

JONATHAN VAAS

Good afternoon and thank you for joining us. With me on the call today from their home offices are Shantanu Narayen, Adobe's President and CEO; John Murphy, Executive Vice President and CFO, as well as Mike Saviage, who in March announced his retirement as Adobe's head of Investor Relations and is continuing to assist with the transition.

On this call we will discuss Adobe's second quarter fiscal year 2020 financial results. By now, you should have a copy of the press release, which crossed the wire approximately one hour ago. We've also posted PDFs of our prepared remarks and an updated datasheet on Adobe's Investor Relations website.

Financial Disclaimer

Some of the information discussed in this presentation, including our financial targets and product plans, is based on information as of today, June 11, 2020, and contains forward-looking statements that involve risk, uncertainty and assumptions. Actual results may differ materially from those set forth in such statements.

For a discussion of these risks and uncertainties, you should review the Forward-Looking Statements Disclosure in our press release issued today, and Adobe's SEC filings, including our annual report on Form 10-K for fiscal 2019, and our quarterly reports filed on Form 10-Q in fiscal 2020.

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



©2020 Adobe. All Rights Reserved.

Before we get started, we want to emphasize that some of the information discussed in this call, including our financial targets and product plans, is based on information as of today, June 11, and contains forward-looking statements that involve risk, uncertainty and assumptions. Actual results may differ materially from those set forth in these statements. For a discussion of these risks and uncertainties, you should review the Forward-Looking Statements Disclosure in our press release we issued today, as well as Adobe's SEC filings.

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

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. The call audio and the webcast may not be re-recorded, or otherwise reproduced or distributed without Adobe's prior written permission.

I will now turn the call over to Shantanu.



SHANTANU NARAYEN

Thanks, Jonathan and good afternoon.

I hope you and your families are safe and healthy.

Adobe's second quarter coincided with what we hope was the peak of the COVID-19 pandemic. Around the world people shifted their attention to their health and their families. Businesses focused on protecting their employees, financial stability and continuing to serve their customers. Unfortunately, millions of people have lost their jobs and small and medium sized businesses have been hit particularly hard.

Through this crisis, Adobe's focus remains on employee health and safety, serving our customers and on ensuring business continuity. We took early and decisive action to direct our teams to work from home, suspend travel and cancel in-person events through 2020 to flatten the curve.

To support the communities in which we live and work we have donated over \$5 million and 22,000 hours of virtual volunteer time to COVID-19 relief organizations. We are also proud to be part of the coalition that developed the COVID-19 Testing Data Response Platform, providing test screening, appointments and insights for public health officials and government.

We immediately instituted workstreams to control discretionary expenses and evaluate our strategic priorities to double down on those that will drive the greatest growth and profitability for the long term. Through all of this, the resiliency and flexibility of our employees has been awe-inspiring. I am proud of how our employees transitioned to this new reality.

Adobe's Strategy



Delivered strong Q2
revenue and earnings

Achieved \$443 million of
net new Digital Media ARR



©2020 Adobe. All Rights Reserved.

Adobe is *the* digital experiences company, with millions of global customers relying on our products every day to create the world's content, automate critical document processes and engage with their customers digitally. Adobe's leadership in three large and growing categories –Creative Cloud, Document Cloud and Experience Cloud – is driving our performance.

Q2 Business Performance

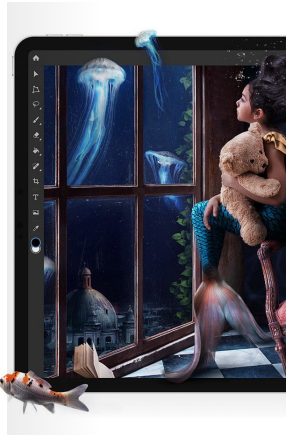
Adobe drove strong Q2 performance across Adobe Creative Cloud, Adobe Document Cloud, and Adobe Experience Cloud. We delivered \$3.13 billion in revenue in Q2, representing 14 percent year-over-year growth. GAAP earnings per share for the quarter was \$2.27, and non-GAAP earnings per share was \$2.45.

Digital Media

In our Digital Media business, we drove strong revenue growth in both Creative Cloud and Document Cloud in Q2. Net new Digital Media Annualized Recurring Revenue or "ARR" was \$443 million, and total Digital Media ARR exiting Q2 grew to \$9.17 billion.



- Record Creative revenue with strong ARR growth fueled by historically high Adobe.com traffic
- Provisioned ~30 million students with Creative Cloud access
- Strong demand for professional and consumer video solutions
- Mobile traffic, sign-ups and monetization accelerated
- Photoshop Camera launching this month



Adobe

©2020 Adobe. All Rights Reserved.

Digital Media: Creative Cloud

Q2 Creative revenue was \$1.87 billion, which represents 17 percent year-over-year growth. Net new Creative Cloud ARR was \$352 million.

The past couple of months have shown us that in times of uncertainty people are turning to creative expression to learn, cope and make an impact. Adobe Creative Cloud is the center of this new creative renaissance, unleashing creativity for all and empowering millions of people around the world to tell their stories. As schools faced physical closures and moved online, we focused our attention on enabling them to create from home. We immediately provisioned 30 million students at home with Creative Cloud and provided teachers distance learning support.

In Q2 we saw historic highs in Adobe.com traffic across both Creative Cloud and Document Cloud. Demand for our professional video products was particularly high with strong engagement for Adobe Premiere Pro and After Effects. We continue to see steady growth from social content creators using Premiere Rush, which saw a 75% increase in monthly active users quarter over quarter.

Mobile traffic, member sign-ups and monetization continues to accelerate. Adobe Fresco has seen a greater than 40% increase in downloads since the start of 2020. Photoshop Express has surpassed 20 million in monthly active users.

Our teams are gearing up for a significant Creative Cloud update later this month featuring exciting new product innovation as well as new capabilities designed to facilitate collaboration between creators, particularly important in this environment. We're excited to make Photoshop Camera generally available

on iOS and Android this week, bringing the magic of Photoshop to the point of capture. Photoshop Camera is a fun and easy consumer app targeted at social creators, an increasingly important segment for Adobe.

At Adobe, we believe everyone is a creator and we need to make products suitable for different skill levels. Adobe Spark, available both on the web and as a mobile app, is targeted at the large group of communicators who need to create social graphics, web pages and short videos for their business, school or community.

As part of the strategic review of our Creative business, we've decided to increase our investment in two exciting areas – providing new solutions that address the unmet needs of the communicator segment and ensuring that the web browser is a first-class authoring platform.

We're proud of the role we play in inspiring the global creative community. With our "Honor Heroes" campaign we galvanized our community to create artwork honoring essential workers on the frontlines. We created an Adobe Fresco-compatible Digital Coloring Book and launched a creative campaign with musician Marshmello challenging fans to create a video for his latest single "Be Kind."

Adobe Document Cloud

- Record Document Cloud revenue with strong ARR growth
- Shift to remote work driving surge in demand
- Strong Adobe Sign adoption
- Mobile app use exploding with Reader and Adobe Scan



 Adobe

©2020 Adobe. All Rights Reserved.

Digital Media: Document Cloud

Document Cloud revenue in Q2 was a record \$360 million and we grew Document Cloud ARR to \$1.24 billion.

With Adobe Document Cloud, we're accelerating document productivity, enabling our customers to engage, transact and collaborate seamlessly in a remote work environment. As we did with Creative

Cloud we implemented several programs to support our customers. This included making our web-based PDF services on Adobe.com free and implementing a Government Rapid Response program to assist local governments by providing extended trials for Adobe Document Cloud.

The shift to remote work has driven a surge in demand for digital documents, with use of web-based PDF services up nearly 40% quarter over quarter and the number of documents shared in Acrobat increasing 50% year over year. We continued to drive strong adoption for Adobe Sign, our cloud-based electronic signature solution, with usage increasing 175% since the start of our fiscal year. Mobile usage exploded with Acrobat Reader installations increasing 43% year over year and Adobe Scan installations up 66% year over year.

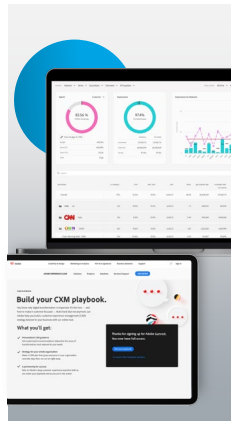
We're proud of the role our technology is playing in enabling our government customers to accelerate their transition to digital. The City of Seattle's digital workplace division deployed Adobe Sign across its departments when the city quickly shifted to telework. The State of Utah is using Adobe Acrobat and Sign as part of its telework initiative to facilitate emergency response and streamline communication across the state.

As part of the strategic review of our Document business we are increasing investment in Adobe Sign and our PDF services on the web and availability of PDF functionality through APIs to capitalize on the wholesale shift to remote work and digital-first document processes.

Adobe Experience Cloud

- Macroeconomic impact on bookings and Advertising Cloud
- Digital transformation mandate is front and center for customers, helping to close key customer wins
- Over 10 billion active customer profiles on Adobe Experience Platform
- Delivered successful virtual Adobe Summit
- Accelerated strategy of eliminating low-margin transaction-driven Advertising Cloud offerings
- Aligned enterprise go-to-market organization under Anil Chakravarthy

 Adobe



Digital Experience

In our Digital Experience business, we achieved Experience Cloud revenue of \$826 million for the quarter.

As outlined at our last earnings call, we saw anticipated delays in enterprise bookings and consulting services implementations as companies prioritized employee and financial well-being. The extreme economic challenges that enterprise customers in certain verticals experienced as well as weakness in our commercial segment that targets small and medium sized businesses also adversely impacted bookings. In addition, the significant global decline in advertising spending impacted our Advertising Cloud revenue.

Despite the short-term challenges, the mandate to digitally transform has taken on heightened urgency. Enterprises continue to recognize Adobe's leadership in Customer Experience Management (CXM). Key customer wins in the quarter included IBM, Walgreens, Safeway, Astellas Pharma, and Allianz.

We are dedicated to our customers' success and proud to see the impact our technology is having. Government organizations such as the US Census Bureau are relying on Adobe Experience Cloud to modernize citizen experiences. 3M and Verizon are reaping the benefits of the Adobe Experience Platform and we now cumulatively have over 10 billion active customer profiles running on Adobe Experience Platform.

Adobe Experience Cloud was named a leader with the highest position among 19 vendors in the Gartner Magic Quadrant for Multichannel Marketing Hubs as well as a leader by Forrester in the B2B and B2C

Commerce Suites Wave reports.

We successfully transitioned Adobe Summit to an exclusively digital event where we debuted new Adobe Experience Cloud innovation, including Intelligent Services, Customer Journey Analytics and the Customer Experience Management Playbook. The Adobe Summit Live virtual experience enabled us to engage a far larger audience than an in-person event and set the bar for virtual events. Cumulatively we have engaged with more than half a million visitors.

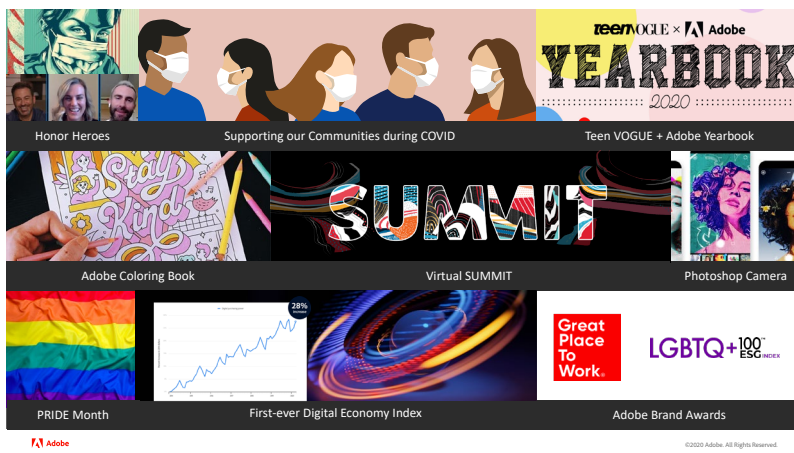
While it was difficult to imagine only conducting business with CMOs and CIOs virtually, a side benefit of everyone working at home is that we are able to schedule and engage with far more customers across multiple continents. In all these discussions with business leaders it is clear that investments in digital and specifically customer experience are more important than ever.

As a result of the strategic review of our Digital Experience business it is clear that we have an unparalleled value proposition and market leading solutions across content and commerce, customer journey management, and customer data and insights, all powered by the Adobe Experience Platform. To further our lead, we are increasing our investment in AI and machine learning, next-generation applications and services on the Adobe Experience Platform, and accelerated integration of our content and commerce offerings.

Our current advertising offerings consist of Advertising Cloud software solutions as well as Advertising Cloud transaction-driven solutions. We will continue to offer our Advertising Cloud software solutions to our Digital Experience customers, but this will not be an area of growth moving forward. CMOs want a single source of reporting and attribution for their advertising investment which we can uniquely offer through the combination of Advertising Cloud and the Adobe Experience Cloud. We have decided to accelerate our previously stated strategy of eliminating the low-margin Advertising Cloud transaction-driven offerings. These offerings are no longer core to our overall value proposition of delivering on customer experience management, nor contributing to our subscription-based bookings and revenue, and in fact are extremely resource intensive. The impact of this strategic shift was evident in our Q2 revenue, cost of goods sold, and gross margin results and will be factored into future Digital Experience targets.

Earlier this year, we hired Anil Chakravarthy to drive the immense enterprise opportunity. Over the past few months, Anil continued to expand his charter with responsibility for strategy, product engineering and marketing, consulting and customer success for the Digital Experience business. Coincident with the long-planned retirement of Matt Thompson, Adobe's executive vice president of Worldwide Field Operations, Anil will now be adding responsibility for the entire Worldwide Enterprise Field organization. Over the past 13 years, Matt has played a pivotal role in the company's transformation to a subscription software model in the Digital Media business as well as the creation of the Digital Marketing category. He has built a world class go-to-market organization and championed customer centricity. I will miss our partnership and wish Matt well in his retirement. Matt has built a deep management bench and I am confident that this combined organization will thrive under Anil's leadership.

Adobe is the market leader in customer experience management, and we have invested in deep product integration, platform innovation and a robust ecosystem. We're well positioned to execute on the growing total addressable market for CXM.



Summary

At Adobe, we are guided by our belief that it's not only *what* we do, but *how* we do it that is core to our success. We believe that everyone deserves respect and equal treatment and we are outraged at the senseless violence against the Black community in the US. This is a painful reminder of the injustice and systematic racism that exists in our country. We can and *must* do better and we are committed to doing so at Adobe.

Great companies are defined by how they lead through adversity. We have successfully navigated several crises and have always used them as a catalyst to make strategic and structural change to emerge stronger. I am particularly proud of how our employees embraced the current challenges and rallied to ensure that innovation, customer centricity and adherence to our core values remains front and center. Our employees, broad and diverse portfolio of products, strong balance sheet and rigorous operating cadence put us in a rarified atmosphere among companies of our size and scale. We will emerge stronger than ever.

John.



JOHN MURPHY

Thanks, Shantanu.

Q2 FY2020 Results

Total Adobe revenue	\$3.13 billion (14% Y/Y growth)	
Digital Media segment revenue	\$2.23 billion (18% Y/Y growth)	
Digital Media ARR	\$443 million of net new ARR	
Digital Experience segment revenue	\$826 million (5% Y/Y growth)	
Digital Experience subscription revenue growth	8% Y/Y growth	18% Y/Y growth (Excl. Advertising Cloud Revenue)
Earnings per share	GAAP: \$2.27	Non-GAAP: \$2.45

- Digital Experience revenue impacted by strategic shift in Advertising Cloud
- Grew Remaining Performance Obligation (RPO) by 19% Y/Y to \$9.92 billion
- Generated \$1.18 billion of cash flows from operations
- Repurchased 2.6 million shares



©2020 Adobe. All Rights Reserved.

In the second quarter of FY20, Adobe achieved record revenue of \$3.13 billion, which represents 14 percent year-over-year growth.

GAAP diluted earnings per share in Q2 was \$2.27 and non-GAAP diluted earnings per share was \$2.45.

Business and financial highlights in Q2 included:

- Digital Media revenue of \$2.23 billion;
- Net new Digital Media ARR of \$443 million;
- Digital Experience revenue of \$826 million;
- Expanding profitability with strong earnings per share;

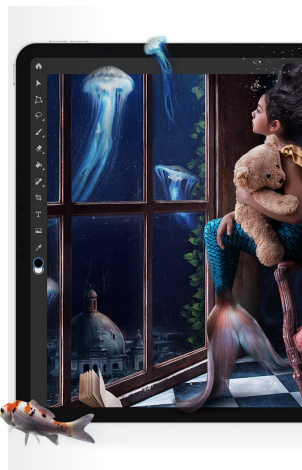
- Cash flows from operations of \$1.18 billion; and
- Repurchasing approximately 2.6 million shares of our stock during the quarter.

Adobe's strong second quarter performance demonstrates our continued top- and bottom-line growth despite an ongoing global pandemic. We are well positioned to navigate the continuing crisis given our resilient business model and a healthy balance sheet. In the work-from-home and distance learning environment, our strategy of fueling content creation, digital workflows and digital transformation is more relevant than ever, as digital engagement continues to underpin the global economy.

Adobe Creative Cloud | Results

- Creative revenue Y/Y growth of 17%
- Strong new user growth across all geos
- Engagement from communicators and Youtubers driving adoption of video products
- Strong migration of students and trial users to paid subscriptions
- Significant growth for paid mobile subscriptions
- Targeted campaigns driving web traffic growth

 Adobe



©2020 Adobe. All Rights Reserved.

In our Digital Media segment, we achieved 18 percent year-over-year revenue growth in Q2. On an FX-adjusted basis using rates in effect as of the start of our Q2, Digital Media revenue grew 19 percent year-over-year.

During Q2 we added \$443 million of net new Digital Media ARR, our strongest Q2 on record. Total Digital Media ARR exiting the quarter was \$9.17 billion.

Within Digital Media, we achieved another strong quarter with our Creative business. Creative revenue grew 17 percent year-over-year and we increased Creative ARR by \$352 million.

During the second quarter we saw increased demand for our solutions on Adobe.com amid the work-from-home environment, and usage of our products spiked notably during the quarter.

Q2 Creative growth drivers included:

- Strong new user growth across all geographies, including single app adoption by individuals;
- Adoption of our professional video products, including single-app Premiere Pro subscriptions, as engagement from communicators and Youtubers increased significantly;
- Strength in migrating students and trial users to paid subscriptions;
- Significant unit growth for paid mobile subscriptions; and
- Continued focus on targeted campaigns using insights from our data-driven operating model, which drove significant growth in web traffic during the quarter.

Adobe Document Cloud | Results

- Document Cloud revenue Y/Y growth of 22%
- Strength in Adobe Sign driving net new ARR growth
- Shortened deal cycles with enterprise customers
- Increased pipeline and improved execution in government segment
- Conversion of mobile app users and Reader installed base to paid subscriptions



 Adobe

©2020 Adobe. All Rights Reserved.

Adobe Document Cloud delivered another quarter of strong revenue growth. We achieved record Document Cloud revenue of \$360 million, which represents 22 percent year-over-year growth, and we added \$91 million of net new Document Cloud ARR during the quarter. As with our Creative business, Document Cloud benefitted from tailwinds associated with knowledge workers and communicators working from home, and we had a particularly strong quarter driving new business for Adobe Sign, with net new ARR more than doubling year-over-year.

Document Cloud performance during Q2 was driven by:

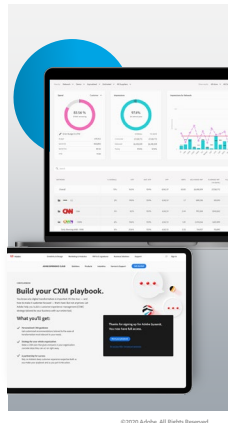
- Strength on Adobe.com across the individual and SMB segments;
- Significant growth in consumer adoption of mobile apps and PDF services;
- Shortened deal cycles for enterprise Acrobat and Sign customers, as the imperative to translate paper processes to digital accelerates across the globe;

- Increased pipeline and improved execution in the government segment, particularly for our Sign solution; and
- Conversion of free mobile app users and our Reader install base to paid subscriptions.

Across Digital Media consistent with our expectations, we experienced some weakness for the SMB offerings in the reseller channel and Adobe.com.

Adobe Experience Cloud | Results

- Digital Experience revenue Y/Y growth of 5%
- Digital Experience subscription revenue Y/Y growth of 8%
 - Excluding Advertising Cloud, core Digital Experience subscription revenue Y/Y growth of 18%
- Strategic shift with Advertising Cloud business driving improvements to gross margin, DSO and profitability of Digital Experience segment
- Success with Content and Commerce solutions in enterprise segment



Turning to our Digital Experience segment, our primary focus is to grow software-based subscription revenue across our portfolio of products. Our Adobe Experience Cloud revenue includes:

- Subscription revenue, which includes revenues from Advertising Cloud,
- Professional services revenue, and
- Other, which includes perpetual, OEM and support revenue.

In Q2, we achieved quarterly Digital Experience revenue of \$826 million, which represents 5 percent year-over-year growth.

Digital Experience subscription revenue was \$707 million, representing 8 percent year-over-year growth. Digital Experience subscription revenue, excluding Advertising Cloud revenue, grew 18 percent year-over-year.

As outlined on our Q1 earnings call, our Advertising Cloud revenue was negatively impacted given the Covid-19 situation. As we saw the extent of the global decline in advertising spend, we made the strategic decision mid-quarter to cease pursuing transaction-driven Advertising Cloud deals. Together this resulted in a shortfall of approximately \$50 million relative to our targeted Q2 revenue.

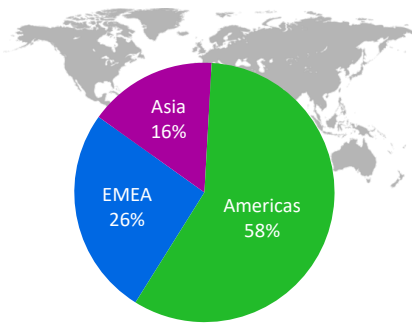
A significant portion of the revenue from the transaction-driven Advertising Cloud offerings is recognized on a gross basis, with the related cost of media purchased recognized as cost of goods sold, resulting in low gross margin percentages for these offerings. While the discontinuation of these offerings will negatively impact revenue, it will enable us to drive improvements to our overall gross margins, DSO and the profitability of our Digital Experience segment, as already evident in this quarter's results.

We now expect approximately \$200 million total Advertising Cloud revenue for the full fiscal year, with \$70 million for the second half, decelerating from the first half of the year. As comparison, we achieved \$360 million in Advertising Cloud revenue in fiscal 2019 and our original 2020 targets assumed that Advertising Cloud would grow at rates consistent with the overall subscription revenue for Digital Experience.

In Q2, our professional services revenue in Digital Experience declined approximately 8 percent year-over-year. While there were some delays in converting consulting backlog to revenue early in Q2, we saw progress in implementations as the quarter progressed.

Through a challenging quarter we continued to build pipeline and saw strength in our Content and Commerce offerings, particularly in the enterprise segment. As with consulting, we saw some momentum late in the quarter in our commercial segment that targets small and medium businesses.

Q2 FY2020 Results



Q2 Revenue by Geography

Managing Expenses

- Operating expenses declined Q/Q as a result of reduction in hiring, savings across T&E and in-person event cancellations

Currency ("FX") Impact

- Net sequential quarterly decrease in revenue considering hedging was \$20 million
- Net year-over-year decrease in revenue considering hedging was \$41 million



©2020 Adobe. All Rights Reserved.

Across Adobe as we navigate the economic downturn we are managing the business carefully to drive growth and profitability. We reduced discretionary spending and delivered a strong operating margin. Our operating expense declined sequentially quarter over quarter as a result of a reduction in the pace of hiring, savings across travel and entertainment and in-person event cancellations. Having completed our strategic review and reprioritization, we will now turn our focus to investing appropriately for continued long-term growth.

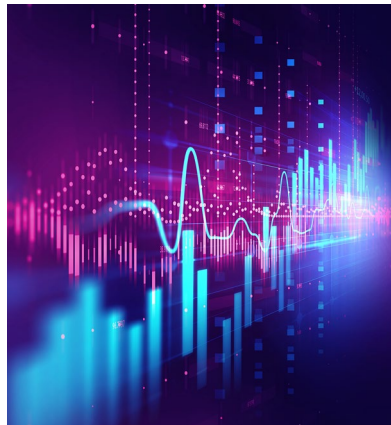
From a quarter-over-quarter currency perspective, FX decreased revenue by \$18 million. We had \$5 million in hedge gains in Q2 FY20, versus \$7 million in hedge gains in Q1 FY20; thus, the net sequential currency decrease to revenue considering hedging gains was \$20 million.

From a year-over-year currency perspective, FX decreased revenue by \$37 million. The \$5 million in hedge gains in Q2 FY20, versus the \$9 million in hedge gains in Q2 FY19 resulted in a net year-over-year currency decrease to revenue considering hedging gains of \$41 million.

Adobe's effective tax rate in Q2 was minus 10 percent on a GAAP basis and 10 percent on a non-GAAP basis, in line with our Q2 targets.

Q2 FY2020 Results

- Trade DSO of 40 days
- Remaining Performance Obligation (RPO) of \$9.92 billion
- Cash and short-term investments of \$4.35 billion
- Cash flows from operations of \$1.18 billion
- Repurchased 2.6 million shares



 Adobe

©2020 Adobe. All Rights Reserved.

Our trade DSO was 40 days, which compares to 42 days in the year-ago quarter, and 41 days last quarter.

Remaining Performance Obligation or “RPO” grew by 19 percent year-over-year to \$9.92 billion exiting Q2 and was relatively flat quarter-over-quarter. Adobe.com cloud offerings, typically billed monthly, are reported as unbilled backlog, whereas channel offerings billed annually up front are reported as deferred revenue. The strength in acquisition from Adobe.com during the quarter drove a mix-shift from deferred revenue to unbilled backlog. We exited Q2 with \$3.46 billion in deferred revenue.

Our ending cash and short-term investment position exiting Q2 was \$4.35 billion, and cash flows from operations was \$1.18 billion in the quarter. Consistent with macroeconomic trends, we saw some increase in customer requests for billing concessions; we continue to be focused on working with our customers to ensure their success while managing our cash flows.

In Q2 we repurchased approximately 2.6 million shares at a cost of \$850 million. We currently have \$3.4 billion remaining of our \$8 billion repurchase authority granted in May 2018 which goes through 2021.

In light of the macroeconomic environment and the strategic shifts for Advertising Cloud, we are withdrawing the annual fiscal 2020 targets.

Q3 FY2020 Financial Targets | June 11, 2020

Total Adobe revenue	~\$3.15 billion	
Digital Media segment revenue	~16% Y/Y growth	
Digital Media ARR	~\$340 million of net new ARR	
Digital Experience segment revenue	~Flat Y/Y	
Digital Experience subscription revenue	~5% Y/Y growth	~14% Y/Y growth (excl. Advertising Cloud revenue)
Tax rate	GAAP: ~10%	Non-GAAP: ~10%
Share count	~485 million shares	
Earnings per share	GAAP: ~\$1.78	Non-GAAP: ~\$2.40

Targets factor current macroeconomic conditions, continued impacts of the pandemic and typical Q3 seasonality across the summer months. The information discussed on this slide contains forward looking statements that involve risk and uncertainty. Actual results may differ materially. For a discussion of these risks and uncertainties, you should review Adobe's SEC filings. Please see our website for a discussion of these targets and a detailed reconciliation between GAAP and non-GAAP targets.



©2020 Adobe. All Rights Reserved.

Our targets factor current macroeconomic conditions, continued impacts of the pandemic and typical Q3 seasonality across the summer months of June, July and August.

For Q3, we are targeting:

- Revenue of approximately \$3.15 billion;
- Digital Media segment year-over-year revenue growth of approximately 16 percent;
- Net new Digital Media ARR of approximately \$340 million;
- Digital Experience segment revenue flat year-over-year;
- Digital Experience subscription revenue growing 5 percent year-over-year, or 14 percent when excluding Advertising Cloud revenue;
- Tax rate of approximately 10 percent on a GAAP and non-GAAP basis;
- Share count of approximately 485 million shares;
- GAAP earnings per share of approximately \$1.78; and
- Non-GAAP earnings per share of approximately \$2.40.

We expect typical seasonal strength in Q4 across our Digital Media and Digital Experience business. We expect our operating expenses to increase in line with growth rates in previous years as we continue to invest for growth.

In summary, our resilient business model, healthy balance sheet and data-driven operating model enabled us to successfully navigate this unprecedented macroeconomic environment. We are extremely proud of how our employees have continued to innovate and remain productive. Our long-term opportunity remains robust given digital technologies will increasingly drive the global economy. I'll now turn the call back over to Jonathan.

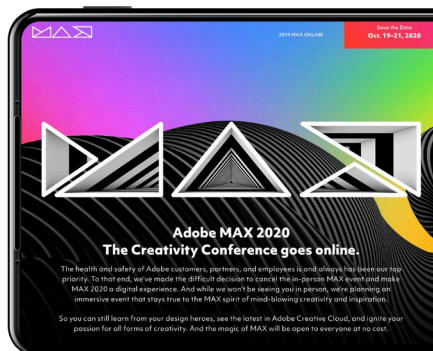
Conference Call Archive and Replay

Follow Adobe on Twitter
and through our corporate blogs
@Adobe @AdobeNews
theblog.adobe.com

Earnings call archive
<http://www.adobe.com/ADBE>
Available for approximately 45 days

Conference call phone replay
1-888-203-1112 (US/toll-free)
1-719-457-0820 (International)

Conference ID #5492652
Available 5:00pm PT on June 11, 2020
through 5:00pm PT on June 18, 2020



©2020 Adobe. All Rights Reserved.

JONATHAN VAAS

Thanks, John.

As we announced last month, we have shifted Adobe MAX – our annual creativity conference – to be an online event this October. Information about the event can be found online at max.adobe.com. We plan to host a virtual financial analyst meeting later in the fall. Invitations will be sent to our analyst and investor email list this summer.

If you wish to listen to a playback of today's conference call, a webcast archive of the call will be available on Adobe's IR site later today. You can also listen to a phone replay by calling the numbers shown above. The phone playback service will be available beginning at 5pm Pacific Time today and ending at 5pm Pacific Time on June 18.

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

Q & A

