



Changing the World Through Digital Experiences

To our stockholders, customers, employees and partners,

The start of a new decade is a chance to reflect on how far we've come and to plant a flag for our future aspirations. Over the last ten years, Adobe led an industry transformation to the cloud as well as our own business transformation. We connected content to data, created new categories and continuously introduced new technologies that democratized creativity and transformed businesses. As we begin 2020, I am more optimistic than ever about the opportunities ahead of us.

Adobe's mission—to Change the World Through Digital Experiences—has never been more relevant or powerful. Today, technology is transforming storytelling across all touchpoints, from desktop to mobile to every interaction across the web. The next generation of storytelling will combine content and data with the power of artificial intelligence to deliver personalized experiences at scale.

Adobe Creative Cloud, Document Cloud and Experience Cloud are driving the digital revolution. We've broadened our aspirations and are serving a wider set of customers with industry-leading products and services. We are proud of the far-reaching impact our technologies have had around the world.

GLOBAL IMPACT

Creativity and design are essential to the future of education. As the company with creativity at our core, it is our responsibility to foster it in the next generation. Through partnerships with organizations like the Royal Shakespeare Company, emerging artists are using Creative Cloud to reimagine the world, including the works of Shakespeare and beyond.

Documents are core to how people work, transact business and communicate in everyday life, and PDF makes it all

possible. Document Cloud is accelerating productivity for anyone who works on the go, from small businesses to government agencies to multinational corporations.

In the experience economy, every business must be a digital business. Experience Cloud offers the most comprehensive set of solutions to power digital businesses, from online retailers to the world's largest enterprises. During the 2019 holiday shopping season, Experience Cloud predicted over \$140 billion in online spend leveraging Adobe Analytics, Adobe Commerce Cloud and Adobe Sensei.

We've transformed our business to deliver innovation faster, serve our customers more effectively, cultivate an engaged and diverse workforce and drive predictable revenue and long-term growth. The moves we've made, combined with immense market tailwinds, continue to propel our business forward.

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OUTSTANDING PERFORMANCE IN 2019

In fiscal year 2019, we had an outstanding year, surpassing \$11 billion in revenue and achieving 24% annual revenue growth with record profitability. GAAP earnings per share was \$6.00. Our revenue and EPS performance make us one of the largest, most valuable, diversified and profitable

software companies in the world, putting Adobe in a rarefied atmosphere.

In addition to our strong financial results, we drove incredible innovation across our clouds, added millions of new customers, delivered billions of experiences across screens and processed trillions of data transactions online.

Content continues to fuel the global economy, driving greater demand for digital media than ever before, with an expanding number of creators. This trend is accelerating our Creative Cloud and Document Cloud performance. We finished the year with Digital Media annualized recurring revenue (ARR) of \$8.4 billion. In the fourth quarter, we saw a record \$539 million in net-new ARR, which is a key measure of the health of this business.

Digital transformation is a top priority for business leaders around the globe, and they continue to look to Adobe to help them provide an exceptional customer experience. In FY19, our Digital Experience revenue grew to a record \$3.21 billion, representing 31% year-over-year growth. We're helping the world's largest brands rearchitect their technology platforms, 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, and we are now enabling other companies to do the same.

GROWTH STRATEGY

As we look to the future, we are focused on three core strategies to drive our next era of growth: Unleashing Creativity for All; Accelerating Document Productivity; and Powering Digital Businesses. We are broadening the universe of customers we serve and evolving our offerings beyond market-leading applications to include intelligent services and an open platform. We are driving leadership in large categories we have created across creativity, documents and customer experience management.

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Creativity is a fundamental skill today, and we are focused on **Unleashing Creativity For All** with Creative Cloud,

giving anyone—from the most demanding professional to a student just getting started—the tools to tell their stories on any device. We're enabling cutting-edge creativity across media types, making the creative process more productive and collaborative, and delivering new magic with Adobe Sensei, our artificial intelligence and machine learning framework. With the introduction of newer products like Photoshop Camera, Adobe Spark and Premiere Rush, we're broadening our reach to the next generation of creators and business communicators.

To **Accelerate Document Productivity**, we're focused on leading the paper-to-digital transformation with Document Cloud. We're making the document experience frictionless by expanding common actions—what we call Acrobat verbs—for scanning, editing, sharing, collaborating and signing. We're unlocking the value of millions of PDFs that have been created and stored for decades so that customers can easily search all of their documents. Adobe Acrobat, Adobe Scan and Adobe Sign are enabling new levels of productivity for small businesses, nonprofits and enterprises alike.

Experience Cloud is helping **Power Digital Businesses** with solutions that enable businesses to meet the challenges of digital transformation and drive engagement and customer loyalty. We've optimized our offerings to provide data and insights, content and commerce, customer journey management and advertising, all running on the Adobe Experience Platform. Our platform allows businesses to harness their data and provide an amazing customer experience in real time. We're building on our affinity with Chief Marketing Officers to drive customer experience management with Chief Information Officers and across the entire C-suite.

ALWAYS INNOVATING

Adobe has always distinguished itself by looking around the corner. We've focused on spotting the next disruptive technology trends to bring new innovation to our customers, year after year. For example, we executed against our assertion that phones and tablets needed to be creation devices just as much as consumption devices through our multi-surface systems approach. We saw the potential to unleash creativity and give people the freedom to break free from the desktop.

With hundreds of artificial intelligence features in our products used by millions of customers, more than 500 patents filed and nearly 300 technical papers published in 2019 alone, we continue to define what's next. We're making a fundamental bet around artificial intelligence

being part of the core fabric throughout our entire product portfolio.

We are reimagining experiences of the future across creativity, documents and customer experience. We are innovating in the areas of content authenticity, data privacy and security. Each year, we continue to be ranked as one of the most innovative companies in the world. We're excited about the opportunities to continue to provide technology breakthroughs to help our customers succeed.

OUR PEOPLE ARE OUR GREATEST ASSET

This breakthrough innovation happens undoubtedly because of our people and the culture we've cultivated. We believe that when people feel valued and included, they are more creative, innovative and successful. "Adobe for All" is our commitment to building a workforce that's diverse and inclusive. We're making steady progress as we work to increase diversity in our workforce, with women now representing 33% of our global employee base and underrepresented minorities representing 10% of our U.S. workforce, but there's so much more to do.

I am proud that in 2018, we achieved global gender pay parity. In 2019, we pioneered opportunity parity to examine fairness in promotions and horizontal movement across demographic groups. With opportunity parity, we were the first company to disclose information around rates of internal promotion across gender globally and across race and ethnicity in the U.S. We continue to support our employees through progressive workplace policies such as expanded family leave, adoption assistance and robust benefits.

We're ensuring our innovation culture thrives with a burgeoning internship program and collaborative projects with top universities around the globe.

At Adobe, we underscore the value of being involved, and we provide numerous opportunities for employees to give back to our communities. In 2019, a record 70% of Adobe employees participated in our giving and volunteering programs, lending both their time and unique talents to nonprofits. Our skills-based volunteering and board service programs not only positively impact our communities, but also provide valuable development and growth opportunities for our employees.

TRUST

Given the volume of digital content that is now created, we have stepped up to play a leadership role on content

authenticity, data privacy and security. As we develop new technology, we are guided by the principles of responsibility, accountability and transparency.

In 2019, Adobe launched the Content Authenticity Initiative to develop an industry standard for digital content attribution, and we've invited other companies to join to create a long-term shared solution. We want to drive adoption of a shared industry framework to give consumers greater confidence about the authenticity of the content they are consuming.

We are committed to taking a responsible approach to data that honors consumer privacy choices, ensures security and works to address bias in artificial intelligence datasets. Our goal is to provide exceptional digital experiences while helping our customers responsibly unlock the power of data.

SERVING OUR COMMUNITIES

Adobe's founders Chuck Geschke and John Warnock focused on giving back to our communities since the company's inception. We've remained steadfast in our belief that it is not just *what* we do but *how* we do it that ensures our company will endure. Adobe is guided by our core values—to be genuine, exceptional, innovative and involved—which has been foundational to our strong performance.

We strongly believe it is our responsibility to give back to the communities in which we live and work. In 2019, we reached an estimated 200 million people through our support of 48,000 nonprofit organizations and invested approximately \$50 million in our communities.

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Our technology has broad societal impact as it is democratizing creativity and storytelling for *all*. By providing tools that allow people to tell their stories, we empower all voices. We support this mission by starting early—in the classroom and through educators. And, with

23 million students having access to Adobe Spark, we're helping the next generation build the skills they need to compete in the digital age.

We are partnering with organizations that share our commitment to elevating diverse voices and creating greater opportunities for all, especially the underrepresented. The Adobe Creativity Network reaches 150,000 youth in 25 countries with scholarships and product grants. In 2019, we awarded \$3.5 million in creativity and Science, Technology, Engineering, Arts and Math (STEAM) scholarships. Many of our scholarship recipients are first-generation college students. As founding members of the Sundance Ignite program, we've helped young, aspiring filmmakers tap into their creativity to shape the future of filmmaking. Most recently, we launched the Women at Sundance Adobe fellowship to empower more female artists in the field of filmmaking.

We were honored to receive the 2019 Hope Award from the National Center for Missing and Exploited Children for our ongoing work to further their mission of keeping every child safe.

INVESTING IN A SUSTAINABLE FUTURE

Corporations and people can't succeed without a healthy planet. We stand for bold action to protect the environment. In December, I joined 70 other CEOs in signing a statement of our continued support for the Paris Climate Agreement. We all have a part to play in mitigating climate change and businesses must step up to lead the fight.

In our pursuit to achieve 100% renewable energy by 2035, we quadrupled our renewable electricity deployment in 2019 without the use of offsets or unbundled renewable energy credits—and we will exceed 50% renewable electricity by 2022.

Through our products, we're working to help our customers conserve natural resources. For example, for every 1 million transactions that use Adobe Sign instead of traditional printing, we save an estimated 27 million gallons of water, 1.5 million pounds of waste and 23.4 million pounds of CO₂e. Creative Cloud enables design, digital prototyping and workflows that reduce physical production and transportation and their accompanying emissions.

As a result of these actions and our unwavering commitment to protect our planet, we were proud to be named to both the Dow Jones Sustainability Index and the CDP A List in 2019 for the fourth consecutive year.

LOOKING AHEAD

After more than 20 years at Adobe, what energizes me and makes me proud is seeing the far-reaching impact Adobe technologies have today and the future we can build. As CEO of Adobe, my greatest joy comes from seeing our customers light up when they talk about our products—whether that's running into a Lightroom user in a coffee shop who proudly shows me his latest creation, talking to a small business owner who is using Adobe Scan, Adobe Acrobat and Adobe Sign to go paperless, or meeting with a CEO from a financial services company that's transforming her business with Experience Cloud. Their passion and creativity are contagious and inspire us to continue to create game-changing innovations.

Our 23,000 global employees endeavor to have a resounding impact on creativity, business and society and are committed to furthering our mission to Change the World Through Digital Experiences. As we think about the opportunity ahead, we believe our long-term success rests on our ability to focus on our employees, customers and communities just as much as the bottom line.

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With our strong track record of performance, compelling strategy, exceptional team, loyal customers and strong values to guide us, we are well-positioned in this new decade and beyond. Adobe's best days are ahead, and I am honored to lead such an exceptional company. Thank you for your support.



Sincerely,

A handwritten signature in black ink that reads "Shantanu Narayen". The signature is written in a cursive, flowing style.

Shantanu Narayen
Chairman, President & CEO
Adobe Inc.