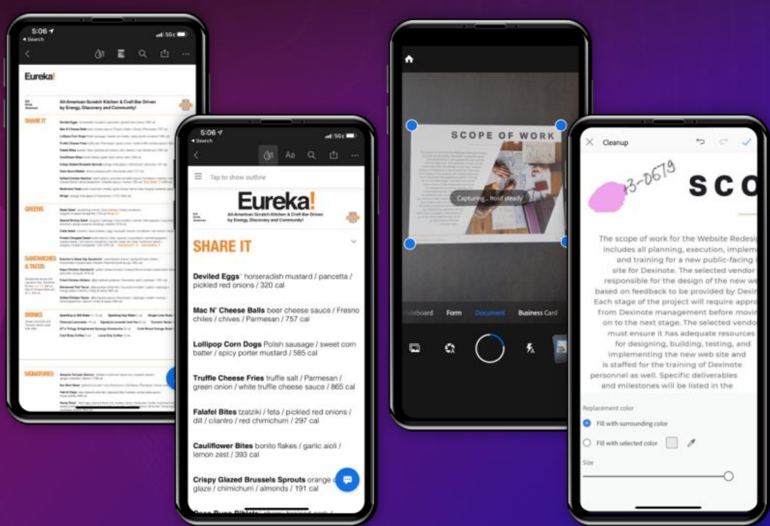
Unlock Value of PDF with Sensei



- Started global rollout of responsive mobile PDF viewing with Liquid Mode
- Introduced full text search for files stored in Document Cloud
- Extended Adobe Scan leadership with boundary detection, auto-clean & shadow removal
- Improved user experience for form-filling in Acrobat & Sign by automatically recognizing form fields

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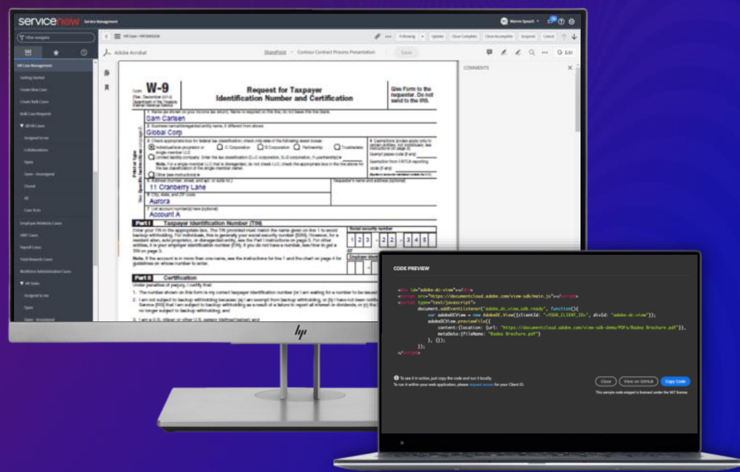
Unleash PDF Ecosystem with Document Services

- Launched beta of embeddable PDF viewing using Acrobat.js
- Launched beta of PDF services developer APIs via Adobe.io



Microsoft · box · SAP · Google · servicenow · workday

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Adobe Document Cloud Growth Drivers

~$13B

2022 Document Cloud TAM

Acrobat · *PDF Mobile and Web Services* · *Embedded Document Services*

Verbs: Create, Sign, Edit, Share, Compress · Reader upsell to Acrobat · Acrobat migration to subscriptions

Acrobat mobile & Scan users · PDF category growth & transformation · SMB & enterprise seat expansion

International growth · Anti-piracy · Acrobat web offerings · Partnerships

API access to embedded PDF services: Create, Sign, Edit, Share, Compress · Product line optimization

Free to paid conversion · Document intelligence · Growth in knowledge worker jobs

Source: Adobe, November 2019

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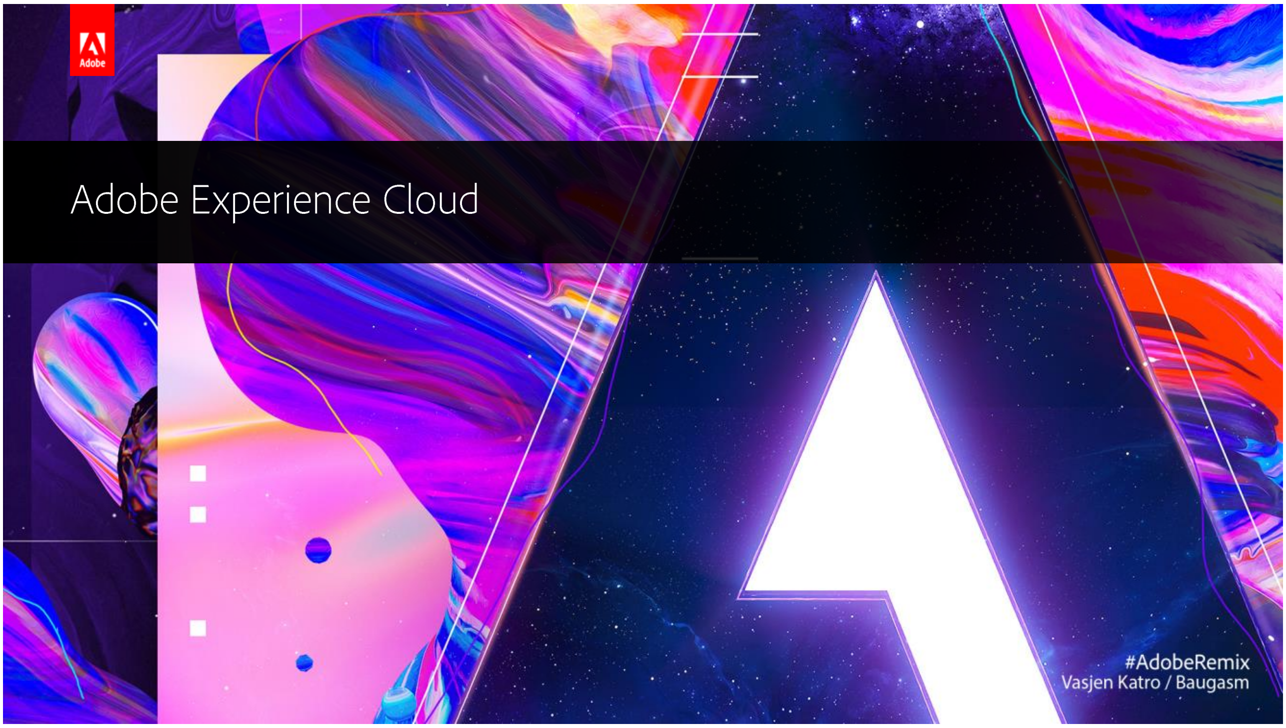
Adobe
Adobe Experience Cloud
#AdobeRemix
Vasjen Katro / Baugasm

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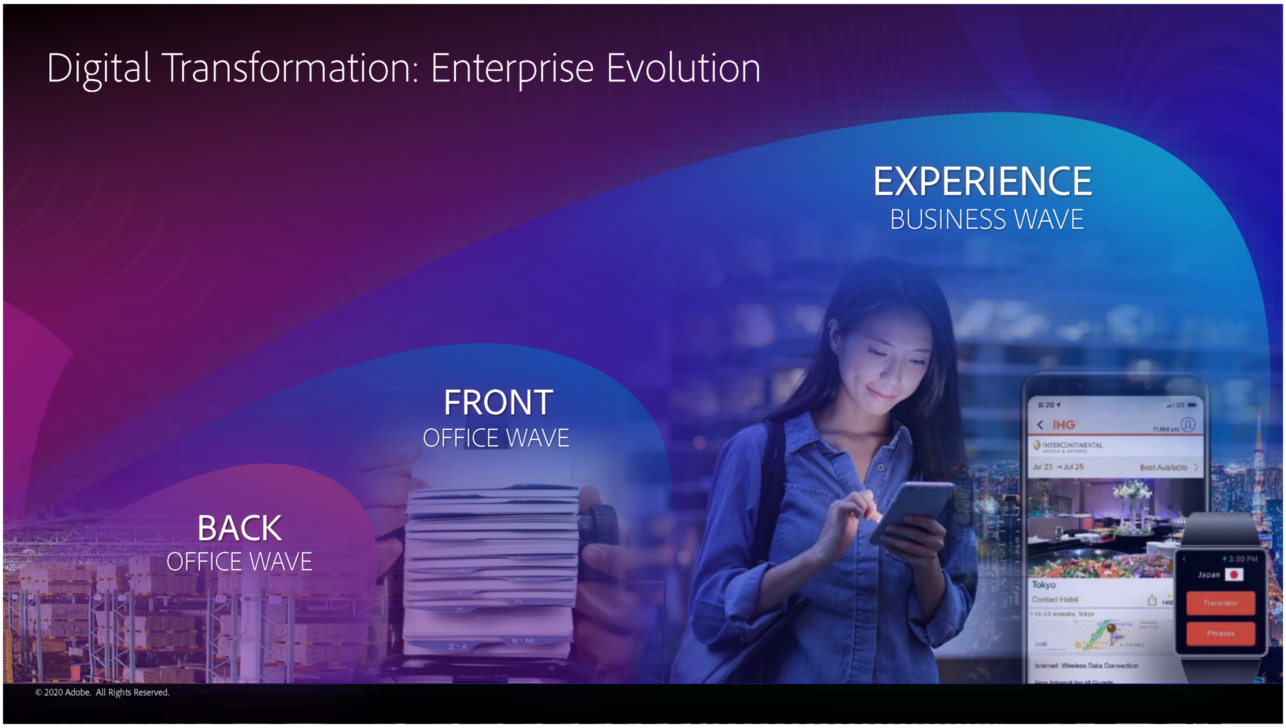
Digital Transformation: Enterprise Evolution
EXPERIENCE
BUSINESS WAVE
FRONT
OFFICE WAVE
BACK
OFFICE WAVE
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Every Business is a Digital Business
People Buy Experiences, Not Products
B2B Companies Must Deliver B2C Experiences
CIOs Must Architect for Real-Time Action
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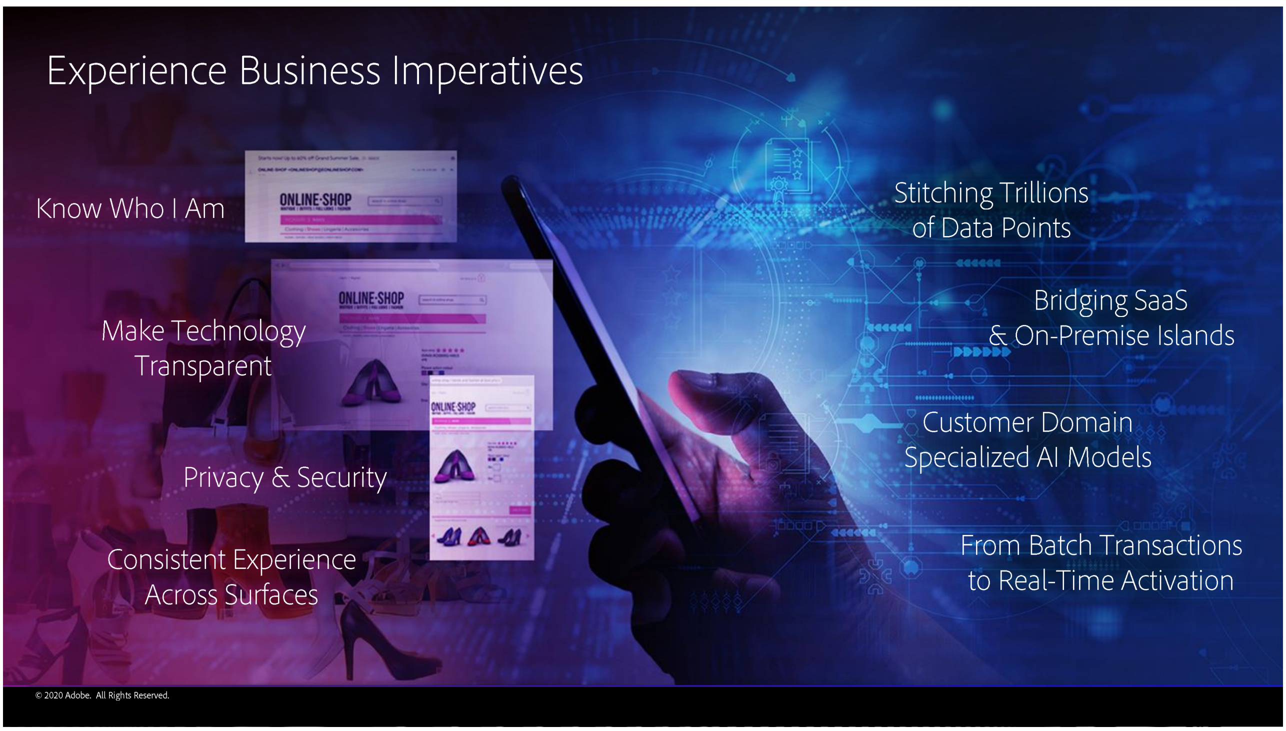
Experience Business Imperatives
Know Who I Am
Make Technology Transparent
Privacy & Security
Consistent Experience Across Surfaces
Stitching Trillions of Data Points
Bridging SaaS & On-Premise Islands
Customer Domain Specialized AI Models
From Batch Transactions to Real-Time Activation
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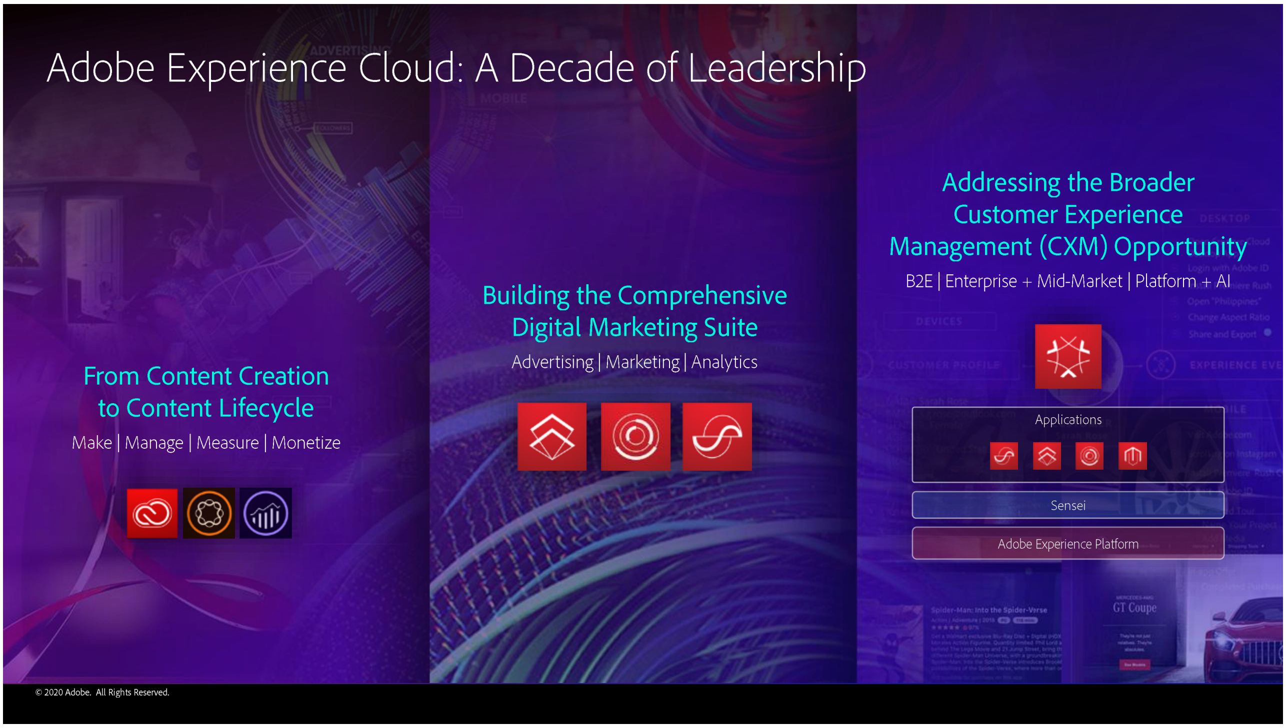

Adobe Experience Cloud: A Decade of Leadership
From Content Creation to Content Lifecycle
Make | Manage | Measure | Monetize
Building the Comprehensive Digital Marketing Suite
Advertising | Marketing | Analytics
Addressing the Broader Customer Experience Management (CXM) Opportunity
B2E | Enterprise + Mid-Market | Platform + AI
Applications
Sensei
Adobe Experience Platform
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Adobe is the Leader in the CXM Category
Adobe Experience Cloud
Adobe Advertising Cloud
Adobe Analytics Cloud
Adobe Marketing Cloud
Adobe Commerce Cloud
Adobe Sensei
Adobe Experience Platform
Breakthrough experiences
Integrated workflows
Platform-led innovations
Intelligence at the core
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56

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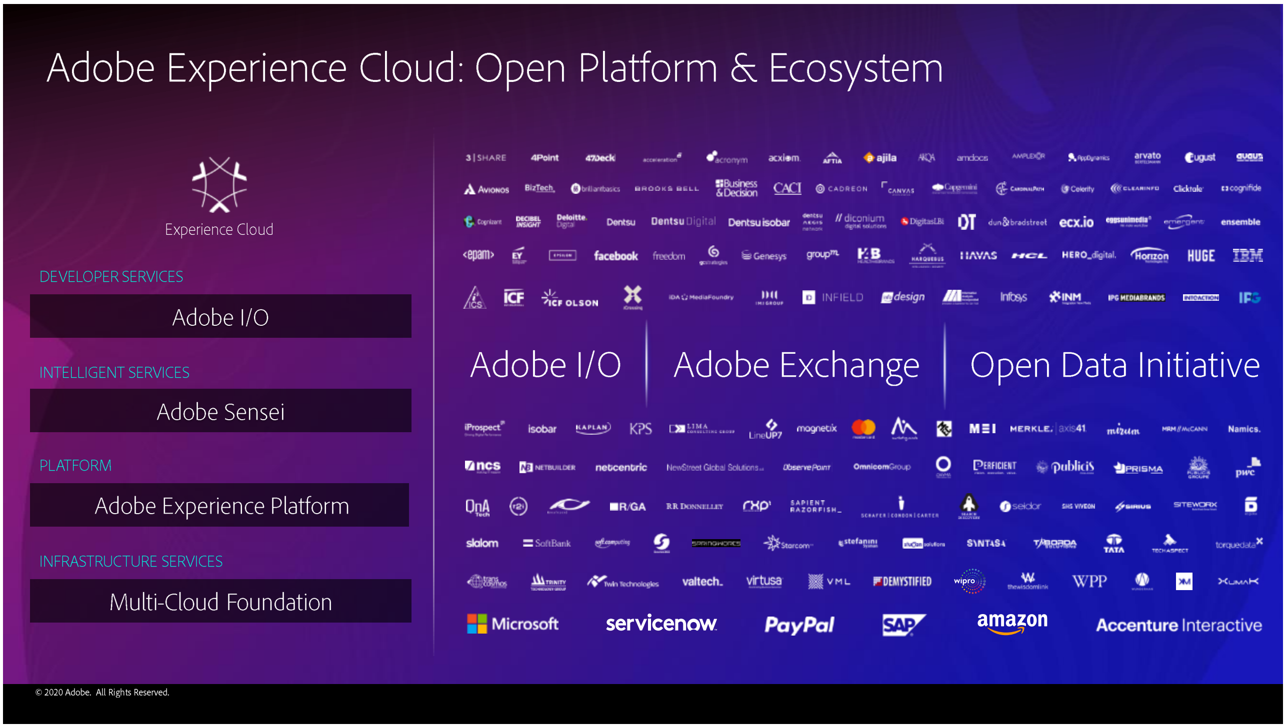
Adobe Experience Cloud: Open Platform & Ecosystem
Experience Cloud
DEVELOPER SERVICES
Adobe I/O
INTELLIGENT SERVICES
Adobe Sensei
PLATFORM
Adobe Experience Platform
INFRASTRUCTURE SERVICES
Multi-Cloud Foundation
Adobe I/O
Adobe Exchange
Open Data Initiative
Microsoft
servicenow
PayPal
SAP
amazon
Accenture Interactive
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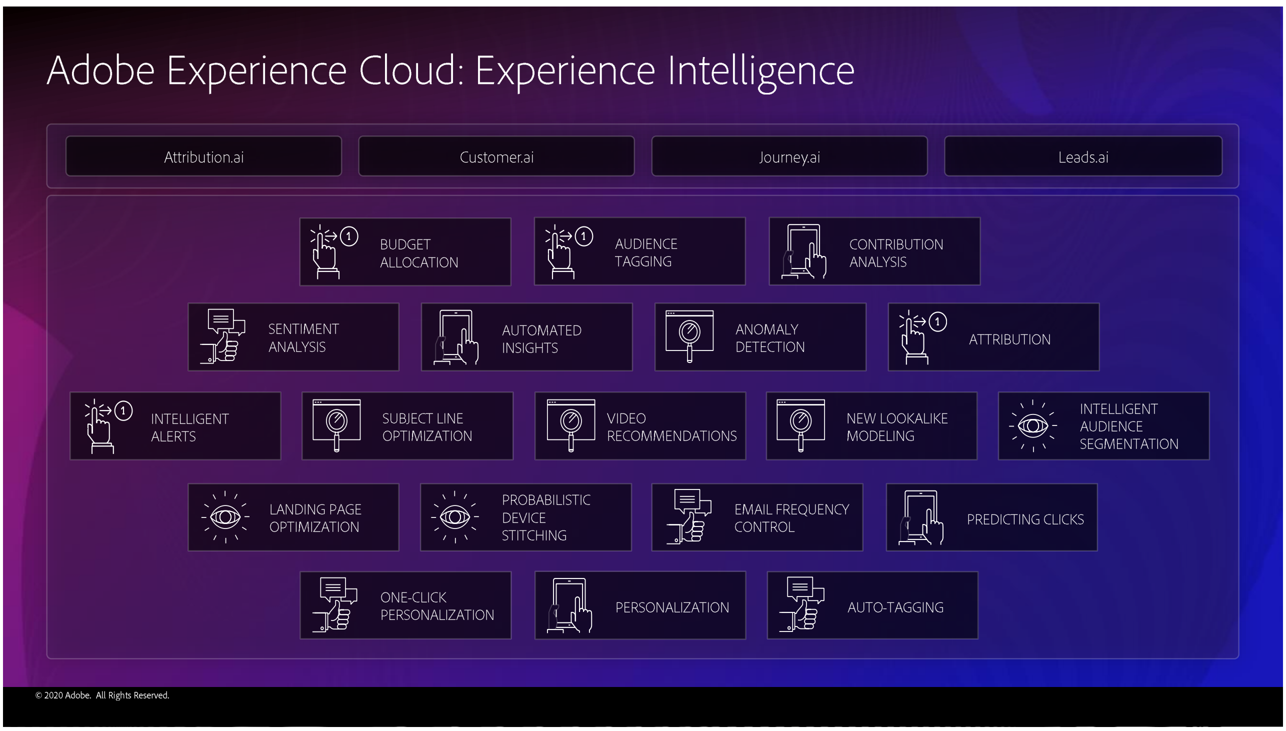
Adobe Experience Cloud: Experience Intelligence
Attribution.ai
Customer.ai
Journey.ai
Leads.ai
BUDGET ALLOCATION
AUDIENCE TAGGING
CONTRIBUTION ANALYSIS
SENTIMENT ANALYSIS
AUTOMATED INSIGHTS
ANOMALY DETECTION
ATTRIBUTION
INTELLIGENT ALERTS
SUBJECT LINE OPTIMIZATION
VIDEO RECOMMENDATIONS
NEW LOOKALIKE MODELING
INTELLIGENT AUDIENCE SEGMENTATION
LANDING PAGE OPTIMIZATION
PROBABILISTIC DEVICE STITCHING
EMAIL FREQUENCY CONTROL
PREDICTING CLICKS
ONE-CLICK PERSONALIZATION
PERSONALIZATION
AUTO-TAGGING
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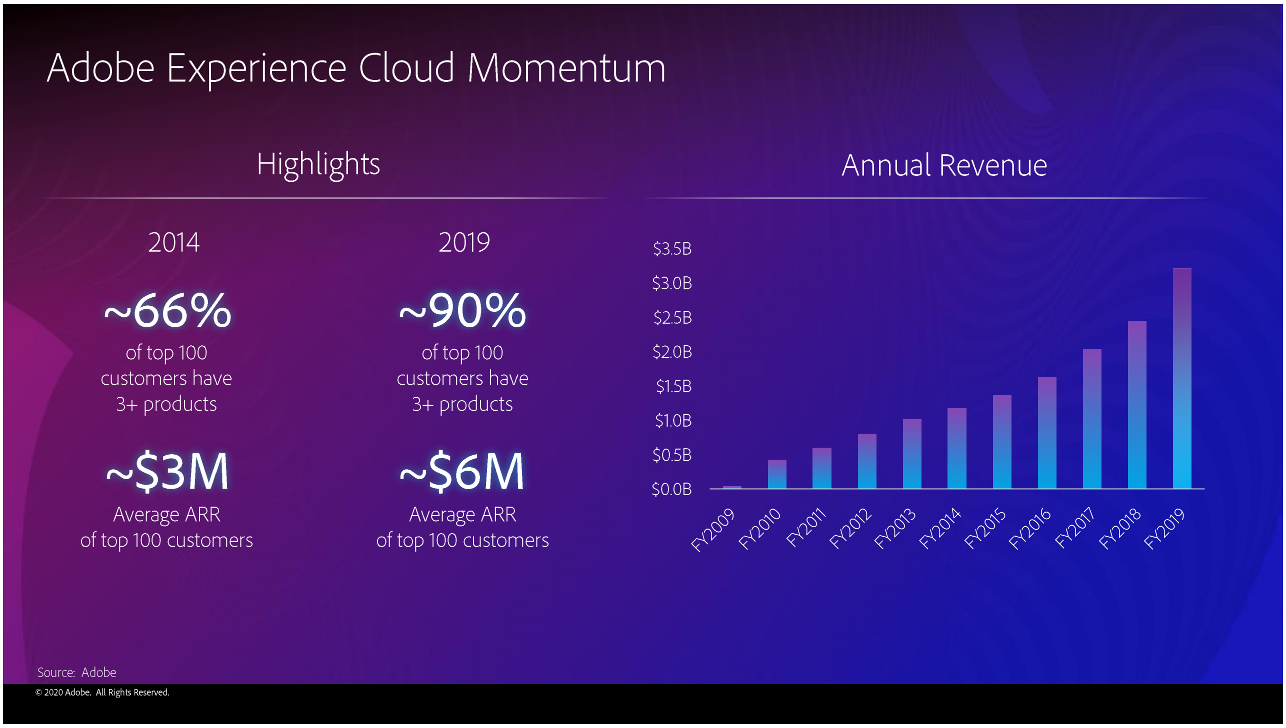

Adobe Experience Cloud Momentum
Highlights
2014
~66%
of top 100 customers have 3+ products
~$3M
Average ARR of top 100 customers
2019
~90%
of top 100 customers have 3+ products
~$6M
Average ARR of top 100 customers
Annual Revenue
$3.5B
$3.0B
$2.5B
$2.0B
$1.5B
$1.0B
$0.5B
$0.0B
FY2009
FY2010
FY2011
FY2012
FY2013
FY2014
FY2015
FY2016
FY2017
FY2018
FY2019
Source: Adobe
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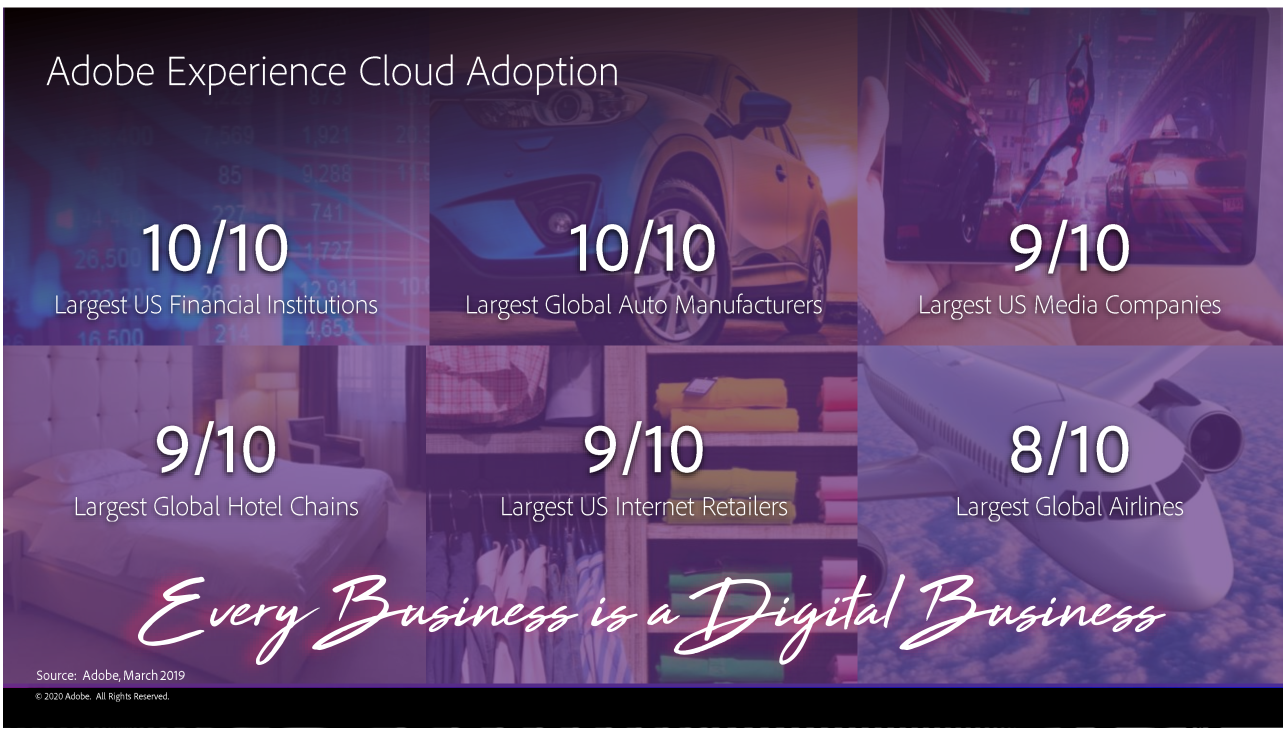

Adobe Experience Cloud Adoption
10/10
Largest US Financial Institutions
10/10
Largest Global Auto Manufacturers
9/10
Largest US Media Companies
9/10
Largest Global Hotel Chains
9/10
Largest US Internet Retailers
8/10
Largest Global Airlines
Every Business is a Digital Business
Source: Adobe, March 2019
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Adobe Experience Cloud Evolution: Applications + Services + Platform

Applications
- Best of breed applications
- Integrated through Platform + Services

Services
- Acceleration of functionality delivered through services
- Experience intelligence services

Platform
- Adobe Experience Platform
- Adobe Sensei framework & tools

Multi-Cloud Infrastructure
- Architected to run on heterogeneous environments

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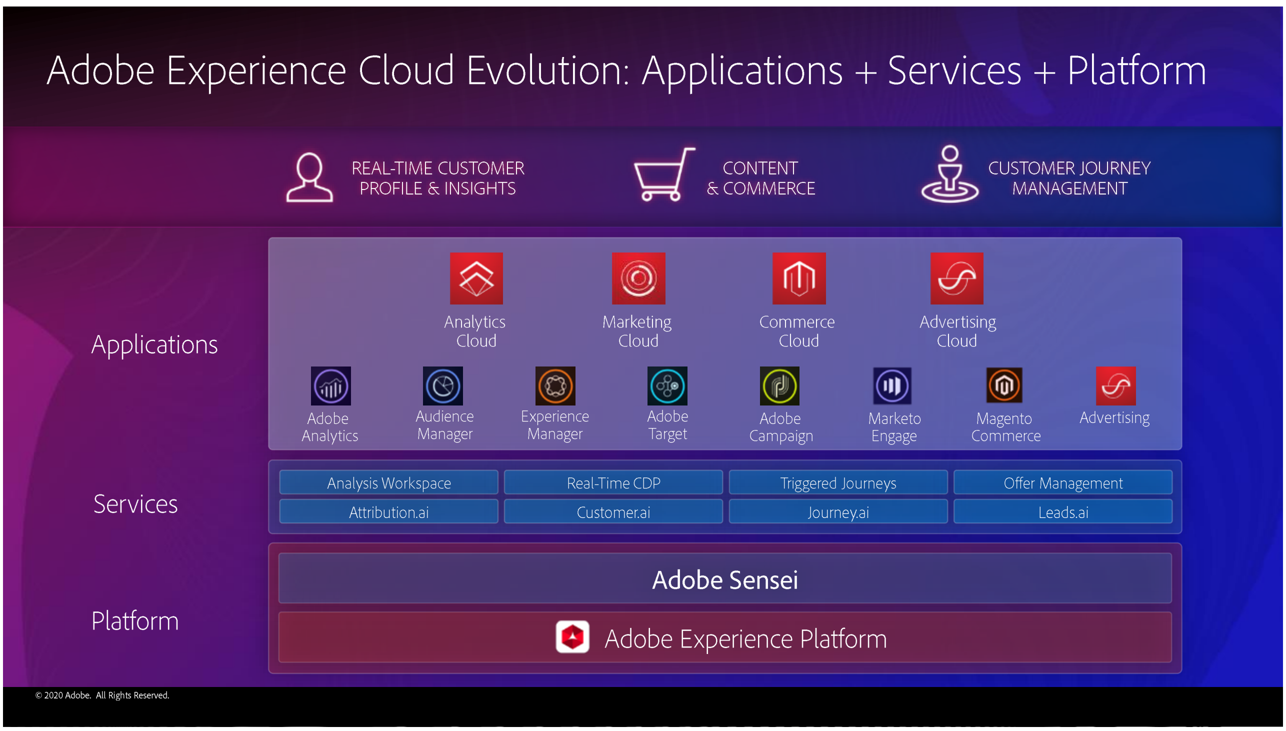

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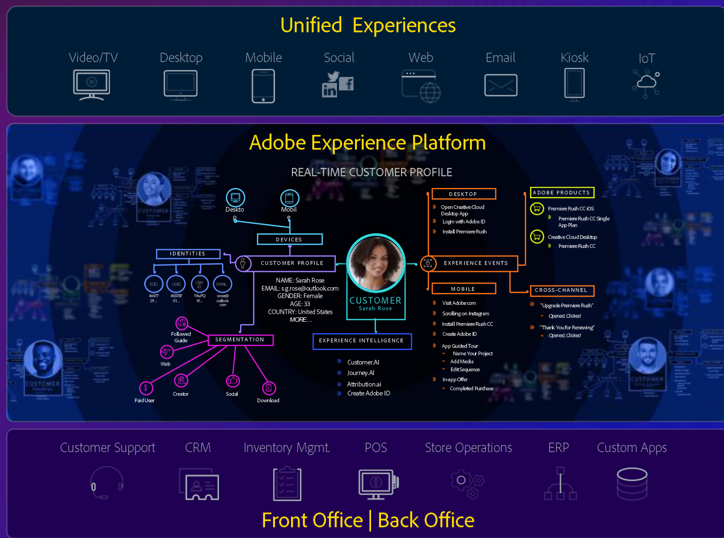
Adobe Experience Cloud: Real-Time Customer Profile & Insights

Adobe Experience Platform

Architected for CXM

Adobe Experience Platform is industry's first purpose-built CXM platform

With real-time customer profiles, continuous intelligence, and an open and extensible architecture, Adobe Experience Platform makes delivering personalized customer experiences at scale a reality



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REAL-TIME CUSTOMER PROFILE & INSIGHTS | CONTENT & COMMERCE | CUSTOMER JOURNEY MANAGEMENT

Adobe Experience Cloud: Real-Time Customer Profile & Insights

Adobe Analytics

Experience System of Intelligence for Cross-Channel Data, Insights & Activation

HIGHLIGHTS

- Broad coverage of B2C omni-channel analytics
- Internet scale behavioral dataset: ~13T data transactions per year
- Enables real-time personalization via integration with Target, Audience Manager & Adobe Experience Platform

INNOVATION ROADMAP

- Customer journey analytics
- Query & analysis workspace
- Sensei-powered services

Adobe Audience Manager + Real-Time Customer Data Platform (CDP)

Insights & Activation for Known & Unknown Audiences

HIGHLIGHTS

- Scale asset for audience creation & delivery: ~14T segment activations per day
- Workflow integrated with Analytics, Target, Campaign, Advertising Cloud

INNOVATION ROADMAP

- Internet scale services to drive real-time personalization
- Unified real-time edge across Adobe Experience Cloud
- Audience Manager & Real-Time CDP integration

Source: Adobe, November 2019

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REAL-TIME CUSTOMER PROFILE & INSIGHTS | CONTENT & COMMERCE | CUSTOMER JOURNEY MANAGEMENT

Adobe Experience Cloud: Content & Commerce

Adobe Experience Manager (AEM) + Target

Single Source of Truth to Deliver Multi-channel Personalization at Scale

HIGHLIGHTS

- Mission-critical category leader with AEM Sites; content velocity driving AEM Assets
- ~15B web pages served per day; ~3.3B offers delivered per day
- Together with Analytics, provides a digital foundation for every business

INNOVATION ROADMAP

- Content as a SaaS service
- Headless content management
- Content velocity & intelligence

Magento Commerce

Making Every Experience Shoppable for B2C & B2B, Physical & Digital Goods

HIGHLIGHTS

- Scalable from mid-market to Enterprise across B2C & B2B
- Open & vibrant ecosystem of ~350K developers; ~5.4K apps

INNOVATION ROADMAP

- Deep integration with AEM
- Extending reach through partnerships with Amazon & Google
- Mobile commerce with Progressive Web Apps

Source: Adobe, November 2019

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REAL-TIME CUSTOMER PROFILE & INSIGHTS | CONTENT & COMMERCE | CUSTOMER JOURNEY MANAGEMENT

Adobe Experience Cloud: Customer Journey Management

Adobe Campaign

Multi-Channel Campaign Orchestration & Automation for B2C Journeys

HIGHLIGHTS

- Deep affinity with B2C content & audience management & personalization
- Largest customers scaling to 10-20B emails annually to a profile base of 25-100M

INNOVATION ROADMAP

- Triggered Journeys to deliver personalized interactions across customer journeys
- Intelligent Sensei services: Journey.ai, Attribution.ai

Marketo Engage

Omni-Channel Marketing Automation & Account-Based Marketing for B2B Journeys

HIGHLIGHTS

- Mission critical tool for B2B marketers
- ~1T marketing activities/year
- >550 ecosystem partners

INNOVATION ROADMAP

- Align B2B & B2C journey management
- Account-based experience (ABX)
- Extend individual and account targeting with Linkedin Integration

Source: Adobe, November 2019

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Adobe Experience Cloud: Advertising

Unified Advertising Platform
Brands & Agencies

HIGHLIGHTS

- Unify media silos for advertising across Search, Display, Video & TV
- 1st-party data activation from Analytics & Audience Manager

INNOVATION ROADMAP

- Video ad planning, delivery & measurement for TV Everywhere across digital, OTT & linear
- Unique inventory access with 1st-party data match

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Sizing the Experience Cloud Addressable Market

Enterprise Software Categories Represented in TAM

Data & Insights	Content & Personalization	Customer Journey Management	Commerce	Advertising
• Customer & business intelligence • Web & marketing analytics • Data management platform • Customer data platform • Data lakes • Identity resolution • Data connectors	• Content & asset management • Digital forms & data capture • Personalization & testing • Multi-screen TV platform	• Multi-channel campaign management • Lead management • Email marketing • Account-based marketing	• eCommerce & merchandising • Order management • Product information management	• Demand-side platform • Search engine marketing • Dynamic creative management

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2022 Experience Cloud Total Addressable Market

2022 Experience Cloud TAM

~$84B

~$23B	~$28B	~$13B	~$10B	~$10B
Data & Insights	Content & Personalization	Customer Journey Management	Commerce	Advertising

Source: IDC and Adobe, November 2019

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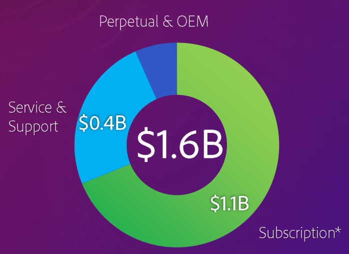
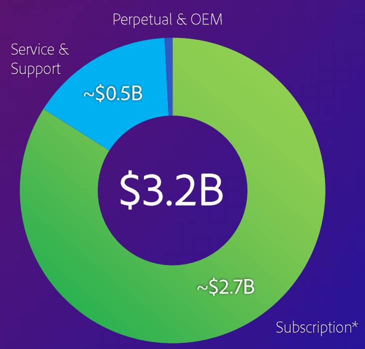
Adobe Experience Cloud Business Momentum

Revenue Mix

FY2016 Revenue Mix



FY2019 Revenue Mix



- Adobe Experience Cloud revenue has doubled in three years
- Focus has been on growing subscription revenue
- Strategically reduced Service & Support as a percentage of total revenue

Source: Adobe
* Includes revenue from SaaS, managed service and term offerings for Adobe Analytics Cloud, Adobe Marketing Cloud, and Adobe Experience Platform; all revenue for Adobe Advertising Cloud; and all technology revenue for Adobe Commerce Cloud

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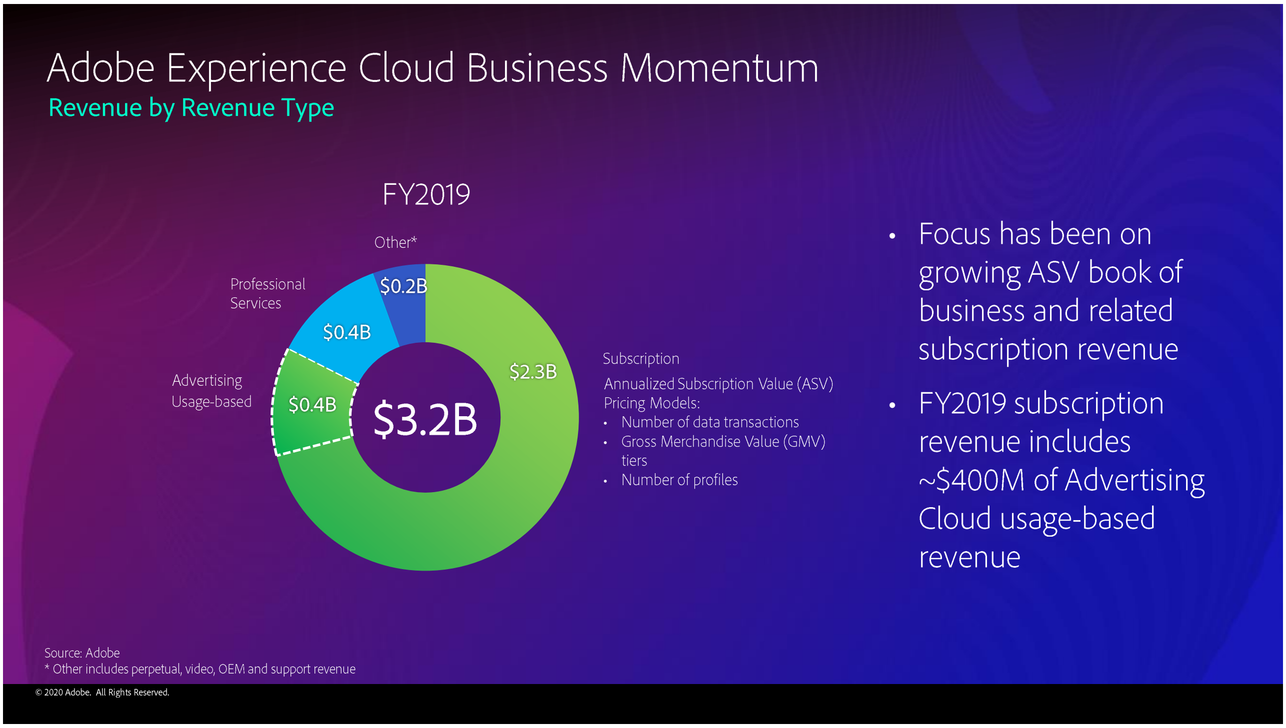
Adobe Experience Cloud Business Momentum
Revenue by Revenue Type
FY2019
Other*
$0.2B
Professional Services
$0.4B
Advertising Usage-based
$0.4B
$2.3B
$3.2B
Subscription
Annualized Subscription Value (ASV)
Pricing Models:
• Number of data transactions
• Gross Merchandise Value (GMV) tiers
• Number of profiles
• Focus has been on growing ASV book of business and related subscription revenue
• FY2019 subscription revenue includes ~$400M of Advertising Cloud usage-based revenue
Source: Adobe
* Other includes perpetual, video, OEM and support revenue
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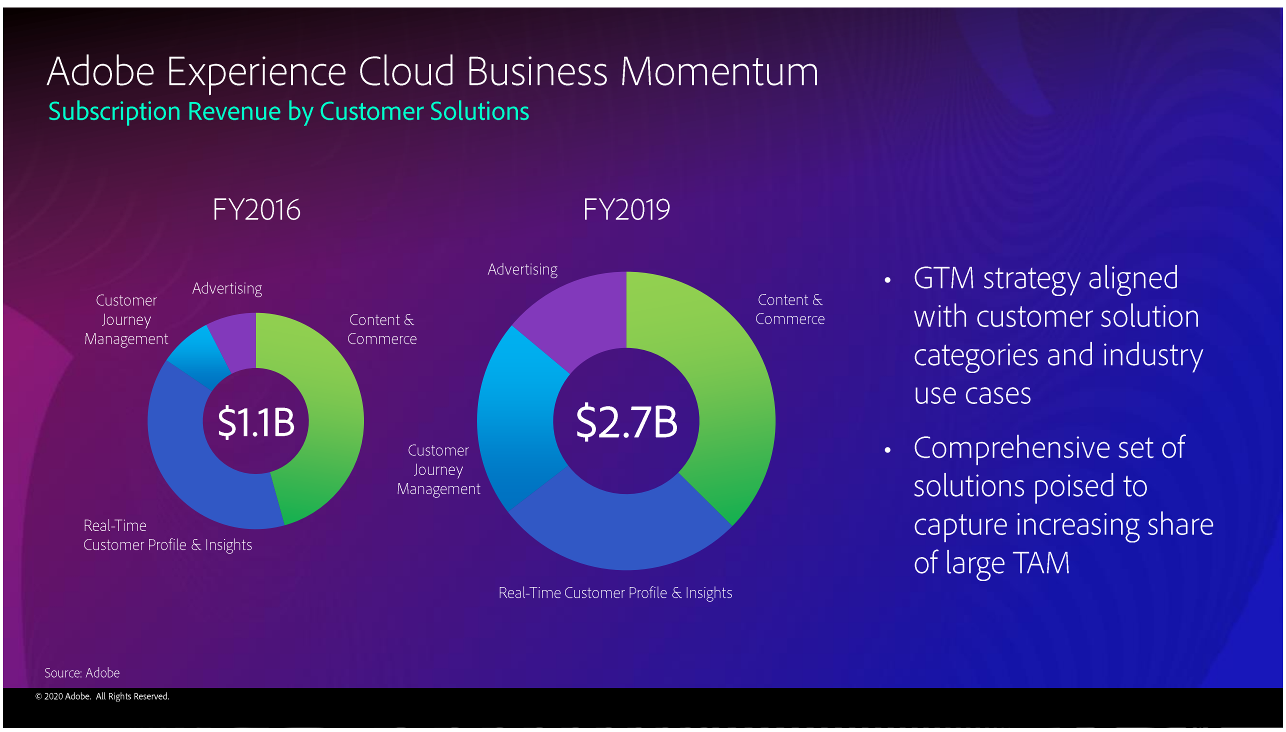
Adobe Experience Cloud Business Momentum
Subscription Revenue by Customer Solutions
FY2016
Customer Journey Management
Advertising
Content & Commerce
$1.1B
Real-Time Customer Profile & Insights
FY2019
Advertising
Content & Commerce
Customer Journey Management
$2.7B
Real-Time Customer Profile & Insights
• GTM strategy aligned with customer solution categories and industry use cases
• Comprehensive set of solutions poised to capture increasing share of large TAM
Source: Adobe
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Adobe Experience Cloud Growth Strategy
Build on Affinity with CMO to Drive CXM Across C-Suite
Extend CXM From B2C to B2E
Expand to CIO with Adobe Experience Platform
Scale in Mid-Market Segment
Evangelize DDOM as a Transformation Playbook
The Experience Makers
Verticals | Geographies | Partners
CUSTOMER
Sarah Rose
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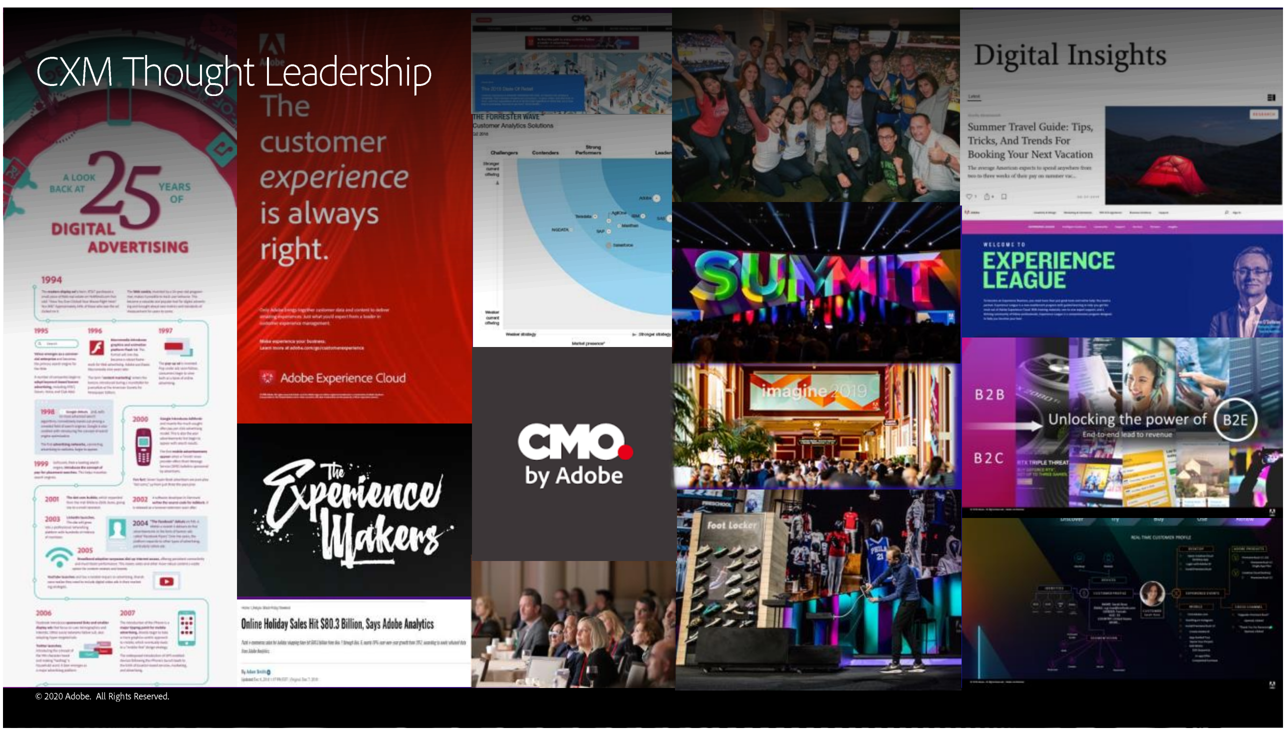
CXM Thought Leadership
A LOOK BACK AT 25 YEARS OF DIGITAL ADVERTISING
The customer experience is always right.
Adobe Experience Cloud
The Experience Makers
Online Holiday Sales Hit $80.3 Billion, Says Adobe Analytics
CMO by Adobe
SUMMIT
imagine 2019
Digital Insights
Summer Travel Guide: Tips, Tricks, And Trends For Booking Your Next Vacation
WELCOME TO EXPERIENCE LEAGUE
B2B
B2C
Unlocking the power of B2E
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Extend Customer Experience Management to B2E

- B2B companies must deliver B2C experiences
- Creates new demand for entire Adobe Experience Cloud offering
- Standardization across single platform unlocks power of Business to Everyone (B2E)

B2B

B2C

UNLOCKING THE POWER OF B2E

END-TO-END LEAD TO REVENUE

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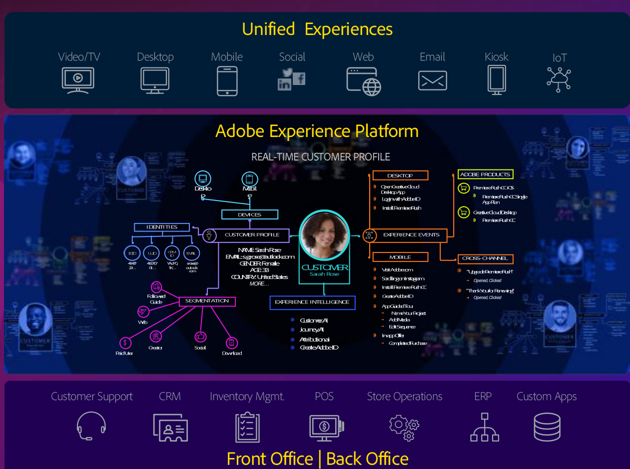
Expand to CIO with Adobe Experience Platform



- Comprehensive, differentiated offering across entire C-Suite
- Opens new line items in CIO budget
- Accelerates CMO adoption of Adobe technology with support from CIOs and ecosystem partners
- Enables enterprise-wide integration for all Adobe Experience Cloud applications
- Delivers strong value proposition for developers and data scientists

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Scale in Mid-Market Segment

- Expanded market opportunity for Adobe Experience Cloud
- Anchored by momentum across Marketo & Magento
- Drives focus on self-serve & time-to-value
- High-velocity Adobe.com & inside sales motion
- Broad developer, partner & reseller ecosystem

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Evangelize DDOM as a Transformation Playbook

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Adobe Revenue

- Strong revenue growth with operating margin expansion
- > 20% revenue CAGR

Source: Adobe

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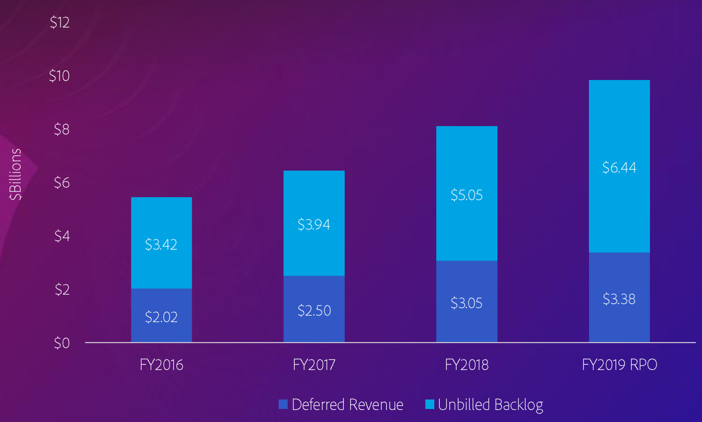
Adobe Deferred Revenue and Unbilled Backlog / RPO



- Remaining Performance Obligation (RPO) replaces deferred revenue and unbilled backlog metric
- RPO provides visibility into contractually committed future revenue

Source: Adobe

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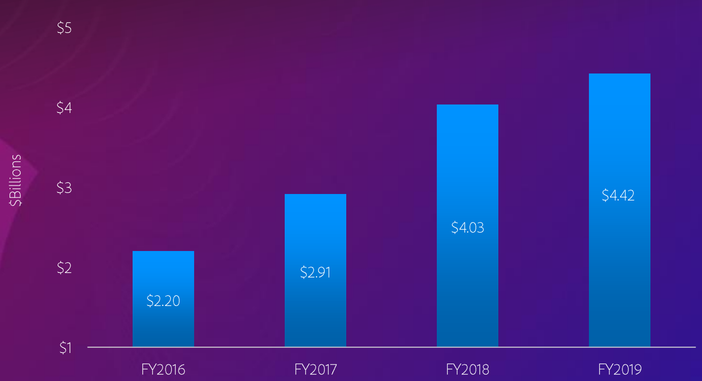
Adobe Operating Cash Flow



- Sustained growth in Operating Cash Flow (OCF)
- OCF growth drives capital management strategy, investment in existing business, evaluation of inorganic opportunities and return of capital to shareholders

Source: Adobe

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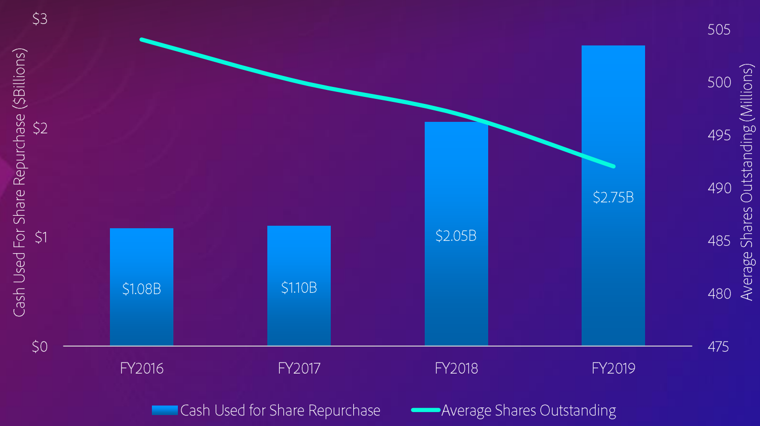
Adobe Share Repurchase



- $8 billion repurchase authority granted in May 2018
- Currently have $5.85 billion of repurchase authority remaining through 2021

Source: Adobe

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Adobe Capital Structure

Strong liquidity position

- $4.2B of cash and short-term investments
- $1.0B unutilized credit facility, remains available until 2023

Conservative leverage approach

- $4.15B of public debt outstanding
- Rated A2 by Moody's
- Rated A by S&P

Excess cash returned to stockholders through stock repurchase

Source: Adobe; liquidity position as of Q4FY19; public debt and credit ratings as of January 2020

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Adobe Capital Structure

Strong liquidity position
- $3.7B of cash and short-term investments
- $1.0B unutilized credit facility, remains available until 2023

Conservative leverage approach
- $1.9B of public debt outstanding
- $2.3B of bank term loans outstanding
- Rated A by S&P
- Rated A3 by Moody's

Excess cash returned to stockholders through stock repurchase

Source: Adobe, as of Q3FY19

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Adobe Growth Opportunity
Digital Media Summary

- Category leadership & new category creation
- Expanding customer universe with multi-surface apps
- Expecting strong Creative Cloud growth
  - Reaching broader customer segments
  - Pushing category & technology boundaries
- Expecting strong Adobe Document Cloud growth
  - Using subscription model to drive new customer acquisition & migrate large perpetual installed base
  - Monetizing document "verbs" & delivering frictionless PDF by embedding in third-party apps & providing document services
- Leveraging & investing in world-class DDOM capabilities
- Extensive list of growth drivers fueling net new ARR

2022 MARKET OPPORTUNITY

Creative Cloud	~$31B
Creative Professionals	~$15B
Communicators	~$12B
Consumers	~$4B
Adobe Document Cloud	~$13B
Acrobat Applications	~$7B
Document Platform Services	~$6B

~$44B
Total Addressable Market

Source: Adobe, November 2019

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Adobe Growth Opportunity

Digital Experience Summary

- Category leadership & new category creation
- Massive opportunity driven by digital transformation imperative
- Differentiated & most complete Customer Experience Management offering
- Introduced generational innovation in new products & platforms in 2019
- Robust partner ecosystem increases opportunities
- Expecting bookings growth to fuel strong subscription revenue growth

2022 MARKET OPPORTUNITY

Adobe Experience Cloud	~$84B
Data & Insights	~$23B
Content & Personalization	~$28B
Commerce	~$10B
Customer Journey Management	~$13B
Advertising	~$10B

~$84B
Total Addressable Market

Source: IDC and Adobe, November 2019

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Adobe Investment Summary: Growth and Margin at Scale

~$128B
2022 Total Addressable Market

Category Creation & Expansion	Loyal & Growing Customer Universe	Innovative Technology Platforms	Globally Admired Brand	Unique Financial Profile

Source: Adobe, November 2019

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FOR IMMEDIATE RELEASE

Adobe Surpasses $11 Billion in Annual Revenue

Record Fourth Quarter Contributes to 24 Percent Year-Over-Year Annual Growth

SAN JOSE, Calif. — Dec. 12, 2019 — Adobe (Nasdaq:ADBE) today reported financial results for its fourth quarter and fiscal year 2019 ended Nov. 29, 2019.

In its fourth quarter of fiscal year 2019, Adobe achieved record quarterly revenue of $2.99 billion, which represents 21 percent year-over-year growth. In fiscal year 2019, Adobe achieved record annual revenue of $11.17 billion, which represents 24 percent year-over-year growth.

"Adobe's phenomenal performance in Q4 capped a record fiscal 2019 with revenue exceeding $11 billion," said Shantanu Narayen, president and CEO, Adobe. "Adobe's vision, category leadership, continuous product innovation and large and loyal customer base position us well for 2020 and beyond."

"Adobe delivered another year of strong revenue growth and expanding profitability resulting in record earnings," said John Murphy, executive vice president and CFO, Adobe. "We are bullish about our opportunities and our ability to continue to deliver strong top- and bottom-line growth."

Fourth Quarter Fiscal Year 2019 Financial Highlights

- Adobe achieved record quarterly revenue of $2.99 billion in its fourth quarter of fiscal year 2019, which represents 21 percent year-over-year growth. Diluted earnings per share was $1.74 on a GAAP-basis, and $2.29 on a non-GAAP basis.
- Digital Media segment revenue was $2.08 billion, which represents 22 percent year-over-year growth. Creative revenue grew to $1.74 billion and Document Cloud revenue was $339 million. Digital Media Annualized Recurring Revenue ("ARR") grew to $8.40 billion exiting the quarter, a quarter-over-quarter increase of $539 million. Creative ARR grew to $7.31 billion, and Document Cloud ARR grew to $1.09 billion.
- Digital Experience segment revenue was $859 million, representing 24 percent year-over-year growth.
- GAAP operating income in the fourth quarter was $970 million, and non-GAAP operating income was $1.27 billion. GAAP net income was $852 million, and non-GAAP net income was $1.12 billion.
- Cash flow from operations was a record $1.38 billion.
- Remaining Performance Obligation was $9.82 billion, a quarter-over-quarter increase of $1.05 billion.
- Adobe repurchased approximately 2.8 million shares during the quarter.

Fiscal Year 2019 Financial Highlights

- Adobe achieved record annual revenue of $11.17 billion in fiscal year 2019, representing 24 percent year-over-year growth.
- The company reported annual GAAP diluted earnings per share of $6.00 and non-GAAP diluted earnings per share of $7.87.
- Digital Media segment revenue was $7.71 billion, with Creative and Document Cloud achieving record annual revenue of $6.48 billion and $1.22 billion, respectively. Digital Media ARR grew by $1.69 billion during the year.
- Digital Experience segment revenue was $3.21 billion, representing 31 percent year-over-year growth, and subscription bookings grew by more than 20 percent during the year.
- Operating income grew 15 percent and net income grew 14 percent year-over-year on a GAAP-basis; operating income grew 23 percent and net income grew 15 percent year-over-year on a non-GAAP basis.
- Adobe generated a record $4.42 billion in operating cash flow during the year.
- The company repurchased 9.9 million shares during the year, returning $2.7 billion of cash to stockholders.

A reconciliation between GAAP and non-GAAP results is provided at the end of this press release and on Adobe's website.

Adobe Provides Fiscal Year and First Quarter 2020 Financial Targets

The following table summarizes Adobe's fiscal year 2020 targets.

Adobe fiscal year 2020 revenue	~$13.15 billion	
Digital Media segment revenue	~19 percent year-over-year growth	
Digital Media annualized recurring revenue (ARR)	~$1.55 billion of net new ARR	
Digital Experience segment revenue	~16 percent year-over-year growth	
Digital Experience subscription revenue[1]	~18 percent year-over-year growth	
Digital Experience subscription bookings[2]	>20 percent year-over-year growth	
Tax rate	GAAP: ~11%	Non-GAAP: ~11%
Share count	~486 million shares	
Earnings per share	GAAP: ~$7.40	Non-GAAP: ~$9.75

[1] Includes revenue from SaaS, managed service, ratable term, usage based, and subscription service offerings for Digital Experience

[2] Includes annualized subscription value of SaaS, managed service, term and subscription service offerings under contract for Data & Insights, Content & Commerce and Customer Journey Management solutions

The following table summarizes Adobe's first quarter fiscal year 2020 targets.

Adobe Q1 fiscal year 2020 revenue	~$3.04 billion	
Digital Media segment revenue	~19 percent year-over-year growth	
Digital Media annualized recurring revenue (ARR)	~$360 million of net new ARR	
Digital Experience segment revenue	~15 percent year-over-year growth	
Tax rate	GAAP: ~5%	Non-GAAP: ~11%
Share count	~489 million shares	
Earnings per share	GAAP: ~$1.76	Non-GAAP: ~$2.23

A reconciliation between GAAP and non-GAAP targets is provided at the end of this press release.

Adobe to Webcast Earnings Conference Call

Adobe will webcast its fourth quarter and fiscal year 2019 earnings conference call today at 2:00 p.m. Pacific Time from its investor relations website: www.adobe.com/ADBE. Earnings documents, including Adobe management's prepared conference call remarks with slides and an investor datasheet are posted to Adobe's investor relations website in advance of the conference call for reference. A reconciliation between GAAP and non-GAAP earnings results and financial targets is also provided on the website.

Forward-Looking Statements Disclosure

This press release contains forward-looking statements, including those related to business momentum, our market opportunity, market trends, customer success, revenue, operating margin, seasonality, annualized recurring revenue, non-operating other expense, tax rate on a GAAP and non-GAAP basis, earnings per share on a GAAP and non-GAAP basis, and share count, all of which involve risks and uncertainties that could cause actual results to differ materially. Factors that might cause or contribute to such differences include, but are not limited to: failure to compete effectively, failure to develop, acquire, market and offer products and services that meet customer requirements, introduction of new technology, information security and privacy, potential interruptions or delays in hosted services provided by us or third parties, risks associated with cyber-attacks, complex sales cycles, risks related to the timing of revenue recognition from our subscription offerings, fluctuations in subscription renewal rates, failure to realize the anticipated benefits of past or future acquisitions, failure to effectively manage critical strategic third-party business relationships, changes in accounting principles and tax regulations, uncertainty in the financial markets and economic conditions in the countries where we operate, and other various risks associated with being a multinational corporation. For a discussion of these and other risks and uncertainties, please refer to Adobe's Annual Report on Form 10-K for our fiscal year 2018 ended Nov. 30, 2018, and Adobe's Quarterly Reports on Form 10-Q issued in fiscal year 2019.

The financial information set forth in this press release reflects estimates based on information available at this time. These amounts could differ from actual reported amounts stated in Adobe's Annual Report on Form 10-K for our year ended Nov. 29, 2019, which Adobe expects to file in Jan. 2020. Adobe assumes no obligation to, and does not currently intend to, update these forward-looking statements.

About Adobe

Adobe is changing the world through digital experiences. For more information, visit www.adobe.com.

###

Condensed Consolidated Statements of Income
(In thousands, except per share data; unaudited)

	Three Months Ended		Year Ended	
	November 29, 2019 (*)	November 30, 2018	November 29, 2019 (*)	November 30, 2018
Revenue:				
Subscription	$ 2,686,829	$ 2,184,158	$ 9,994,463	$ 7,922,152
Product	167,097	150,425	647,788	622,153
Services and support	138,018	130,042	529,046	485,703
Total revenue	2,991,944	2,464,625	11,171,297	9,030,008
Cost of revenue:				
Subscription	334,129	257,024	1,222,520	807,221
Product	9,029	10,899	39,625	46,009
Services and support	108,825	91,338	410,575	341,769
Total cost of revenue	451,983	359,261	1,672,720	1,194,999
Gross profit	2,539,961	2,105,364	9,498,577	7,835,009
Operating expenses:				
Research and development	499,806	415,958	1,930,228	1,537,812
Sales and marketing	801,588	723,573	3,244,347	2,620,829
General and administrative	225,938	212,355	880,637	744,898
Amortization of intangibles	42,698	32,932	175,244	91,101
Total operating expenses	1,570,030	1,384,818	6,230,456	4,994,640
Operating income	969,931	720,546	3,268,121	2,840,369
Non-operating income (expense):				
Interest and other income (expense), net	18,879	9,657	42,255	39,536
Interest expense	(36,515)	(27,873)	(157,214)	(89,242)
Investment gains (losses), net	4,852	(3,113)	51,579	3,213
Total non-operating income (expense), net	(12,784)	(21,329)	(63,380)	(46,493)
Income before income taxes	957,147	699,217	3,204,741	2,793,876
Provision for income taxes	105,286	20,977	253,283	203,102
Net income	$ 851,861	$ 678,240	$ 2,951,458	$ 2,590,774
Basic net income per share	$ 1.76	$ 1.39	$ 6.07	$ 5.28
Shares used to compute basic net income per share	483,731	488,246	486,291	490,564
Diluted net income per share	$ 1.74	$ 1.37	$ 6.00	$ 5.20
Shares used to compute diluted net income per share	488,851	495,118	491,572	497,843

* Adobe adopted ASU No. 2014-09, *Revenue from Contracts with Customers,* using the modified retrospective method during the first quarter of fiscal 2019. Prior period results have not been restated to reflect this change in accounting standards. Refer to our Form 10-K for fiscal year 2019 for additional information.

Condensed Consolidated Balance Sheets
(In thousands, except par value; unaudited)

	November 29, 2019 (*)	November 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,650,221	$ 1,642,775
Short-term investments	1,526,755	1,586,187
Trade receivables, net of allowances for doubtful accounts of $9,650 and $14,981, respectively	1,534,809	1,315,578
Prepaid expenses and other current assets	783,140	312,499
Total current assets	6,494,925	4,857,039
Property and equipment, net	1,293,015	1,075,072
Goodwill	10,691,199	10,581,048
Other intangibles, net	1,720,565	2,069,001
Other assets	562,696	186,522
Total assets	$ 20,762,400	$ 18,768,682
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade payables	$ 209,499	$ 186,258
Accrued expenses	1,398,548	1,163,185
Debt	3,149,343	—
Deferred revenue	3,377,986	2,915,974
Income taxes payable	55,562	35,709
Total current liabilities	8,190,938	4,301,126
Long-term liabilities:		
Debt	988,924	4,124,800
Deferred revenue	122,727	137,630
Income taxes payable	616,102	644,101
Deferred income taxes	140,498	46,702
Other liabilities	173,056	152,209
Total liabilities	10,232,245	9,406,568
Stockholders' equity:		
Preferred stock, $0.0001 par value; 2,000 shares authorized	—	—
Common stock, $0.0001 par value	61	61
Additional paid-in-capital	6,504,800	5,685,337
Retained earnings	14,828,562	11,815,597
Accumulated other comprehensive income (loss)	(188,034)	(148,130)
Treasury stock, at cost (118,495 and 113,171, respectively), net of re-issuances	(10,615,234)	(7,990,751)
Total stockholders' equity	10,530,155	9,362,114
Total liabilities and stockholders' equity	$ 20,762,400	$ 18,768,682

* Adobe adopted ASU No. 2014-09, *Revenue from Contracts with Customers,* using the modified retrospective method during the first quarter of fiscal 2019. Prior period results have not been restated to reflect this change in accounting standards. Refer to our Form 10-K for fiscal year 2019 for additional information.

Condensed Consolidated Statements of Cash Flows
(In thousands; unaudited)

	Three Months Ended	
	November 29, 2019	November 30, 2018
Cash flows from operating activities:		
Net income	$ 851,861	$ 678,240
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	183,692	106,720
Stock-based compensation	203,205	169,621
Unrealized losses (gains) on investments, net	(4,170)	3,908
Changes in deferred revenue	244,777	271,443
Changes in other operating assets and liabilities	(102,965)	(121,939)
Net cash provided by operating activities	1,376,400	1,107,993
Cash flows from investing activities:		
Purchases, sales and maturities of short-term investments, net	(85,462)	1,606,237
Purchases of property and equipment	(94,096)	(62,563)
Purchases and sales of long-term investments, intangibles and other assets, net	12,036	(1,211)
Acquisitions, net of cash acquired	(887)	(4,681,341)
Net cash used for investing activities	(168,409)	(3,138,878)
Cash flows from financing activities:		
Purchases of treasury stock	(750,000)	(300,000)
Taxes paid related to net share settlement of equity awards, net of proceeds from treasury stock re-issuances	(27,294)	(23,036)
Proceeds from debt issuance, net	—	2,248,342
Other financing activities, net	11,634	(575)
Net cash provided by (used for) financing activities	(765,660)	1,924,731
Effect of exchange rate changes on cash and cash equivalents	(1,157)	1,785
Net increase (decrease) in cash and cash equivalents	441,174	(104,369)
Cash and cash equivalents at beginning of period	2,209,047	1,747,144
Cash and cash equivalents at end of period	$ 2,650,221	$ 1,642,775

Non-GAAP Results
(In thousands, except per share data)

The following table shows Adobe's GAAP results reconciled to non-GAAP results included in this release.

	Three Months Ended			Year Ended	
	November 29, 2019 (*)	November 30, 2018	August 30, 2019 (*)	November 29, 2019 (*)	November 30, 2018
Operating income:					
GAAP operating income	$ 969,931	$ 720,546	$ 853,812	$ 3,268,121	$ 2,840,369
Stock-based and deferred compensation expense	207,781	166,504	199,321	797,890	610,785
Amortization of intangibles	95,861	65,397	100,139	395,403	174,294
Non-GAAP operating income	$ 1,273,573	$ 952,447	$ 1,153,272	$ 4,461,414	$ 3,625,448
Net income:					
GAAP net income	$ 851,861	$ 678,240	$ 792,763	$ 2,951,458	$ 2,590,774
Stock-based and deferred compensation expense	207,781	166,504	199,321	797,890	610,785
Amortization of intangibles	95,861	65,397	100,139	395,403	174,294
Investment (gains) losses, net	(4,852)	3,113	(3,653)	(51,579)	(3,213)
Income tax adjustments	(32,867)	(7,051)	(82,607)	(224,827)	(9,060)
Non-GAAP net income	$ 1,117,784	$ 906,203	$ 1,005,963	$ 3,868,345	$ 3,363,580
Diluted net income per share:					
GAAP diluted net income per share	$ 1.74	$ 1.37	$ 1.61	$ 6.00	$ 5.20
Stock-based and deferred compensation expense	0.43	0.34	0.41	1.62	1.23
Amortization of intangibles	0.20	0.13	0.20	0.80	0.35
Investment (gains) losses, net	(0.01)	0.01	(0.01)	(0.10)	(0.01)
Income tax adjustments	(0.07)	(0.02)	(0.16)	(0.45)	(0.01)
Non-GAAP diluted net income per share	$ 2.29	$ 1.83	$ 2.05	$ 7.87	$ 6.76
Shares used in computing diluted net income per share	488,851	495,118	491,042	491,572	497,843

* Adobe adopted ASU No. 2014-09, *Revenue from Contracts with Customers*, using the modified retrospective method during the first quarter of fiscal 2019. Prior period results have not been restated to reflect this change in accounting standards. Refer to our Form 10-K for fiscal year 2019 for additional information.

Reconciliation of GAAP to Non-GAAP Financial Targets
(In millions, except per share data)

The following tables show Adobe's first quarter fiscal year 2020 financial targets reconciled to the non-GAAP financial targets included in this release.

	First Quarter Fiscal 2020
Diluted net income per share:	
GAAP diluted net income per share	$ 1.76
Stock-based and deferred compensation expense	0.46
Amortization of intangibles	0.19
Income tax adjustments	(0.18)
Non-GAAP diluted net income per share	$ 2.23
Shares used to compute diluted net income per share	489.0

	First Quarter Fiscal 2020
Effective income tax rate:	
GAAP effective income tax rate	5.0 %
Stock-based and deferred compensation expense	(1.4)
Amortization of intangibles	(0.6)
Income tax adjustments	8.0
Non-GAAP effective income tax rate	11.0 %

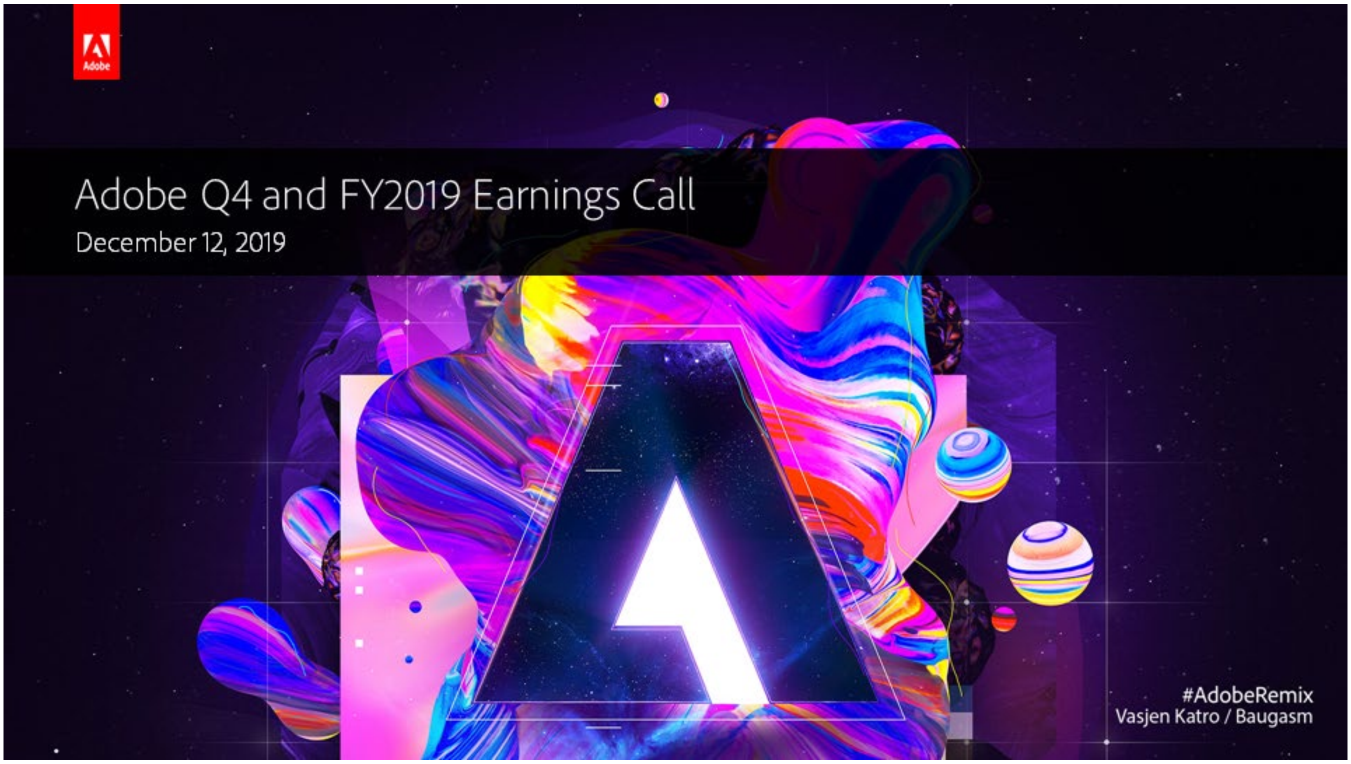
The following table shows Adobe's annual fiscal year 2020 GAAP earnings per share target reconciled to the non-GAAP financial target included in this release.

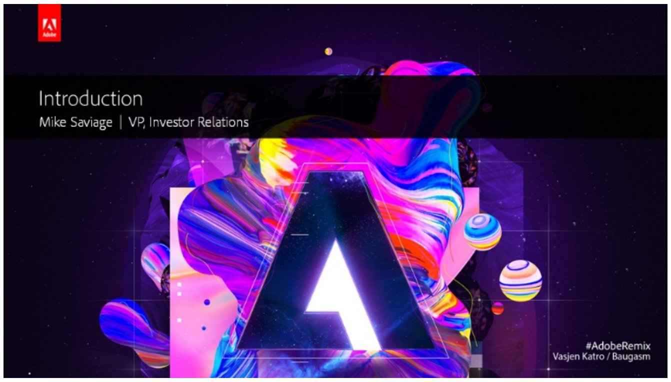
	Fiscal Year 2020
Diluted net income per share:	
GAAP diluted net income per share	$ 7.40
Stock-based and deferred compensation expense	1.99
Amortization of intangibles	0.74
Income tax adjustments	(0.38)
Non-GAAP diluted net income per share	$ 9.75
Shares used to compute diluted net income per share	486.0

Use of Non-GAAP Financial Information

Adobe continues to provide all information required in accordance with GAAP, but believes evaluating its ongoing operating results may not be as useful if an investor is limited to reviewing only GAAP financial measures. Adobe uses non-GAAP financial information to evaluate its ongoing operations and for internal planning and forecasting purposes. Adobe's management does not itself, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Adobe presents such non-GAAP financial measures in reporting its financial results to provide investors with an additional tool to evaluate Adobe's operating results. Adobe believes these non-GAAP financial measures are useful because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. This allows institutional investors, the analyst community and others to better understand and evaluate our operating results and future prospects in the same manner as management.

Adobe's management believes it is useful for itself and investors to review, as applicable, both GAAP information as well as non-GAAP measures, which may exclude items such as stock-based and deferred compensation expenses, restructuring and other charges, amortization of intangibles, investment gains and losses, the related tax impact of all of these items, income tax adjustments, and the income tax effect of the non-GAAP pre-tax adjustments from the provision for income taxes. Adobe uses these non-GAAP measures in order to assess the performance of Adobe's business and for planning and forecasting in subsequent periods. Whenever such a non-GAAP measure is used, Adobe provides a reconciliation of the non-GAAP financial measure to the most closely applicable GAAP financial measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure as detailed above.

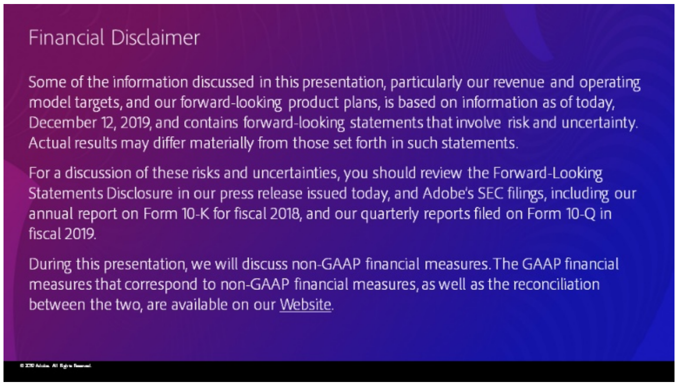




MIKE SAVIAGE

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 fourth quarter and fiscal year 2019 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.

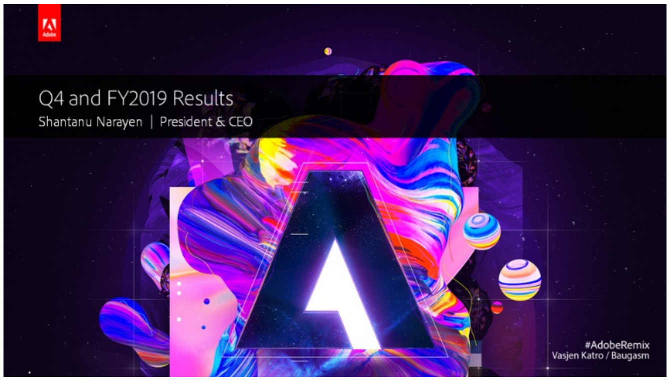


Before we get started, we want to emphasize that some of the information discussed in this call, particularly our revenue and operating model targets, and our forward-looking product plans, is based on information as of today, December 12th, 2019, and contains forward-looking statements that involve 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.

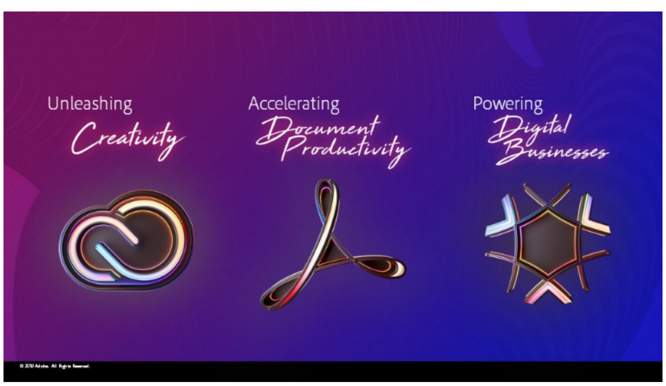


SHANTANU NARAYEN

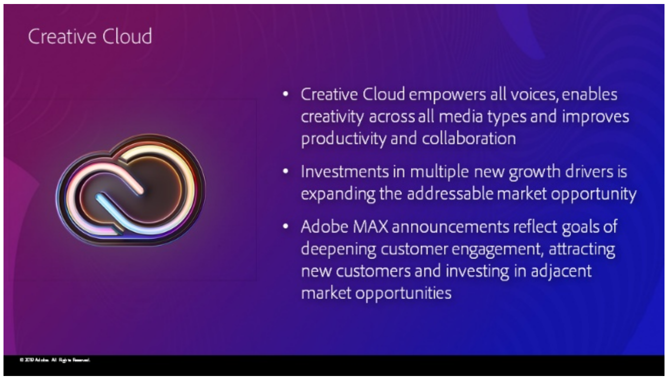
Thanks, Mike and good afternoon.

Fiscal 2019 was a phenomenal year for Adobe as we exceeded $11 billion in revenue – a significant milestone for the company. Our record revenue and EPS performance in 2019 makes us one of the largest, most diversified and profitable software companies in the world.

Total Adobe revenue was $11.17 billion in FY19, which represents 24% annual growth. GAAP earnings per share in FY19 was $6.00, and non-GAAP earnings per share was $7.87. We closed the year with another record quarter, delivering Q4 revenue of $2.99 billion, representing 21% year-over-year growth. GAAP earnings per share for the quarter was $1.74, and non-GAAP earnings per share was $2.29.



Our strategy to unleash creativity for all, accelerate document productivity and power digital businesses is significantly expanding our customer universe – from students to business communicators to creative professionals to the world's largest multinational corporations. Ground-breaking innovation in Creative Cloud, Document Cloud and Experience Cloud is accelerating our opportunity and momentum.



Creative Cloud empowers all voices from the most demanding professional to next gen creators; enables the cutting edge of creativity across all media types; makes the creative process more productive and collaborative; and delivers Adobe magic with Sensei. We continue to invest in multiple new growth drivers which has expanded the total addressable market for Creative Cloud to approximately $31 billion by 2022.

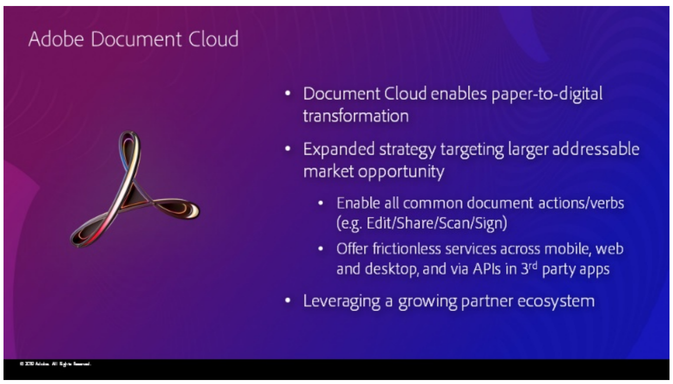
Innovation is at the heart of Creative Cloud's growth. This year at MAX we announced the next generation of Creative Cloud, with goals of deepening customer engagement, continuing to attract new customers, and investing in adjacent opportunities to fuel future growth.

Key announcements at MAX included:

- Delivering additional value to existing subscribers through feature enhancements to our flagship creative tools, including Photoshop, Lightroom, Premiere Pro, Illustrator and InDesign as well as a complete redesign of our Creative Cloud desktop app;
- Enabling collaboration via multi-surface systems with the launch of Photoshop on iPad, Fresco on Windows, and a preview of Illustrator on iPad;
- Extending category leadership with new innovations in Adobe XD, including live co-editing and fully integrated Creative Cloud Libraries;
- Launching new products such as Adobe Aero, the industry's first tool that allows designers to build and share AR experiences;
- Expanding our mobile offering with the introduction of Photoshop Camera, a consumer app that will bring Photoshop technology directly to the moment of capture; and

- Delivering Adobe magic to enable creatives to work faster and smarter than ever before with new Adobe Sensei-powered features.

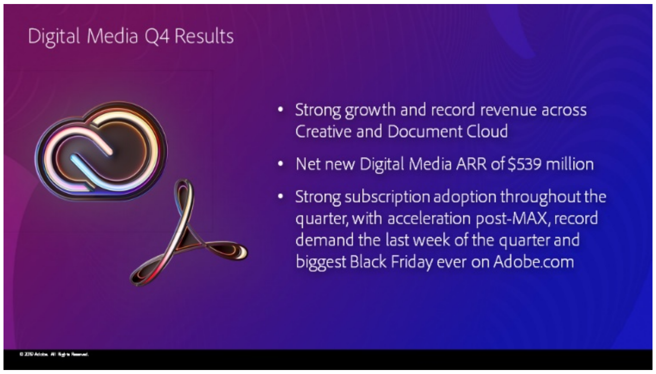
Adobe's heritage is built on providing trusted creative solutions, and we have a responsibility to play a role in addressing content authenticity. At MAX we announced an initiative in partnership with The New York Times Company and Twitter to develop an industry standard for digital content attribution, and we're inviting other companies to join to create a long-term shared solution.



With Document Cloud, Adobe is enabling the paper-to-digital transformation that is underway at organizations and enterprises around the world. With trillions of PDFs created every year and billions of people viewing PDF documents, we've expanded our ambitions in this space, and estimate the total addressable market for Document Cloud will grow to approximately $13 billion by 2022.

Our Document Cloud strategy is to enable all common document actions, what we call Acrobat verbs – including editing, sharing, scanning and signing – to be frictionless across mobile and web by leveraging the ubiquitous PDF format. We make this possible through desktop and mobile applications, single-click web functionality in browsers, and with a rich set of APIs that can be embedded in third-party applications.

Our Document Cloud ecosystem continues to grow. At BoxWorks, we introduced a new Acrobat web experience, which includes capabilities to modify, organize, sign and collaborate on PDFs directly within Box. At Microsoft Ignite, we announced new advancements in Adobe Sign to simplify the e-signature process, and we deepened integrations between Adobe Sign and Microsoft Office 365, Dynamics 365, and Azure.



In Q4, we drove strong revenue growth across both Creative Cloud and Document Cloud. Digital Media revenue was $2.08 billion. Net new Digital Media ARR was a record $539 million, and total Digital Media ARR exiting Q4 grew to $8.40 billion.

Global interest and subscription adoption were strong throughout the quarter and accelerated after Adobe MAX. Demand for mobile offerings and overall web traffic continued to grow. We are attracting new customers, with over 50% of our cumulative subscribers being new to our Creative Cloud franchise. With 23 million students having access to Adobe Spark, we're spearheading the development of critical creative skills for the next generation.

Document Cloud growth is being driven by new customer acquisition, migration from Acrobat perpetual licenses to subscriptions, and the monetization of an ever-increasing universe of Document Cloud mobile app users.

Digital Media enterprise adoption continues to expand with outstanding seasonal Q4 performance. Finally, we drove record demand for subscriptions during the last week of the quarter, culminating in our biggest ever Black Friday on Adobe.com.

In the experience economy, every business must be a digital business and Adobe Experience Cloud is the industry leader for powering digital businesses. The ever-increasing demand for data and insights, content and personalization, customer journey management, commerce and advertising is expanding our total addressable market for Experience Cloud to $84 billion by 2022.

We're leveraging our relationships with Chief Marketing Officers and Chief Digital Officers to drive Customer Experience Management (CXM) across the enterprise. With Adobe Experience Platform we are becoming mission critical to the Chief Information Officer. We've extended our offerings and go-to-market across both B2B and B2C and are expanding our footprint in the mid-market segment.

We're rapidly evolving our CXM product strategy to deliver generational technology platforms, launch innovative new services and introduce enhancements to our market-leading applications.

Adobe Experience Platform is the industry's first purpose-built CXM platform. With real-time customer profiles, continuous intelligence, and an open and extensible architecture, Adobe Experience Platform makes delivering personalized customer experiences at scale a reality.

At Adobe, we've leveraged our highly successful data-driven operating model, or DDOM, into a transformation playbook for our customers. We're helping enterprises rearchitect their technology, people and processes to drive business growth. We have a unique and valuable perspective as a company that has used its own technology to transform its business.

Our leadership in Customer Experience Management is reflected in the industry recognition we received in Q4, including being named the top leader in Forrester's Digital Intelligence Platforms Wave report, achieving the best scores across both 'Ability to Execute' and 'Completeness of Vision.' Adobe was named a leader by Gartner and Forrester in the categories of Enterprise Marketing Software Suites, Digital Asset Management and CRM Lead Management.

If you've watched TV, listened to the radio or read the news this past week, you could not have avoided references to Adobe's Holiday Shopping predictions report which leverages Adobe Sensei to identify retail trends and insights from trillions of data points flowing through Adobe Analytics and Adobe Commerce Cloud. Adobe's data showed that Cyber Monday reached a record $9.4 billion in online sales, and we predict online holiday spending will surpass $140 billion this year.

Key Digital Experience transactions in the quarter included Goldman Sachs, Marriott, McDonald's and Qualcomm. Interest in the Adobe Experience Platform and our new Real-Time Customer Data Platform is strong and we successfully closed business across key verticals, including financial services, manufacturing, media and entertainment, retail, telecommunications and travel and hospitality. Key wins included 3M, Coca-Cola, Synopsys, Tommy Bahama and Verizon. As a result of the strong Q4, we exceeded 20% subscription bookings growth during FY19.

Our performance in FY19 was driven by the significant contributions of our global employees. They are Adobe's greatest asset and we pride ourselves on our progressive and inclusive employee policies. This year, we reaffirmed global pay parity across our workforce and in September we became the first company to announce our commitment to opportunity parity, which looks at fairness in internal promotions and horizontal movement. We are proud to once again be included on Fortune's list of the "100 Best Companies to Work For" and one of the "Best Employers for New Grads" by Forbes.

We're pleased to have been recognized by Newsweek as one of "America's Most Responsible Companies" and were named to the Dow Jones Sustainability Index for the fourth consecutive year.

We were honored to receive the Hope Award from the National Center for Missing and Exploited Children for our ongoing work to further their mission of keeping every child safe.

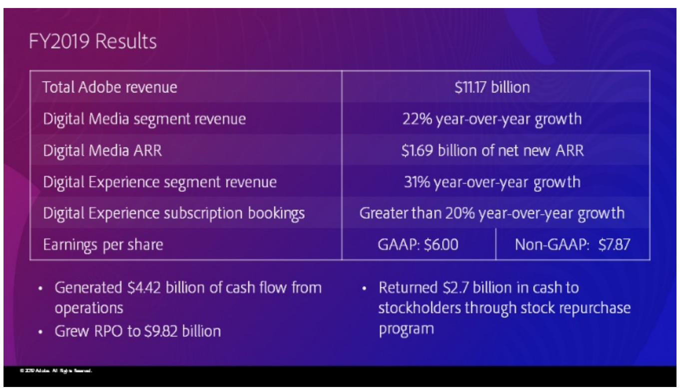
Adobe's vision, our compelling strategy, our large and loyal customer base, and our relentless focus on these opportunities position us well for the next decade of growth. Adobe is the clear frontrunner in the categories we serve: creativity, digital documents and customer experience management. Our best days remain ahead of us and we look forward to a phenomenal 2020.

John.

JOHN MURPHY

Thanks, Shantanu.

Our earnings report today covers both Q4 and fiscal year 2019 results.



Starting with our annual results, in FY19 Adobe achieved record revenue of $11.17 billion, which represents 24% year-over-year growth. GAAP EPS for the year was $6.00, and non-GAAP EPS was $7.87. This performance is the result of strong execution against our expanding strategy resulting in noteworthy achievements, including:

- Digital Media segment revenue of $7.71 billion, representing 22% year-over-year growth;
- Creative revenue of $6.48 billion, representing 21% year-over-year growth;
- Adobe Document Cloud revenue of $1.22 billion, representing 25% year-over-year growth;
- Exiting the year with $8.40 billion of Digital Media ARR, an annual increase of $1.69 billion;
- Digital Experience segment revenue of $3.21 billion, representing 31% year-over-year growth;

- Digital Experience subscription revenue of $2.67 billion, representing 37% year-over-year growth;
- Growing Digital Experience subscription bookings by greater than 20%;
- Generating $4.42 billion in operating cash flow during the year;
- Growing Remaining Performance Obligation, or RPO, to approximately $9.82 billion; and
- Returning $2.7 billion in cash to stockholders through our stock repurchase program.

In the fourth quarter of FY19, Adobe achieved record revenue of $2.99 billion, which represents 21% year-over-year growth. GAAP diluted earnings per share in Q4 was $1.74 and non-GAAP diluted earnings per share was $2.29.

Business and financial highlights in Q4 included:

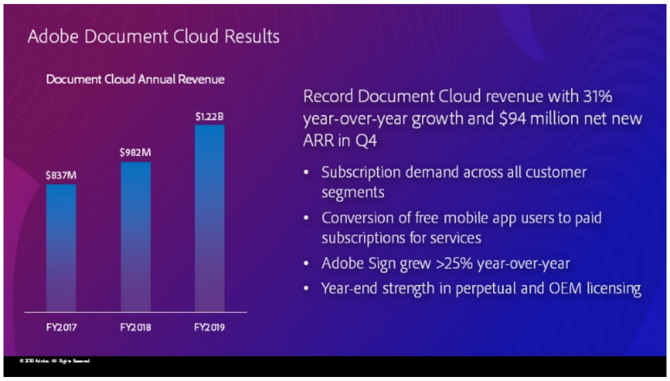
- Digital Media revenue of $2.08 billion, which represents 22% year-over-year growth;
- Net new Digital Media ARR of $539 million;
- Digital Experience revenue of $859 million, which represents 24% year-over-year growth;
- Record cash flow from operations of $1.38 billion;
- Increasing RPO by more than $1 billion; and
- Repurchasing 2.8 million shares of our stock during the quarter.

In our Digital Media segment, we achieved record revenue with 22% year-over-year growth in Q4. The addition of $539 million net new Digital Media ARR grew the total to $8.40 billion.

Within Digital Media, we achieved another strong quarter with our Creative business. Creative revenue grew 20% year-over-year and we increased Creative ARR by $445 million in Q4. Driving this performance was continued strength with acquisition, upsell and retention of Creative Cloud subscriptions – as well as the adoption of Creative Cloud services.

Key Q4 Creative growth drivers included:

- New user growth, fueled by demand generation initiatives including targeted campaigns and promotions, an increase in mobile app users, and year-end seasonal strength;
- End of November strength coming from interest driven by the recent Adobe MAX conference and follow-on targeted campaigns that helped drive record performance during the last week of the quarter;
- Continued strength with single app adoption, particularly with our imaging and video offerings;
- A strong finish to the year in the enterprise with renewals, upsell and enterprise services adoption;
- Continued momentum with creative services including Adobe Stock, where revenue again grew greater than 30% year-over-year; and
- Improvements in retention across all our offerings.



Adobe Document Cloud revenue growth accelerated once again in Q4. We achieved record Document Cloud revenue of $339 million, which represents 31% year-over-year growth, and we added $94 million of net new Document Cloud ARR during the quarter.

Document Cloud performance during Q4 and the year was driven by:

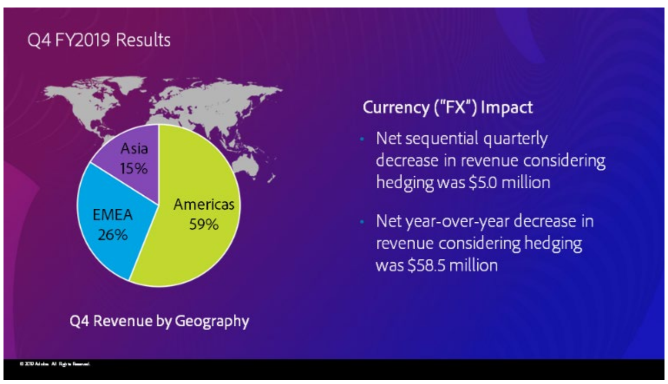
- Acrobat subscription demand across all customer segments;
- The conversion of free mobile app users to paid subscriptions for services such as Create PDF Online;
- Document Cloud services adoption, including Adobe Sign revenue which grew greater than 25% year-over-year in Q4; and
- Year-end strength in perpetual and OEM licensing.

In our Digital Experience segment, we achieved record quarterly revenue of $859 million, which represents 24% year-over-year growth in Q4. Subscription revenue for the quarter was $726 million, growing 31% year-over-year. With strong Q4 bookings, we achieved greater than 20% subscription bookings growth for the year.

For the year, we achieved $3.21 billion of Digital Experience revenue, which represents 31% year-over-year growth.

Key Q4 highlights include:

- Strong year-over-year growth in our Content & Commerce solutions, led by Adobe Experience Manager and success with cross-selling and up-selling Magento;
- Adoption of Adobe Experience Platform, Audience Manager and Real-Time CDP in our Data & Insights solutions; and
- Momentum in our Marketo business, including in the mid-market segment, which helped fuel growth in our Customer Journey Management solutions.

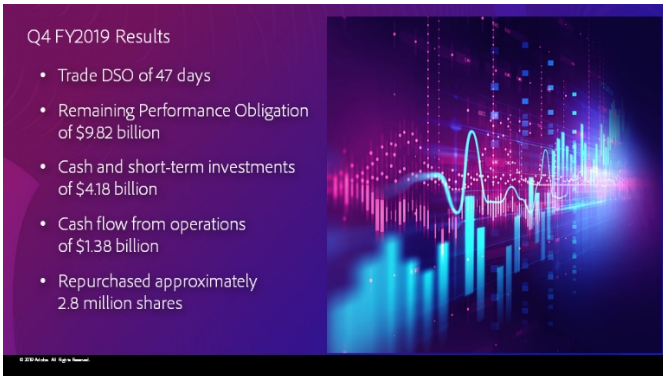


From a quarter-over-quarter currency perspective, FX decreased revenue by $5.8 million. We had $11.6 million in hedge gains in Q4 FY19, versus $10.8 million in hedge gains in Q3 FY19; thus, the net sequential currency decrease to revenue considering hedging gains was $5.0 million.

From a year-over-year currency perspective, FX decreased revenue by $39.6 million. The $11.6 million in hedge gains in Q4 FY19 versus the $30.5 million in hedge gains in Q4 FY18 resulted in a net year-over-year currency decrease to revenue considering hedging gains of $58.5 million.

We experienced strong global demand, but FX reduced reported year-over-year revenue growth, particularly in EMEA.

In Q4, Adobe's effective tax rate was 11% on both a GAAP basis and a non-GAAP basis.



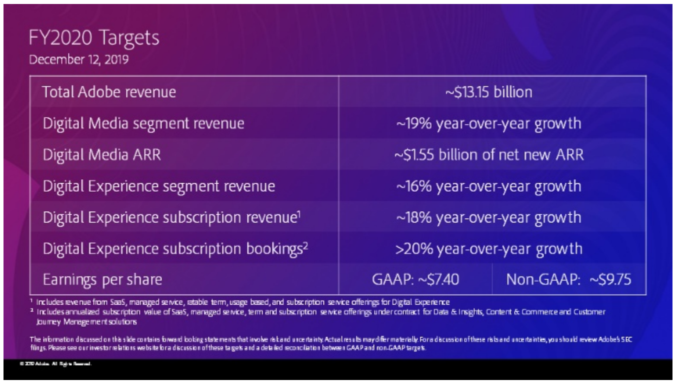
Our trade DSO was 47 days, which compares to 49 days in the year-ago quarter, and 44 days last quarter.

Remaining Performance Obligation or "RPO" was $9.82 billion exiting Q4, which compares to $8.77 billion exiting Q3. Normal seasonality and strong year-end performance contributed to the more than $1 billion increase in RPO during Q4.

Deferred revenue exiting Q4 was $3.50 billion.

Our ending cash and short-term investment position exiting Q4 was $4.18 billion, and cash flow from operations was $1.38 billion in the quarter.

In Q4 we repurchased approximately 2.8 million shares at a cost of $771 million. During fiscal 2019, we repurchased approximately 9.9 million shares, returning $2.7 billion of cash to stockholders. We currently have $5.1 billion remaining of our $8 billion repurchase authority granted in May 2018 which goes through 2021.



As you know, we measure ARR on a constant currency basis during a fiscal year and revalue ARR at year-end for current currency rates. FX rate changes between December of 2018 and this year have resulted in a $66 million decrease in Digital Media ARR. This decreases our FY20 beginning Digital Media ARR balance to $8.33 billion. The effect of this revision is reflected in our updated investor data sheet, and ARR results will be measured against this amount during FY20.

We are providing the following fiscal year 2020 targets:

- Total Adobe revenue of approximately $13.15 billion;
- Digital Media segment year-over-year revenue growth of approximately 19%;
- Net new Digital Media ARR of approximately $1.55 billion;
- Digital Experience segment year-over-year revenue growth of approximately 16%;
- Digital Experience subscription revenue year-over-year growth of approximately 18%;
- Digital Experience subscription bookings year-over-year growth of greater than 20%;
- Tax rate of approximately 11% on a GAAP basis and non-GAAP basis;
- Share count of approximately 486 million shares;
- GAAP earnings per share of approximately $7.40; and
- Non-GAAP earnings per share of approximately $9.75.

For Q1 FY20 we are targeting:

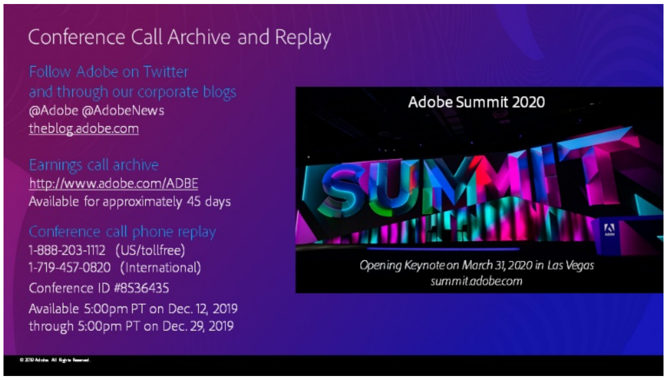
- Revenue of approximately $3.04 billion;
- Digital Media segment year-over-year revenue growth of approximately 19%;
- Net new Digital Media ARR of approximately $360 million;
- Digital Experience segment year-over-year revenue growth of approximately 15%;
- Net non-operating expense of approximately $20 million;
- Tax rate of approximately 5% on a GAAP basis and 11% on a non-GAAP basis;
- Share count of approximately 489 million shares;
- GAAP earnings per share of approximately $1.76; and
- Non-GAAP earnings per share of approximately $2.23.

We expect Digital Media net new ARR in FY20 to grow sequentially from Q1 to Q2, dip in Q3 and have a strong seasonal finish in Q4. As a reminder, Q1 FY19 benefitted from a positive one-time $20 million ARR adjustment due to the adoption of ASC 606.

We anticipate total Adobe revenue to grow by approximately 17% year-over-year in the first half of FY20, followed by approximately 18% year-over-year growth in the second half of the year.

In summary, we finished fiscal 2019 strong with record performance in Q4. Based on our category leadership and strong momentum exiting 2019, we remain bullish about fiscal 2020 and beyond.

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



MIKE SAVIAGE

Thanks, John.

Adobe Summit, our annual Digital Experience user conference, will occur during the week of March 30th in Las Vegas with day one on Tuesday March 31st. An invitation to Summit for the financial community, including discounted registration information, will be sent to our analyst and investor email list in January. More information about the event can be found online at summit.adobe.com.

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 #8536435. 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 December 19th, 2019.

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

Adobe Investor Relations Data Sheet

Last Updated: December 12, 2019; financial results beginning in FY2019 are being reported based on Accounting Standards Codification (ASC) 606; prior fiscal year results were reported based on ASC 605

	Description	Q1FY17	Q2FY17	Q3FY17	Q4FY17	FY2017	Q1FY18	Q2FY18	Q3FY18	Q4FY18	FY2018	Q1FY19	Q2FY19	Q3FY19	Q4FY19	FY2019
Revenue ($Millions)	**Total Revenue**	1,681.6	1,772.2	1,841.1	2,006.6	7,301.5	2,078.9	2,195.4	2,291.1	2,464.6	9,030.0	2,600.9	2,744.3	2,834.1	2,992.0	11,171.3
Revenue by Segment ($Millions)	**Digital Media**	1,138.1	1,212.0	1,270.2	1,390.3	5,010.6	1,460.5	1,546.4	1,608.9	1,709.5	6,325.3	1,776.6	1,890.2	1,962.2	2,078.0	7,707.0
	Digital Experience	477.3	495.4	507.8	549.9	2,030.4	554.1	586.0	614.0	689.7	2,443.8	743.3	783.5	820.9	858.5	3,206.2
	Publishing	66.2	64.8	63.1	66.4	260.5	64.3	63.0	68.2	65.4	260.9	81.0	70.6	51.0	55.5	258.1
Revenue by Segment (as % of total revenue)	**Digital Media**	68%	68%	69%	69%	69%	70%	70%	70%	69%	70%	68%	69%	69%	69%	69%
	Digital Experience	28%	28%	28%	28%	28%	27%	27%	27%	28%	27%	29%	28%	29%	29%	29%
	Publishing	4%	4%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	2%	2%	2%
Supplementary Segment Data	**Digital Media**															
	Creative Revenue ($Millions)	942.2	1,012.1	1,063.9	1,155.7	4,173.9	1,229.5	1,303.4	1,360.0	1,450.6	5,343.5	1,494.9	1,594.0	1,654.7	1,738.7	6,482.3
	Creative ARR[1,2] ($Millions) - *Updated for December 2016 Currency Rates*	3,759	4,044	4,316	4,631	-	-	-	-	-	-	-	-	-	-	-
	Creative ARR[1,2] ($Millions) - *Updated for December 2017 Currency Rates*	-	-	-	4,771	-	5,074	5,370	5,659	6,032	-	-	-	-	-	-
	Creative ARR[1,2] ($Millions) - *Updated for December 2018 Currency Rates*	-	-	-	-	-	-	-	-	5,919	-	6,211	6,552	6,866	7,311	-
	Creative ARR[1,2] ($Millions) - *Updated for December 2019 Currency Rates*	-	-	-	-	-	-	-	-	-	-	-	-	-	7,253	-
	Document Cloud Revenue ($Millions)	195.9	199.9	206.3	234.6	836.7	231.0	243.0	248.9	258.9	981.8	281.7	296.2	307.5	339.3	1,224.7
	Document Cloud ARR[2,3] ($Millions) - *Updated for December 2016 Currency Rates*	493	520	556	600	-	-	-	-	-	-	-	-	-	-	-
	Document Cloud ARR[2,3] ($Millions) - *Updated for December 2017 Currency Rates*	-	-	-	614	-	647	694	744	801	-	-	-	-	-	-
	Document Cloud ARR[2,3] ($Millions) - *Updated for December 2018 Currency Rates*	-	-	-	-	-	-	-	-	791	-	856	921	993	1,087	-
	Document Cloud ARR[2,3] ($Millions) - *Updated for December 2019 Currency Rates*	-	-	-	-	-	-	-	-	-	-	-	-	-	1,078	-
	Total Digital Media ARR[2] ($Millions) - *Updated for December 2016 Currency Rates*	4,252	4,564	4,872	5,231	-	-	-	-	-	-	-	-	-	-	-
	Total Digital Media ARR[2] ($Millions) - *Updated for December 2017 Currency Rates*	-	-	-	5,385	-	5,721	6,064	6,403	6,833	-	-	-	-	-	-
	Total Digital Media ARR[2] ($Millions) - *Updated for December 2018 Currency Rates*	-	-	-	-	-	-	-	-	6,710	-	7,067	7,473	7,859	8,398	-
	Total Digital Media ARR[2] ($Millions) - *Updated for December 2019 Currency Rates*	-	-	-	-	-	-	-	-	-	-	-	-	-	8,332	-
	Digital Experience															
	Experience Cloud Subscription Revenue[4] ($Millions)	352.9	377.1	395.2	427.3	1,552.5	430.9	469.4	494.6	554.4	1,949.3	611.9	654.0	678.7	726.1	2,670.7
Revenue by Geography ($Millions)	**Americas**	975.8	1,026.7	1,063.1	1,151.0	4,216.6	1,170.7	1,239.6	1,299.6	1,406.9	5,116.8	1,509.9	1,599.2	1,639.4	1,757.5	6,506.0
	EMEA	459.1	475.9	500.8	549.2	1,985.0	587.2	621.8	646.7	694.3	2,550.0	702.9	729.3	754.9	788.0	2,975.1
	Asia	246.7	269.6	277.2	306.4	1,099.9	321.0	334.0	344.8	363.4	1,363.2	388.1	415.8	439.8	446.5	1,690.2
Revenue by Geography (as % of total revenue)	**Americas**	58%	58%	58%	58%	58%	56%	56%	57%	57%	57%	58%	58%	58%	59%	58%
	EMEA	27%	27%	27%	27%	27%	28%	28%	28%	28%	28%	27%	27%	27%	26%	27%
	Asia	15%	15%	15%	15%	15%	16%	16%	15%	15%	15%	15%	15%	15%	15%	15%
Supplementary Cost of Revenue Data ($Millions)	**Digital Media**	55.0	58.4	69.5	57.1	240.0	55.5	54.7	61.4	77.8	249.4	68.2	70.7	73.7	77.0	289.6
	Digital Experience	176.8	175.1	187.6	207.5	747.0	198.8	220.7	227.7	275.2	922.4	323.7	331.7	337.4	370.1	1,362.9
	Publishing	5.5	5.9	5.8	6.3	23.5	4.6	5.9	6.4	6.3	23.2	5.4	5.1	4.9	4.9	20.2
	Total	237.3	239.4	262.9	270.9	1,010.5	258.9	281.3	295.5	359.3	1,195.0	397.3	407.5	416.0	452.0	1,672.7
Stock-Based and Deferred Compensation Expenses ($Millions)	**Direct Costs**	7.4	8.7	8.3	8.9	33.3	9.7	9.6	10.2	12.6	42.1	12.4	13.9	13.5	14.7	54.5
	Research & Development	38.6	48.0	48.4	50.9	185.9	60.0	69.8	73.7	74.4	277.9	85.6	94.6	95.6	104.9	380.7
	Sales & Marketing	37.7	40.8	41.0	40.6	160.1	44.4	48.5	56.1	57.0	206.0	63.3	68.4	61.7	58.5	251.9
	General & Administrative	19.9	21.1	20.3	21.8	83.1	22.3	18.9	21.1	22.6	84.9	25.8	26.8	28.5	29.7	110.8
	Total	103.6	118.6	118.0	122.2	462.4	136.4	146.8	161.1	166.5	610.8	187.1	203.7	199.3	207.8	797.9
Other Data	**Worldwide Employees**	16,637	17,322	17,788	17,973	-	18,133	18,681	19,560	21,357	-	21,428	22,124	22,496	22,634	-
	Days Sales Outstanding - Trade Receivables	46	46	50	55	-	47	44	41	49	-	46	42	44	47	-
	Diluted Shares Outstanding	500.9	500.4	500.4	500.1	501.1	499.4	498.3	496.9	495.1	497.8	494.2	492.2	491.0	488.9	491.6

1 Creative Annualized Recurring Revenue ("ARR") = Annual Value of Creative Cloud Subscriptions and Services + Annual Value of Creative ETLA Contracts

2 ARR is forecasted annually at December currency rates, and currency rates are held constant through that fiscal year for measurement purposes; end-of-year actual ARR balances are revalued at new December rates for the next fiscal year

3 Document Cloud Annualized Recurring Revenue ("ARR") = Annual Value of Document Cloud Subscriptions and Services + Annual Value of Acrobat ETLA Contracts

4 Includes revenue from SaaS, managed service and term offerings for Adobe Analytics Cloud, Adobe Marketing Cloud and Magento Commerce Cloud, as well as total revenue for Adobe Advertising Cloud

Adobe Investor Relations Data Sheet

Income Statement - Reconciliation of GAAP to Non-GAAP
Last Updated: December 12, 2019; financial results beginning in FY2019 are being reported based on Accounting Standards Codification (ASC) 606; prior fiscal year results were reported based on ASC 605

	Description	Q1FY17	Q2FY17	Q3FY17	Q4FY17	FY2017	Q1FY18	Q2FY18	Q3FY18	Q4FY18	FY2018	Q1FY19	Q2FY19	Q3FY19	Q4FY19	FY2019
GAAP ($Millions, except EPS)	Revenue	1,681.6	1,772.2	1,841.1	2,006.6	7,301.5	2,078.9	2,195.4	2,291.1	2,464.6	9,030.0	2,600.9	2,744.3	2,834.1	2,992.0	11,171.3
	Cost of revenue	237.3	239.4	262.9	270.9	1,010.5	258.9	281.3	295.5	359.3	1,195.0	397.3	407.5	416.0	452.0	1,672.7
	Gross profit	1,444.3	1,532.8	1,578.2	1,735.7	6,291.0	1,820.0	1,914.0	1,995.6	2,105.4	7,835.0	2,203.6	2,336.8	2,418.2	2,540.0	9,498.6
	Operating expenses	975.3	1,028.7	1,032.5	1,086.4	4,122.9	1,117.3	1,215.5	1,277.0	1,384.8	4,994.6	1,508.8	1,587.2	1,564.4	1,570.0	6,230.5
	Operating income	469.0	504.1	545.7	649.3	2,168.1	702.7	698.5	718.6	720.5	2,840.4	694.8	749.5	853.8	969.9	3,268.1
	Non-operating income (expense)	(8.4)	(11.5)	(4.3)	(6.3)	(30.5)	(0.2)	(7.7)	(17.2)	(21.3)	(46.5)	7.5	(38.8)	(19.3)	(12.8)	(63.4)
	Income before income taxes	460.6	492.6	541.4	643.0	2,137.6	702.5	690.8	701.4	699.2	2,793.9	702.3	710.8	834.5	957.1	3,204.7
	Provision for income taxes	62.2	118.2	121.8	141.5	443.7	119.4	27.6	35.1	21.0	203.1	28.1	78.2	41.7	105.3	253.3
	Net income	398.4	374.4	419.6	501.5	1,693.9	583.1	663.2	666.3	678.2	2,590.8	674.2	632.6	792.8	851.9	2,951.5
	Diluted earnings per share	$ 0.80	$ 0.75	$ 0.84	$ 1.00	$ 3.38	$ 1.17	$ 1.33	$ 1.34	$ 1.37	$ 5.20	$ 1.36	$ 1.29	$ 1.61	$ 1.74	$ 6.00
Adjustments to Reconcile to Non-GAAP ($Millions)	Cost of revenue															
	Stock-based and deferred compensation	(7.4)	(8.7)	(8.3)	(8.9)	(33.2)	(9.7)	(9.6)	(10.2)	(12.6)	(42.1)	(12.4)	(13.9)	(13.5)	(14.7)	(54.5)
	Amortization of intangibles	(16.3)	(17.2)	(17.2)	(16.1)	(66.9)	(14.6)	(15.2)	(20.9)	(32.5)	(83.2)	(56.1)	(53.7)	(57.2)	(53.2)	(220.2)
	Total adjustments to cost to revenue	(23.7)	(26.0)	(25.5)	(25.0)	(100.2)	(24.3)	(24.8)	(31.1)	(45.1)	(125.3)	(68.5)	(67.6)	(70.7)	(67.9)	(274.7)
	Operating expenses															
	Stock-based and deferred compensation	(96.2)	(109.9)	(109.7)	(113.3)	(429.1)	(126.7)	(137.2)	(150.9)	(154.0)	(568.8)	(174.7)	(189.8)	(185.8)	(193.1)	(743.4)
	Restructuring and other charges	-	0.1	-	0.4	0.5	-	-	-	-	-	-	-	-	-	-
	Amortization of intangibles	(19.1)	(19.3)	(19.4)	(18.7)	(76.6)	(17.1)	(17.1)	(23.9)	(32.9)	(91.1)	(46.6)	(43.0)	(43.0)	(42.7)	(175.2)
	Total adjustments to operating expenses	(115.4)	(129.1)	(129.1)	(131.6)	(505.2)	(143.8)	(154.3)	(174.8)	(186.9)	(659.9)	(221.3)	(232.8)	(228.8)	(235.8)	(918.6)
	Non-operating income (expense)	(2.6)	(1.7)	(1.0)	(2.3)	(7.6)	(3.0)	(1.1)	(2.3)	3.1	(3.2)	(43.8)	0.8	(3.7)	(4.9)	(51.6)
	Taxes	63.2	17.4	24.1	26.0	130.7	(24.0)	15.8	10.2	7.1	9.1	76.2	33.1	82.6	32.9	224.8
Non-GAAP ($Millions, except EPS)	Revenue	1,681.6	1,772.2	1,841.1	2,006.6	7,301.5	2,078.9	2,195.4	2,291.1	2,464.6	9,030.0	2,600.9	2,744.3	2,834.1	2,992.0	11,171.3
	Cost of revenue	213.7	213.4	237.4	245.9	910.4	234.6	256.5	264.4	314.2	1,069.8	328.8	339.9	345.3	384.2	1,398.1
	Gross profit	1,468.0	1,558.8	1,603.7	1,760.7	6,391.2	1,844.3	1,938.8	2,026.7	2,150.4	7,960.2	2,272.1	2,404.4	2,488.9	2,607.8	9,773.2
	Operating expenses	859.9	899.7	903.4	954.7	3,617.7	973.5	1,061.2	1,102.2	1,197.9	4,334.8	1,287.5	1,354.4	1,335.6	1,334.2	5,311.8
	Operating income	608.0	659.1	700.3	806.0	2,773.4	870.9	877.6	924.5	952.4	3,625.4	984.6	1,049.9	1,153.3	1,273.6	4,461.4
	Non-operating income (expense)	(10.9)	(13.2)	(5.3)	(8.6)	(38.0)	(3.2)	(8.8)	(19.5)	(18.2)	(49.7)	(36.3)	(38.0)	(23.0)	(17.6)	(115.0)
	Income before income taxes	597.1	645.9	695.0	797.4	2,735.4	867.6	868.9	905.0	934.2	3,575.7	948.3	1,011.9	1,130.3	1,255.9	4,346.5
	Provision for income taxes	125.4	135.6	146.0	167.4	574.4	95.4	43.4	45.3	28.0	212.1	104.3	111.3	124.3	138.2	478.1
	Net income	471.7	510.3	549.1	629.9	2,161.0	772.2	825.4	859.8	906.2	3,363.6	844.0	900.6	1,006.0	1,117.8	3,868.3
	Diluted earnings per share	$ 0.94	$ 1.02	$ 1.10	$ 1.26	$ 4.31	$ 1.55	$ 1.66	$ 1.73	$ 1.83	$ 6.76	$ 1.71	$ 1.83	$ 2.05	$ 2.29	$ 7.87
Shares	Diluted shares outstanding	500.9	500.4	500.4	500.1	501.1	499.4	498.3	496.9	495.1	497.8	494.2	492.2	491.0	488.9	491.6
Reconciliation of Diluted Earnings Per Share ($)	GAAP diluted earnings per share	0.80	0.75	0.84	1.00	3.38	1.17	1.33	1.34	1.37	5.20	1.36	1.29	1.61	1.74	6.00
	Stock-based and deferred compensation	0.21	0.23	0.24	0.24	0.92	0.27	0.29	0.32	0.34	1.23	0.38	0.41	0.41	0.43	1.62
	Amortization of intangibles	0.07	0.07	0.07	0.07	0.29	0.06	0.06	0.09	0.13	0.35	0.21	0.20	0.20	0.20	0.80
	Non-operating income (expense)	(0.01)	-	-	-	(0.02)	-	-	-	0.01	(0.01)	(0.09)	-	(0.01)	(0.01)	(0.10)
	Income tax adjustments	(0.13)	(0.03)	(0.05)	(0.05)	(0.26)	0.05	(0.02)	(0.02)	(0.02)	(0.01)	(0.15)	(0.07)	(0.16)	(0.07)	(0.45)
	Non-GAAP diluted earnings per share	$ 0.94	$ 1.02	$ 1.10	$ 1.26	$ 4.31	$ 1.55	$ 1.66	$ 1.73	$ 1.83	$ 6.76	$ 1.71	$ 1.83	$ 2.05	$ 2.29	$ 7.87
Reconciliation of GAAP to Non-GAAP Operating Margin	GAAP operating margin	27.9%	28.4%	29.6%	32.4%	29.7%	33.8%	31.8%	31.4%	29.2%	31.5%	26.7%	27.3%	30.1%	32.4%	29.2%
	Stock-based and deferred compensation	6.2%	6.7%	6.4%	6.1%	6.3%	6.6%	6.7%	7.0%	6.8%	6.8%	7.2%	7.4%	7.0%	6.9%	7.1%
	Amortization of intangibles	2.1%	2.1%	2.0%	1.7%	2.0%	1.5%	1.5%	2.0%	2.6%	1.8%	4.0%	3.6%	3.6%	3.3%	3.6%
	Non-GAAP operating margin	36.2%	37.2%	38.0%	40.2%	38.0%	41.9%	40.0%	40.4%	38.6%	40.1%	37.9%	38.3%	40.7%	42.6%	39.9%

The above results are supplied to provide meaningful supplemental information regarding Adobe's core operating results because such information excludes amounts that are not necessarily related to its core operating results. Adobe uses this non-GAAP financial information in assessing the performance of the Company's ongoing operations, and for planning and forecasting in future periods. This non-GAAP information should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP.

FY2020 Business Segment Classifications

Last Updated: December 12, 2019

Products

Digital Media

Creative

Creative Cloud	**Creative Cloud Desktop Apps**	**Creative Cloud Mobile Apps**
Creative Cloud for individuals	Acrobat Pro DC	Behance
Creative Cloud for students and teachers	Aero	Capture
Creative Cloud for teams	After Effects	Comp
Creative Cloud for enterprises	Animate	XD (Experience Design)
Creative Cloud for education	Audition	Fresco
Creative Cloud Photography plan	Bridge	Illustrator Draw
	Character Animator	Photoshop Express
Services	Dimension	Photoshop Fix
AIR/Flash Player	Dreamweaver	Photoshop for iPad
Behance	XD (Experience Design)	Photoshop Lightroom for mobile
Creative SDK	Fireworks CS6	Photoshop Mix
Digital Publishing Suite	Fuse (Beta)	Photoshop Sketch
Extendscript Toolkit	Illustrator	Portfolio
Extension Manager	InCopy	Prelude Live Logger
Flash Builder	InDesign	Premiere Clip
Fonts	Ink & Slide	Premiere Rush
Gaming SDK	Media Encoder	Preview
PhoneGap Build	Muse	Spark Page
Portfolio	Photoshop	Spark Post
Stock	Photoshop Lightroom	Spark Video
Story Plus	Prelude	
Talent	Premiere Pro	**Consumer Products**
	Scout	Photoshop Elements
Substance (Allegorithmic)	Story	Premiere Elements

Adobe Document Cloud

Acrobat Pro DC	Document Cloud ExportPDF	Scan
Acrobat Standard DC	Document Cloud Send	Sign
Reader DC	PDF Pack	

Digital Experience

Adobe Experience Cloud

Data & Insights	**Content & Commerce**	**Customer Journey Management**
Adobe Analytics	Adobe Experience Manager	Adobe Campaign
Adobe Audience Manager	Adobe Target	Journey Orchestration
Adobe Experience Platform	Magento Commerce	Marketo Engage
Customer Journey Analytics		
Real-Time CDP	**Advertising**	
	Adobe Advertising	

Other

Adobe Primetime	Other	

Publishing

Authorware	eLearning Suite	PostScript
Captivate	Font Folio	Robohelp
ColdFusion	FrameMaker	Shockwave Player
Connect	JRun	Technical Communication Suite
Contribute	LiveCycle	Type
Director	PageMaker	

Adobe provides this information as of the modification date above and makes no commitment to update the information subsequently.
For a full explanation of this data, you are encouraged to review Adobe's Form 10-K and 10-Q SEC filings.

Our actual results could differ materially from our forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed below. These and many other factors described in this report could adversely affect our operations, performance and financial condition.

Our competitive position and results of operations could be harmed if we do not compete effectively.

The markets for our products and services are characterized by intense competition, new industry standards, evolving distribution models, limited barriers to entry, disruptive technology developments, short product life cycles, customer price sensitivity and frequent product introductions (including alternatives with limited functionality available at lower costs or free of charge). Any of these factors could create downward pressure on pricing and gross margins and could adversely affect our renewal and upsell and cross-sell rates, as well as our ability to attract new customers. Our future success will depend on our continued ability to enhance and integrate our existing products and services, introduce new products and services in a timely and cost-effective manner, meet changing customer expectations and needs, extend our core technology into new applications, and anticipate emerging standards, business models, software delivery methods and other technological developments. Furthermore, some of our competitors and potential competitors enjoy competitive advantages such as greater financial, technical, sales, marketing and other resources, broader brand awareness and access to larger customer bases. As a result of these advantages, potential and current customers might select the products and services of our competitors, causing a loss of our market share. In addition, consolidation has occurred among some of our competitors. Further consolidations in these markets may subject us to increased competitive pressures and may harm our results of operations.

For additional information regarding our competition and the risks arising out of the competitive environment in which we operate, see the section entitled "Competition" contained in our annual report on Form 10-K for our fiscal year 2019.

If we cannot continue to develop, acquire, market and offer new products and services or enhancements to existing products and services that meet customer requirements, our operating results could suffer.

The process of developing and acquiring new technology products and services and enhancing existing offerings is complex, costly and uncertain. If we fail to anticipate customers' rapidly changing needs and expectations or adapt to emerging technological trends, our market share and results of operations could suffer. We must make long-term investments, develop, acquire or obtain appropriate intellectual property and commit significant resources before knowing whether our predictions will accurately reflect customer demand for our products and services. If we misjudge customer needs in the future, our new products and services may not succeed and our revenues and earnings may be harmed. Additionally, any delay in the development, acquisition, marketing or launch of a new offering or enhancement to an existing offering could result in customer attrition or impede our ability to attract new customers, causing a decline in our revenue, earnings or stock price and weakening our competitive position.

We offer our products on a variety of hardware platforms. Consumers continue to migrate from personal computers to tablet and mobile devices. If we cannot continue adapting our products to tablet and mobile devices, or if our competitors can adapt their products more quickly than us, our business could be harmed. Releases of new devices or operating systems may make it more difficult for our products to perform or may require significant costs in order for us to adapt our solutions to such devices or operating systems. These potential costs and delays could harm our business.

Introduction of new technology could harm our business and results of operations.

The expectations and needs of technology consumers are constantly evolving. Our future success depends on a variety of factors, including our continued ability to innovate, introduce new products and services efficiently, enhance and integrate our products and services in a timely and cost-effective manner, extend our core technology into new applications, and anticipate emerging standards, business models, software delivery methods and other technological developments. Integration of our products and services with one another and other companies' offerings creates an increasingly complex ecosystem that is partly reliant on third parties. If any disruptive technology, or competing products, services or operating systems that are not compatible with our solutions, achieve widespread acceptance, our operating results could suffer and our business could be harmed.

The introduction of certain technologies may reduce the effectiveness of our products. For example, some of our products rely on third-party cookies, which are placed on individual browsers when consumers visit websites that contain advertisements. We use these cookies to help our customers more effectively advertise, gauge the performance of their advertisements and detect and prevent fraudulent activity. Consumers can block or delete cookies through their browsers or "ad-blocking" software or applications. The most common Internet browsers allow consumers to modify their browser settings to prevent cookies from being accepted by their browsers, or are set to block third-party cookies by default. Increased use of methods, software or applications that block cookies could harm our business.

Security breaches in data centers we manage, or third parties manage on our behalf, may compromise the confidentiality, integrity, or availability of employee and customer data, which could expose us to liability and adversely affect our reputation and business.

We process and store significant amounts of employee and customer data, a large volume of which is hosted by third-party service providers. A security incident impacting our own data centers or those controlled by our service providers may compromise the confidentiality, integrity or availability of this data. Unauthorized access to or loss or disclosure of data stored by Adobe or our service providers may occur through physical break-ins, breaches of a secure network by an unauthorized party, software vulnerabilities or coding errors, employee theft or misuse or other misconduct. It is also possible that unauthorized access to or disclosure of employee or customer data may be obtained through inadequate use of security controls by customers or employees. Accounts created with weak or recycled passwords could allow cyber-attackers to gain access to employee or customer data. Additionally, failure by Adobe or our customers to remove the accounts of their own employees, or the granting of accounts in an uncontrolled manner, may allow for access by former or unauthorized individuals. If there were an inadvertent disclosure of customer data, or unauthorized access to the data we possess on behalf of our customers, our operations could be disrupted, our reputation could be damaged and we could be subject to claims or other liabilities, regulatory investigations, or fines. In addition, such perceived or actual unauthorized loss or disclosure of the information we collect, process, or store or breach of our security could damage our reputation, result in the loss of customers and harm our business.

We rely on data centers managed both by Adobe and third parties to host and deliver our services, as well as access, collect, process, use, transmit and store data, and any interruptions or delays in these hosted services, or failures in data collection or transmission could expose us to liability and harm our business and reputation.

Much of our business relies on hardware and services that are hosted, managed and controlled directly by Adobe or third-party service providers, including our online store at adobe.com, Creative Cloud, Document Cloud and Experience Cloud solutions. We do not have redundancy for all of our systems, many of our critical applications reside in only one of our data centers, and our disaster recovery planning may not account for all eventualities. If our business relationship with a third-party provider of hosting or content delivery services is negatively affected, or if one of our content delivery suppliers were to terminate its agreement with us, without adequate notice, we might not be able to deliver the corresponding hosted offerings to our customers, which could subject us to reputational harm, costly and time-intensive notification requirements, and cause us to lose customers and future business. Occasionally, we migrate data among data centers and to third-party hosted environments. If a transition among data centers or to third-party service providers encounters unexpected interruptions, unforeseen complexity, or unplanned disruptions despite precautions undertaken during the process, this may impair our delivery of products and services to customers and result in increased costs and liabilities, which may harm our operating results and our business.

It is also possible that hardware or software failures or errors in our systems (or those of our third-party service providers) could result in data loss or corruption, cause the information that we collect or maintain to be incomplete or contain inaccuracies that our customers regard as significant, or cause us to fail to meet committed service levels or comply with regulatory notification requirements. Furthermore, our ability to collect and report data may be delayed or interrupted by a number of factors, including access to the Internet, the failure of our network or software systems, security breaches or significant variability in visitor traffic on customer websites. In addition, computer viruses, worms, or other malware may harm our systems, causing us to lose data, and the transmission of computer viruses or other malware could expose us to litigation or regulatory investigation, and costly and time-intensive notification requirements.

We may also find, on occasion, that we cannot deliver data and reports to our customers in near real time because of a number of factors, including significant spikes in customer activity on their websites or failures of our network or software, or the failure of our third-party service providers' network or software. If we fail to plan infrastructure capacity appropriately and expand it proportionally with the needs of our customer base, and we experience a rapid and significant demand on the capacity of our data centers or those of third parties, service outages could occur, and our customers could suffer impaired performance of our services. Such a strain on our infrastructure capacity could subject us to regulatory and customer notification requirements, violations of service level agreement commitments, financial liabilities, result in customer dissatisfaction, or harm our business. If we supply inaccurate information or experience interruptions in our ability to capture, store and supply information in near real time or at all, our reputation could be harmed and we could lose customers as a result, or we could be found liable for damages or incur other losses.

Increasing regulatory focus on privacy and security issues and expanding laws could impact our business models and expose us to increased liability.

As a global company, Adobe is subject to global data privacy and security laws, regulations and codes of conduct that apply to our various business units. These laws and regulations may be inconsistent across jurisdictions and are subject to evolving and differing (sometimes conflicting) interpretations. Government officials and regulators, privacy advocates and class action attorneys are increasingly scrutinizing how companies collect, process, use, store, share and transmit personal data. This increased scrutiny may result in new interpretations of existing laws, thereby further impacting Adobe's business. Globally, new and emerging laws, such as the General Data Protection Regulation ("GDPR") and the Network and Information Systems Directive ("NISD") in Europe, state laws in the U.S. on privacy, data and related technologies, such as the California Consumer Privacy Act, as well as industry self-regulatory codes create new compliance obligations and expand the scope of potential liability, either jointly or severally with our customers and suppliers. While we have invested in readiness to comply with applicable requirements, these new and emerging laws, regulations and codes may affect our ability (and our enterprise customers' ability) to reach current and prospective customers, to respond to both enterprise and individual customer requests under the laws (such as individual rights of access, correction and deletion of their personal information), and to implement our business models effectively. These new laws may also impact our innovation and business drivers in developing new and emerging technologies (e.g., artificial intelligence and machine learning). These requirements, among others, may impact demand for our offerings and force us to bear the burden of more onerous obligations in our contracts. Any perception of our practices, products or services as a violation of individual privacy rights may subject us to public criticism, class action lawsuits, reputational harm, or investigations or claims by regulators, industry groups or other third parties, all of which could disrupt our business and expose us to increased liability. Additionally, we collect and store information on behalf of our business customers and if our customers fail to comply with contractual obligations or applicable laws, it could result in litigation or reputational harm to us.

Transferring personal information across international borders is becoming increasingly complex. For example, European data transfers outside the European Economic Area are highly regulated. The mechanisms that we and many other companies rely upon for European data transfers (e.g., Privacy Shield and Model Clauses) are being contested in the European court system. We are closely monitoring developments related to requirements for transferring personal data outside the European Union and other countries that have similar trans-border data flow requirements. These requirements may result in an increase in the obligations required to provide our services in the European Union or in sanctions and fines for non-compliance. Several other countries, including Australia and Japan, have also established specific legal requirements for cross-border transfers of personal information. Other countries, such as India, are considering requirements for data localization (e.g., where personal data must remain in the country). If the mechanisms for transferring personal information from certain countries or areas, including Europe to the United States, should be found invalid or if other countries implement more restrictive regulations for cross-border data transfers (or not permit data to leave the country of origin), such developments could harm our business, financial condition and results of operations.

Security vulnerabilities in our products and systems, or in our supply chain, could lead to reduced revenue or to liability claims.

Maintaining the security of our products and services is a critical issue for us and our customers. Security threats to our information systems, end points and networks have the potential to impact our customers as well. Security researchers, criminal hackers and other third parties regularly develop new techniques to penetrate our end points, information systems and network security measures. And, as we have previously disclosed, certain unauthorized parties have in the past managed to gain access to and misuse some of our systems and software in order to access our end users' authentication, payment and personal information. In addition, cyber-attackers also develop and deploy viruses, worms, credential stuffing attack tools and other malicious software programs, some of which may be specifically designed to attack our products, services, information systems or networks. Hardware, software and operating system applications that we develop or procure from third parties may contain defects in design or manufacture, including bugs, vulnerabilities and other problems that could unexpectedly compromise the security of the system or impair a customer's ability to operate or use our products. The costs to prevent, eliminate, mitigate, or alleviate cyber- or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities are significant, and our efforts to address these problems, including notifying affected parties, may not be successful or may be delayed and could result in interruptions, delays, cessation of service and loss of existing or potential customers. It is impossible to predict the extent, frequency or impact these problems may have on us.

Outside parties have in the past and may in the future attempt to fraudulently induce our employees or users of our products or services to disclose sensitive, personal, or confidential information via illegal electronic spamming, phishing or other tactics. Unauthorized parties may also attempt to gain physical access to our facilities in order to infiltrate our information systems or attempt to gain logical access to our products, services, or information systems for the purpose of exfiltrating content and data. These actual and potential breaches of our security measures and the accidental loss, inadvertent disclosure or unauthorized dissemination of proprietary information or sensitive, personal or confidential data about us, our employees, our customers or their end users, including the potential loss or disclosure of such information or data as a result of hacking, fraud, trickery or other forms of deception, could expose us, our employees, our customers or the individuals affected to a risk of loss or misuse of this information. This may result in litigation and liability or fines, our compliance with costly and time-intensive notice requirements, governmental inquiry or oversight or a loss of customer confidence, any of which could harm our business or damage our brand and reputation, possibly impeding our present and future success in retaining and attracting new customers and thereby requiring time and resources to repair our brand and reputation. These risks will likely increase as we expand our hosted offerings, integrate our products and services and store and process more data, including personal information.

These problems affect our products and services in particular because cyber-attackers tend to focus their efforts on popular offerings with a large user base, and we expect them to continue to do so. Critical vulnerabilities may be identified in some of our applications and services and those of our third-party service providers. These vulnerabilities could cause such applications and services to crash and could allow an attacker to access our or our users' confidential or personal information or take control of the affected system, which could result in liability to us or limit our ability to conduct our business and deliver our products and services to customers. We devote significant resources to address security vulnerabilities through engineering more secure products, enhancing security and reliability features in our products and systems, code hardening, conducting rigorous penetration tests, deploying updates to address security vulnerabilities, reviewing our service providers' security controls, reviewing and auditing our hosted services against independent security control frameworks (such as ISO 27001, SOC 2 and PCI), and improving our incident response time, but these security vulnerabilities cannot be totally eliminated. The cost of these steps could reduce our operating margins, and we may be unable to implement these measures quickly enough to prevent cyber-attackers from gaining unauthorized access into our systems and products. Despite our preventative efforts, actual or perceived security vulnerabilities in our products and systems may harm our reputation or lead to claims against us (and have in the past led to such claims), and could lead some customers to stop using certain products or services, to reduce or delay future purchases of products or services, or to use competing products or services. If we do not make the appropriate level of investment in our technology systems or if our systems become out-of-date or obsolete and we are not able to deliver the quality of data security customers require, our business could be adversely affected. Customers may also adopt security measures designed to protect their existing computer systems from attack, which could delay adoption of new technologies. Further, if we, our supply chain, or our customers are subject to a future attack, or our technology is used in a third-party attack, we could be subject to costly and time-intensive notice requirements, and it may be necessary for us to take additional extraordinary measures and make additional expenditures to take appropriate responsive and preventative steps. Any of these events could adversely affect our revenue or margins. Moreover, delayed sales, lower margins or lost customers resulting from disruptions caused by cyber-attacks or preventative measures could adversely affect our financial results, stock price and reputation.

Some of our enterprise offerings have extended and complex sales cycles, which can make our sales cycles unpredictable.

Sales cycles for some of our enterprise offerings, including our Adobe Experience Cloud and Adobe Experience Platform solutions and Enterprise Term License Agreements ("ETLAs") in our Digital Media business, are multi-phased and complex. The complexity in these sales cycles is due to several factors, including:

- the need for our sales representatives to educate customers about the use and benefit of large-scale deployments of our products and services, including technical capabilities, security features, potential cost savings and return on investment;
- the desire of organizations to undertake significant evaluation processes to determine their technology requirements prior to making information technology expenditures;
- the need for our representatives to spend a significant amount of time assisting potential customers in their testing and evaluation of our products and services;
- intensifying competition within the industry;
- the negotiation of large, complex, enterprise-wide contracts;
- the need for our customers to obtain requisition approvals from various decision makers within their organizations due to the complexity of our solutions touching multiple departments within customers' organizations; and
- customer budget constraints, economic conditions and unplanned administrative delays.

We spend substantial time and expense on our sales efforts without assurance that potential customers will ultimately purchase our solutions. As we target our sales efforts at larger enterprise customers, these trends are expected to continue and could have a greater impact on our results of operations. Additionally, our enterprise sales pattern has historically been uneven, where a higher percentage of a quarter's total sales occur during the final weeks of each quarter, which is common in our industry. Our extended sales cycle for these products and services makes it difficult to predict when a given sales cycle will close.

If our customers fail to renew subscriptions in accordance with our expectations, our future revenue and operating results could suffer.

Our Adobe Experience Cloud, Creative Cloud and Document Cloud offerings typically involve subscription-based offerings pursuant to product and service agreements. Revenue from our subscription customers is generally recognized ratably over the term of their agreements, which typically range from 1 to 36 months. Our customers have no obligation to renew their subscriptions for our services after the expiration of their initial subscription period, and customers may not renew their subscriptions at the same or higher level of service, for the same number of seats or for the same duration of time, if at all. Moreover, under certain circumstances, some of our customers have the right to cancel their agreements prior to the expiration of the terms. Our varied customer base combined with the flexibility we offer in the length of our subscription-based agreements complicates our ability to precisely forecast renewal rates. Therefore, we cannot provide assurance that we will be able to accurately predict future customer renewal rates.

Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their level of satisfaction with our services, our ability to continue enhancing features and functionality, the reliability (including uptime) of our subscription offerings, the prices of offerings and those offered by our competitors, the actual or perceived information security of our systems and services, decreases in the size of our customer base, reductions in our customers' spending levels or declines in customer activity as a result of economic downturns or uncertainty in financial markets. If our customers do not renew their subscriptions or if they renew on terms less favorable to us, our revenue may decline.

We face various risks associated with our operating as a multinational corporation.

As a global business that generates approximately 42% of our total revenue from sales to customers outside of the Americas, we are subject to a number of risks, including:

- foreign currency fluctuations and controls;
- international and regional economic, political and labor conditions, including any instability or security concerns abroad and the United Kingdom's vote to exit the European Union (Brexit);
- tax laws (including U.S. taxes on foreign subsidiaries);
- increased financial accounting and reporting burdens and complexities;
- changes in, or impositions of, legislative or regulatory requirements;
- changes in laws governing the free flow of data across international borders;
- failure of laws to protect our intellectual property rights adequately;
- inadequate local infrastructure and difficulties in managing and staffing international operations;
- delays resulting from difficulty in obtaining export licenses for certain technology, tariffs, quotas and other trade barriers;
- the imposition of governmental economic sanctions on countries in which we do business or where we plan to expand our business;
- costs and delays associated with developing products in multiple languages;
- operating in locations with a higher incidence of corruption and fraudulent business practices; and
- other factors beyond our control, such as terrorism, war, natural disasters and pandemics.

Some of our third-party business partners have international operations and are also subject to these risks and if our third-party business partners are unable to appropriately manage these risks, our business may be harmed. If sales to any of our customers outside of the Americas are reduced, delayed or canceled because of any of the above factors, our revenue may decline.

Our business could be harmed if we fail to effectively manage critical strategic third-party business relationships.

As our offerings expand and our customer base grows, our relationships with strategic partners become increasingly valuable. If our contractual relationships with these third parties were to terminate, or if we were unable to renew on favorable terms, our business could be harmed. This is especially the case when the third party's offerings are integrated with our products and services, or where the third party's offerings are difficult to substitute or replace. Alternative arrangements for such products and services may not be available to us, or on commercially reasonable terms, and we may experience business interruptions upon a transition to an alternative partner. The failure of third parties to provide acceptable products and services or to update their technology may result in a disruption to our business operations and those of our customers, which may reduce our revenues and profits, cause us to lose customers and damage our reputation.

We may not realize the anticipated benefits of past or future investments or acquisitions, and integration of acquisitions may disrupt our business and management.

We may not realize the anticipated benefits of an investment or acquisition of a company, division, product or technology, each of which involves numerous risks. These risks include:

- inability to achieve the financial and strategic goals for the acquired and combined businesses;
- difficulty in, and the cost of, effectively integrating the operations, technologies, products or services, and personnel of the acquired business;
- entry into markets in which we have minimal prior experience and where competitors in such markets have stronger market positions;
- disruption of our ongoing business and distraction of our management and other employees from other opportunities and challenges;
- inability to retain personnel of the acquired business;
- inability to retain key customers, distributors, vendors and other business partners of the acquired business;
- inability to take advantage of anticipated tax benefits;

- incurring acquisition-related costs or amortization costs for acquired intangible assets that could impact our operating results;
- elevated delinquency or bad debt write-offs related to receivables of the acquired business we assume;
- increased accounts receivables collection times and working capital requirements associated with acquired business models;
- additional costs of bringing acquired companies into compliance with laws and regulations applicable to a multinational corporation;
- difficulty in maintaining controls, procedures and policies during the transition and integration;
- impairment of our relationships with employees, customers, partners, distributors or third-party providers of our technologies, products or services;
- failure of our due diligence processes to identify significant problems, liabilities or other challenges of an acquired company or technology;
- exposure to litigation or other claims in connection with, or inheritance of claims or litigation risk as a result of, an acquisition, such as claims from terminated employees, customers, former stockholders or other third parties;
- incurring significant exit charges if products or services acquired in business combinations are unsuccessful;
- inability to conclude that our internal controls over financial reporting are effective;
- inability to obtain, or obtain in a timely manner, approvals from governmental authorities, which could delay or prevent such acquisitions;
- the failure of strategic investments to perform as expected or to meet financial projections;
- delay in customer and distributor purchasing decisions due to uncertainty about the direction of our product and service offerings; and
- incompatibility of business cultures.

Mergers and acquisitions of technology companies are inherently risky. If we do not complete an announced acquisition transaction or integrate an acquired business successfully and in a timely manner, we may not realize the benefits of the acquisition to the extent anticipated, and in certain circumstances an acquisition could harm our financial position.

We are subject to risks associated with compliance with laws and regulations globally, which may harm our business.

We are a global company subject to varied and complex laws, regulations and customs, both domestically and internationally. These laws and regulations relate to a number of aspects of our business, including trade protection, import and export control, data and transaction processing security, payment card industry data security standards, records management, user-generated content hosted on websites we operate, privacy practices, data residency, corporate governance, anti-trust and competition, employee and third-party complaints, anti-corruption, gift policies, conflicts of interest, securities regulations and other regulatory requirements affecting trade and investment. The application of these laws and regulations to our business is often unclear and may at times conflict. For example, in many foreign countries, particularly in those with developing economies, it is common to engage in business practices that are prohibited by U.S. regulations applicable to us, including the Foreign Corrupt Practices Act. We cannot provide assurance that our employees, contractors, agents and business partners will not take actions in violation of our internal policies or U.S. laws. Compliance with these laws and regulations may involve significant costs or require changes in our business practices that result in reduced revenue and profitability. Non-compliance could also result in fines, damages, criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business, and damage to our reputation.

In addition, approximately 48% of our employees are located outside the United States. Accordingly, we are exposed to changes in laws governing our employee relationships in various U.S. and foreign jurisdictions, including laws and regulations regarding wage and hour requirements, fair labor standards, employee data privacy, unemployment tax rates, workers' compensation rates, citizenship requirements and payroll and other taxes, which likely would have a direct impact on our operating costs.

Uncertainty about current and future economic conditions and other adverse changes in general political conditions in any of the major countries in which we do business could adversely affect our operating results.

As our business has grown, we have become increasingly subject to the risks arising from adverse changes in economic and political conditions, both domestically and globally, including trends toward protectionism and nationalism. Uncertainty about the effects of current and future economic and political conditions on us, our customers, suppliers and partners makes it difficult for us to forecast operating results and to make decisions about future investments. If economic growth in countries where we do business slows, customers may delay or reduce technology purchases, advertising spending or marketing spending. This could result in reductions in sales of our products and services, more extended sales cycles, slower adoption of new technologies and increased price competition. Among our customers are government entities, including the U.S. federal government, and our revenue could decline if spending cuts impact the government's ability to purchase our products and services. Deterioration in economic conditions in any of the countries in which we do business could also cause slower or impaired collections on accounts receivable, which may adversely impact our liquidity and financial condition.

A disruption in financial markets could impair our banking partners, on which we rely for operating cash management and affect our derivative counterparties. Any of these events would likely harm our business, financial condition and results of operations.

Political instability or adverse political developments in or around any of the major countries in which we do business would also likely harm our business, financial condition and results of operations.

Subscription offerings could create risks related to the timing of revenue recognition.

We generally recognize revenue from subscription offerings ratably over the terms of their subscription agreements, which typically range from 1 to 36 months. As a result, most of the subscription revenue we report in each quarter is the result of subscription agreements entered into during previous quarters. Any reduction in new or renewed subscriptions in a quarter may not be reflected in our revenue results until a later quarter. Declines in new or renewed subscriptions may decrease our revenue in future quarters. Lower sales, reduced demand for our products and services, and increases in our attrition rate may not be fully reflected in our results of operations until future periods. Our subscription model could also make it difficult for us to rapidly increase our revenue from subscription-based or hosted services through additional sales in any period, as revenue from new customers will be recognized over the applicable subscription term.

Additionally, in connection with our sales efforts to enterprise customers and our use of ETLAs, a number of factors could affect our revenue, including longer-than-expected sales and implementation cycles, potential deferral of revenue and alternative licensing arrangements. If any of our assumptions about revenue from our subscription-based offerings prove incorrect, our actual results may vary materially from those anticipated.

Changes in accounting principles, or interpretations thereof, could have a significant impact on our financial position and results of operations.

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These principles are subject to interpretation by the SEC and various bodies formed to interpret and create appropriate accounting principles. A change in these principles, how the principles are interpreted, or the adoption of new accounting standards can have a significant effect on our reported results, and could even retroactively affect previously reported transactions, and may require that we make significant changes to our systems, processes and controls.

Changes resulting from these new standards may result in materially different financial results and may require that we change how we process, analyze and report financial information and that we change financial reporting controls. For additional information regarding these new standards, see the section titled "Recent Accounting Pronouncements Not Yet Effective" within Part II. Item 8, Note 1. Basis of Presentation and Summary of Significant Accounting Policies.

Such changes in accounting principles may have an adverse effect on our business, financial position and income, or cause an adverse deviation from our revenue and profitability targets, which may negatively impact our financial results.

Changes in tax rules and regulations, or interpretations thereof, may adversely affect our effective tax rates.

We are a United States-based multinational company subject to tax in multiple U.S. and foreign tax jurisdictions. A significant portion of our foreign earnings for the current fiscal year were earned by our Irish subsidiaries. The Tax Cuts and Jobs Act, enacted into law on December 22, 2017, changed existing U.S. tax law applicable to us and included certain international provisions effective for us starting in fiscal 2019. The applicability and impact of these new tax provisions, and of other international tax law changes effective for fiscal 2020 and beyond, will likely require us to respond by making change(s) to our international trading structure. The net impact of such change(s) is uncertain but is anticipated to adversely affect our effective income tax rate and cash flows in years beyond fiscal 2020.

Our income tax expense has differed from the tax computed at the U.S. federal statutory income tax rate due primarily to discrete items including, but not limited to, the effects of tax credits, stock-based compensation and settlements of tax examinations, and to tax on earnings from foreign operations. Unanticipated changes in our tax rates could affect our future results of operations. Our future effective tax rates are likely to be unfavorably affected by changes in the tax rates in jurisdictions where our income is earned, by changes in our repatriation policy, by changes in or our interpretation of tax rules and regulations in the jurisdictions in which we do business, by unanticipated decreases in the amount of earnings in countries with low statutory tax rates, by unexpected negative changes in business and market conditions that could reduce certain tax benefits, or by changes in the valuation of our deferred tax assets and liabilities.

In addition, in countries where we conduct business and in jurisdictions in which we are subject to tax, including those covered by governing bodies that enact tax laws applicable to us, such as the European Commission of the European Union, we are subject to potential changes in relevant tax, accounting and other laws, regulations and interpretations, including changes to tax laws applicable to corporate multinationals such as Adobe. These countries, other governmental bodies and intergovernmental economic organizations such as the Organization for Economic Cooperation and Development, have or could make unprecedented assertions about how taxation is determined in their jurisdictions that are contrary to the way in which we have interpreted and historically applied the rules and regulations described above in our income tax returns filed in such jurisdictions. In the current global tax policy environment, any changes in laws, regulations and interpretations related to these assertions could adversely affect our effective tax rates or result in other costs to us which could adversely affect our operations and financial results.

Moreover, we are subject to the continual examination of our income tax returns by the U.S. Internal Revenue Service and other domestic and foreign tax authorities. These tax examinations are expected to focus on our intercompany transfer pricing practices as well as other matters. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes and have reserved for adjustments that may result from these examinations. We cannot provide assurance that the final determination of any of these examinations will not have an adverse effect on our operating results and financial position.

If our products or platforms are used to create or disseminate objectionable content, particularly misleading content intended to manipulate public opinion, our brand reputation may be damaged, and our business and financial results may be harmed.

We believe that our brands have significantly contributed to the success of our business. Maintaining and enhancing the brands within Adobe increases our ability to enter new categories and launch new and innovative products that better serve the needs of our customers. We also believe that maintaining and enhancing our brands is critical to expanding our base of customers. Our brands may be negatively affected by the use of our products or services to create or disseminate newsworthy content that is deemed to be misleading, deceptive, or intended to manipulate public opinion (e.g. "DeepFakes"), by the use of our products or services for illicit, objectionable, or illegal ends, or by our failure to respond appropriately and expeditiously to such uses of our products and services. Such uses of our products and services may also cause us to face claims related to defamation, rights of publicity and privacy, illegal content, misinformation and personal injury torts. Maintaining and enhancing our brands may require us to make substantial investments and these investments may not be successful. If we fail to appropriately respond to objectionable content created using our products or services or shared on our platforms, our users may lose confidence in our brands and our business and financial results may be adversely affected.

The success of some of our product and service offerings depends on our ability to continue to attract and retain customers of and contributors to our online marketplaces for creative content.

The success of some of our product and service offerings, such as Adobe Stock, depends on our ability to continue to attract new customers and contributors to these online marketplaces for creative content, as well as our ability to continue to retain existing customers and contributors. An increase in paying customers has generally resulted in more content from contributors, which increases the size of our collection and in turn attracts new paying customers. We rely on the functionality and features of our online marketplaces, the size and content of our collection and the effectiveness of our marketing efforts to attract new customers and contributors and retain existing ones. New technologies may render the features of our online marketplaces obsolete, our collection may fail to grow as anticipated or our marketing efforts may be unsuccessful, any of which may adversely affect our results of operations.

Our intellectual property portfolio is a valuable asset and we may not be able to protect our intellectual property rights, including our source code, from infringement or unauthorized copying, use or disclosure.

Our intellectual property portfolio is a valuable asset. Infringement or misappropriation of our patents, trademarks, trade secrets, copyrights and other intellectual property rights could result in lost revenues and ultimately reduce their value. Preventing unauthorized use or infringement of our intellectual property rights is inherently difficult. We actively combat software piracy as we enforce our intellectual property rights, but we nonetheless lose significant revenue due to illegal use of our software. If piracy activities continue at historical levels or increase, they may further harm our business. We apply for patents in the U.S. and internationally to protect our newly created technology and if we are unable to obtain patent protection for the technology described in our pending patent, or if the patent is not obtained timely, this could result in revenue loss, adverse effects on operations and harm to our business. We offer our products and services in foreign countries and we may seek intellectual property protection from those foreign legal systems. Some of those foreign countries may not have as robust or comprehensive of intellectual property protection laws and schemes as those offered in the U.S. In some foreign countries, the mechanisms to enforce intellectual property rights may be inadequate to protect our technology, which could harm our business.

If unauthorized disclosure of our source code occurs through security breach, cyber-attack or otherwise, we could lose future trade secret protection for that source code. The loss of future trade secret protection could make it easier for third parties to compete with our products by copying functionality, which could cause us to lose customers and could adversely affect our revenue and operating margins. We also seek to protect our confidential information and trade secrets through the use of non-disclosure agreements with our customers, contractors, vendors and partners. However, there is a risk that our confidential information and trade secrets may be disclosed or published without our authorization, and in these situations, enforcing our rights may be difficult or costly.

We may incur substantial costs defending against third parties alleging that we infringe their proprietary rights.

We have been, are currently, and may in the future be, subject to claims, negotiations and complex, protracted litigation relating to disputes regarding the validity or alleged infringement of third-party intellectual property rights, including patent rights. Intellectual property disputes and litigation are typically costly and can be disruptive to our business operations by diverting the attention of management and key personnel. We may not prevail in every lawsuit or dispute. Third-party intellectual property disputes, including those initiated by patent assertion entities, could subject us to significant liabilities, require us to enter into royalty and licensing arrangements on unfavorable terms, prevent us from licensing certain of our products or offering certain of our services, subject us to injunctions restricting our sale of products or services, cause severe disruptions to our operations or the markets in which we compete, or require us to satisfy indemnification commitments with our customers, including contractual provisions under various license arrangements and service agreements. In addition, we may incur significant costs in acquiring the necessary third-party intellectual property rights for use in our products, in some cases to fulfill contractual obligations with our customers. Any of these occurrences could significantly harm our business.

We may incur losses associated with currency fluctuations and may not be able to effectively hedge our exposure.

Our operating results are subject to fluctuations in foreign currency exchange rates due to the global scope of our business. Global economic events, including trade disputes, economic sanctions and emerging market volatility, and associated uncertainty may cause currencies to fluctuate. We attempt to mitigate a portion of these risks through foreign currency hedging based on our judgment of the appropriate trade-offs among risk, opportunity and expense. We regularly review our program to partially hedge our exposure to foreign currency fluctuations and make adjustments as necessary. Our hedging activities may not offset more than a portion of the adverse financial impact resulting from unfavorable movement in foreign currency exchange rates, which could adversely affect our financial condition or results of operations.

Failure of our third-party customer service and technical support providers to adequately address customers' requests could harm our business and adversely affect our financial results.

Our customers rely on our customer service support organization to resolve issues with our products and services. We outsource a substantial portion of our customer service and technical support activities to third-party service providers. We depend heavily on these third-party customer service and technical support representatives working on our behalf, and we expect to continue to rely heavily on third parties in the future. This strategy presents risks to our business due to the fact that we may not be able to influence the quality of support as directly as we would be able to do if our own employees performed these activities. Our customers may react negatively to providing information to, and receiving support from, third-party organizations, especially if these third-party organizations are based overseas. If we encounter problems with our third-party customer service and technical support providers, our reputation may be harmed, our ability to sell our offerings could be adversely affected, and we could lose customers and associated revenue.

Revenue, margin or earnings shortfalls or the volatility of the market generally may cause the market price of our stock to decline.

In the past, the market price for our common stock experienced significant fluctuations and it may do so in the future. A number of factors may affect the market price for our common stock, such as:

- shortfalls in, or changes in expectations about, our revenue, margins, earnings, Annualized Recurring Revenue ("ARR"), sales of our Digital Experience offerings, or other key performance metrics;
- changes in estimates or recommendations by securities analysts;
- whether our results meet analysts' expectations;
- compression or expansion of multiples used by investors and analysts to value high technology SaaS companies;
- the announcement of new products or services, product enhancements, service introductions, strategic alliances or significant agreements by us or our competitors;
- the loss of large customers or our inability to increase sales to existing customers, retain customers or attract new customers;
- recruitment or departure of key personnel;
- variations in our or our competitors' results of operations, changes in the competitive landscape generally and developments in our industry;
- general socio-economic, political or market conditions; and
- unusual events such as significant acquisitions by us or our competitors, divestitures, litigation, regulatory actions and other factors, including factors unrelated to our operating performance.

In addition, the market for technology stocks or the stock market in general may experience uneven investor confidence, which may cause the market price for our common stock to decline for reasons unrelated to our operating performance. Volatility in the market price of a company's securities for a period of time may increase the company's susceptibility to securities class action litigation. Oftentimes, this type of litigation is expensive and diverts management's attention and resources which may adversely affect our business.

Contracting with government entities exposes us to additional risks inherent in the government procurement process.

We provide products and services, directly and indirectly, to a variety of government entities, both domestically and internationally. Risks associated with licensing and selling products and services to government entities include more extended sales and collection cycles, varying governmental budgeting processes and adherence to complex procurement regulations and other government-specific contractual requirements. We may be subject to audits and investigations relating to our government contracts and any violations could result in various civil and criminal penalties and administrative sanctions, including termination of contracts, payment of fines, and suspension or debarment from future government business, as well as harm to our reputation and financial results.

If we are unable to recruit and retain key personnel, our business may be harmed.

Much of our future success depends on the continued service, availability and performance of our senior management. These individuals have acquired specialized knowledge and skills with respect to Adobe. The loss of any of these individuals could harm our business, especially if we have not been successful in developing adequate succession plans. Our business is also dependent on our ability to retain, hire and motivate talented, highly skilled personnel across all levels of our organization. Our efforts to attract, develop, integrate and retain highly skilled employees with appropriate qualifications may be compounded by intensified restrictions on travel, immigration, or the availability of work visas. Experienced personnel in the information technology industry are in high demand and competition for their talents is intense in many areas where our employees are located. We may experience higher compensation costs to retain senior management and experienced personnel that may not be offset by improved productivity or increased sales. If we are unable to continue to successfully attract and retain key personnel, our business may be harmed.

We continue to hire personnel in countries where exceptional technical knowledge and other expertise are offered at lower costs, which increases the efficiency of our global workforce structure and reduces our personnel related expenditures. Nonetheless, as globalization continues, competition for these employees in these countries has increased, which may impact our ability to retain these employees and increase our expenses resulting from competitive compensation. We may continue to expand our international operations and international sales and marketing activities, which would require significant management attention and resources. We may be unable to scale our infrastructure effectively or as quickly as our competitors in these markets, and our revenue may not increase to offset these expected increases in costs and operating expenses, causing our results to suffer.

We believe that a critical contributor to our success to date has been our corporate culture, which we have built to foster innovation, teamwork and employee satisfaction. As we grow, including from the integration of employees and businesses acquired in connection with previous or future acquisitions, we may find it difficult to maintain important aspects of our corporate culture, which could negatively affect our ability to retain and recruit personnel who are essential to our future success.

Failure to manage our sales and distribution channels effectively could result in a loss of revenue and harm to our business.

We contract with a number of software distributors and other strategic partners, none of which are individually responsible for a material amount of our total net revenue for any recent period. Nonetheless, if any single agreement with one of our distributors were terminated, any prolonged delay in securing a replacement distributor could have a negative impact on our results of operations.

Successfully managing our indirect distribution channel efforts to reach various customer segments for our products and services is a complex process across the broad range of geographies where we do business or plan to do business. Our distributors and other channel partners are independent businesses that we do not control. Notwithstanding the independence of our channel partners, we face legal risk and potential reputational harm from the activities of these third parties including, but not limited to, export control violations, workplace conditions, corruption and anti-competitive behavior.

We cannot be certain that our distribution channel will continue to market or sell our products and services effectively. If our distribution channel is not successful, we may lose sales opportunities, customers and revenue. Our distributors also sell our competitors' products and services, and if they favor our competitors' products or services for any reason, they may fail to market our products or services effectively or to devote resources necessary to provide effective sales, which would cause our results to suffer. We also distribute some products and services through our OEM channel, and if our OEMs decide not to bundle our applications on their devices, our results could suffer. In addition, the financial health of our distributors and our continuing relationships with them are important to our success. Some of these distributors may be unable to withstand adverse changes in economic conditions, which could result in insolvency, the inability of such distributors to obtain credit to finance purchases of our products and services, or a delay in paying their obligations to us.

We also sell some of our products and services through our direct sales force. Risks associated with this sales channel include more extended sales and collection cycles associated with direct sales efforts, challenges related to hiring, retaining and motivating our direct sales force, and substantial amounts of ongoing training for sales representatives. Moreover, recent hires may not become as productive as we would like, as in most cases it takes a significant period of time before they achieve full productivity. Our business could be seriously harmed if our expansion efforts do not generate a corresponding significant increase in revenue and we are unable to achieve the efficiencies we anticipate. In addition, the loss of key sales employees could impact our customer relationships and future ability to sell to certain accounts covered by such employees.

If our goodwill or amortizable intangible assets become impaired, then we could be required to record a significant charge to earnings.

GAAP requires us to test for goodwill impairment at least annually. In addition, we review our goodwill and amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable include declines in stock price, market capitalization or cash flows, and slower growth rates in our industry. Depending on the results of our review, we could be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or amortizable intangible assets were determined, negatively impacting our results of operations.

We have issued $1.9 billion of notes in debt offerings and have a $2.25 billion term loan, and may incur other debt in the future, which may adversely affect our financial condition and future financial results.

We have $1.9 billion in senior unsecured notes and a $2.25 billion senior unsecured term loan outstanding. We also have a $1 billion senior unsecured revolving credit agreement, which is currently undrawn. This debt may adversely affect our financial condition and future financial results by, among other things:

- increasing our vulnerability to adverse changes in general economic and industry conditions;
- requiring the dedication of a portion of our expected cash flow from operations to service our indebtedness, thereby reducing the amount of expected cash flow available for other purposes, including capital expenditures and acquisitions; and
- limiting our flexibility in planning for, or reacting to, changes in our business and our industry.

Our senior unsecured notes and senior unsecured credit agreements impose restrictions on us and require us to maintain compliance with specified covenants. Our ability to comply with these covenants may be affected by events beyond our control. If we breach any of the covenants and do not obtain a waiver from the noteholders or lenders, then, subject to applicable cure periods, any outstanding indebtedness may be declared immediately due and payable.

In addition, changes by any rating agency to our credit rating may negatively impact the value and liquidity of both our debt and equity securities, as well as the potential costs associated with a refinancing of our debt. Under certain circumstances, if our credit ratings are downgraded or other negative action is taken, the interest rate payable by us under our revolving credit facility and Term Loan could increase. Downgrades in our credit ratings could also affect the terms of any such financing and restrict our ability to obtain additional financing in the future.

Catastrophic events may disrupt our business.

We are a highly automated business and rely on our network infrastructure and enterprise applications, internal technology systems and website for our development, marketing, operations, support, hosted services and sales activities. In addition, some of our businesses rely on third-party hosted services, and we do not control the operation of third-party data center facilities serving our customers from around the world, which increases our vulnerability. A disruption, infiltration or failure of these systems or third-party hosted services in the event of a major earthquake, fire, flood, tsunami or other weather event, power loss, telecommunications failure, software or hardware malfunctions, pandemics, cyber-attack, war, terrorist attack or other catastrophic event that our disaster recovery plans do not adequately address, could cause system interruptions, reputational harm, loss of intellectual property, delays in our product development, lengthy interruptions in our services, breaches of data security and loss of critical data. Any of these events could prevent us from fulfilling our customers' orders or could negatively impact a country or region in which we sell our products, which could in turn decrease that country's or region's demand for our products. Our corporate headquarters, a significant portion of our research and development activities, certain of our data centers and certain other critical business operations are located in the San Francisco Bay Area, and additional facilities where we conduct significant operations are located in the Salt Lake Valley Area, both of which are near major earthquake faults. A catastrophic event that results in the destruction or disruption of any of our data centers or our critical business or information technology systems could severely affect our ability to conduct normal business operations and, as a result, our future operating results could be adversely affected.

Climate change may have a long-term impact on our business.

While we seek to partner with organizations that mitigate their business risks associated with climate change, we recognize that there are inherent risks wherever business is conducted. Access to clean water and reliable energy in the communities where we conduct our business, whether for our offices or for our vendors, is a priority. Our major sites in California, Utah and India are vulnerable to climate change effects. For example, in California, increasing intensity of drought throughout the state and annual periods of wildfire danger increase the probability of planned power outages in the communities where we work and live. While this danger has a lowassessed risk of disrupting normal business operations, it has the potential impact on employees' abilities to commute to work and to stay connected. Climate-related events, including the increasing frequency of extreme weather events and their impact on U.S., India and other major regions' critical infrastructure, have the potential to disrupt our business, our third-party suppliers, and/or the business of our customers, and may cause us to experience higher attrition, losses, and additional costs to maintain or resume operations. To accurately assess and take potential proactive action as appropriate, Adobe is aligned with the guidelines of the Financial Stability Board's Task Force on Climate-related Financial Disclosures recommendations and the Sustainability Accounting Standards Board environmental metrics.

Our investment portfolio may become impaired by deterioration of the financial markets.

Our cash equivalent and short-term investment portfolio as of November 29, 2019 consisted of asset-backed securities, corporate debt securities, money market mutual funds, municipal securities, time deposits and U.S. Treasury securities. We follow an established investment policy and set of guidelines to monitor and help mitigate our exposure to interest rate and credit risk. The policy sets forth credit quality standards and limits our exposure to any one issuer, as well as our maximum exposure to various asset classes.

Should financial market conditions worsen in the future, investments in some financial instruments may pose risks arising from market liquidity and credit concerns. In addition, any deterioration of the capital markets could cause our other income and expense to vary from expectations. As of November 29, 2019, we had no material impairment charges associated with our short-term investment portfolio, and although we believe our current investment portfolio has little risk of material impairment, we cannot predict future market conditions, market liquidity or credit availability, and can provide no assurance that our investment portfolio will remain materially unimpaired.