

Changing the World Through Digital Experiences



To our stockholders, customers, employees, and partners,

In 2020, our world changed forever. We experienced the largest health crisis of our generation, were reminded of the long road ahead to racial justice, and witnessed the stark impacts of climate change. While these realities persist in 2021, the new year represents an opportunity to reflect on the unity, purpose, and hope that emerged. Around the globe, people came together to help slow the spread of COVID-19. Human ingenuity and science prevailed, with vaccines and therapies developed in record time. Companies, leaders, and communities pledged their commitment to foster a more equal and diverse world for everyone. We witnessed the power of digital to connect us, enable us to speak out, and fuel every aspect of how we live, learn, work, and play.

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Our resilience is rooted in an unwavering focus on our employees, groundbreaking innovation, and our purpose, which is to harness the best of Adobe to make a significant

impact in the world. It is this clarity that has driven our continued growth and success, making Adobe one of the most trusted and revered brands around the globe.

A Momentous 2020

People come first, and our top priority remains the health and wellbeing of our employees. Adobe took swift action to direct teams to work from home, suspend travel, and cancel in-person events. We pledged no layoffs and undertook a companywide reprioritization exercise to ensure we were focused on the initiatives that would drive the most long-term impact. We increased the frequency of our communications, surveyed employees regularly, and rolled out new benefits and programs to meet their needs. Our employee engagement numbers have actually increased over the last year, a testament to our strong culture and values.

To help our customers make the transformational shift to digital overnight, we provisioned 30 million students at home with Adobe Creative Cloud and provided teachers with distance learning support. We offered our web-based PDF services on Adobe.com to assist with document productivity while working from home. We implemented a rapid response program to help governments digitize critical workstreams and engage with their constituents during a pivotal time.

As a product company at our core, Adobe’s innovation engine continued to fire on all cylinders. In Adobe Creative Cloud, we delivered significant product innovation that extended our applications to multiple surfaces and broke new ground in emerging categories, while improving customer engagement. In Adobe Document Cloud, we introduced Liquid Mode, which harnesses the power of Adobe Sensei, our artificial intelligence and machine learning technology, to decipher unstructured PDFs and make them responsive on mobile

devices. We delivered more capabilities for document verbs – editing, sharing, scanning, and signing – across desktop, web, mobile, and through frictionless PDF services. In Adobe Experience Cloud, we launched new capabilities in Adobe Experience Platform to expand real-time customer profiles, Intelligent Services to further the use of artificial intelligence in organizations, and Customer Journey Analytics to unify and activate cross-channel data. We closed our acquisition of Workfront, the leading work management platform for marketers, furthering our vision to establish an industry-leading marketing system of record.

As the digital experiences company, we paved the path to leadership and innovation in a digital economy. Adobe MAX, our annual creativity conference, was an around-the-clock digital event like none other, featuring some of the biggest names in creativity and garnering 21 million views. Harnessing data from trillions of transactions powered by Adobe Experience Cloud, we provided a unique, real-time assessment of the economy with the Adobe Digital Economy Index, giving companies a view of digital commerce trends to help them manage their businesses in a dynamic market.

Our leadership extends to not only what we do, but how we do it. We were a top riser on Interbrand's Best Global Brands list for the 5th year in a row, consistently named a best place to work globally, and a leader in diversity and sustainability through the Bloomberg Equality Index, CDP Climate Change A List, and Dow Jones Sustainability Index. We earned the top spot in Fortune's Blue Ribbon list for appearing on seven of its ten most rigorous annual rankings.

All of this culminated in another strong fiscal year for Adobe. We achieved \$12.87 billion in revenue, representing 15% year-over-year growth. We surpassed \$10 billion in Digital Media ARR in Q4, marking a significant milestone. We generated a massive \$5.73 billion in cash flows from operations and continue to create tremendous shareholder value. Our strong financial discipline and ability to drive top and bottom-line growth at scale is unparalleled, and we are well-positioned to capture the expansive market opportunities ahead of us.

Growth Strategy

Adobe has always been relentlessly focused on looking around the corner, driving towards the next big market opportunity to solve customer challenges and anticipate their needs. Our bold ambitions, combined with world-class execution, have enabled our continuous growth for nearly four decades.

Today, every industry is experiencing a tectonic shift towards all things digital at an unprecedented pace, and Adobe is the leader in three massive, growing categories – creativity, documents, and customer experience management – all of which are at the nexus of this digital revolution. Our strategy of Unleashing Creativity, Accelerating Document Productivity, and Powering Digital Businesses is driving our success across every geography and audience.

Last year, we saw the profound ability creativity has to empower people to connect, learn, and cope. Everyone – from the individual creative using art to advocate for change, to the student submitting their next school assignment, to the creative professional designing a website – has a story to tell. Content is fueling the global economy, with new devices, channels, and modalities leading to an explosion of content creation and consumption. With Adobe Creative Cloud, we are **Unleashing Creativity** – giving anyone, anywhere the tools to express their creativity. We are the leader in core creative categories like photography, design, video, and illustration, and we are expanding our leadership in emerging categories like screen design and immersive media. We are building solutions for every surface and system and making the creative process more collaborative and seamless across mediums. Applications like Illustrator for iPad, Photoshop Camera, Rush, and Spark are expanding our customer universe, advancing our vision to democratize creativity.

The shift to remote work has made digital workflows even more mission-critical in powering the modern business. The paper-to-digital transformation is accelerating, and cloud and mobile are reshaping how we work, enabling greater collaboration and efficiencies across dispersed teams. With Adobe Document Cloud, we are **Accelerating Document Productivity**, reinventing how people view, share, and engage with documents. Our mission is to enable all document actions – what we call Acrobat verbs – to be frictionless across web and mobile, leveraging our ubiquitous PDF format. Through Adobe Sensei, our artificial intelligence and machine learning technology, we are deciphering trillions of unstructured PDFs to unlock their value. Supported with a rich set of APIs, Adobe Document Cloud provides a cloud ecosystem that is revolutionizing how applications and services are built.

Every business has become a digital business, and the imperative for customer experience management has never been more real. With Adobe Experience Cloud, we are Powering Digital Businesses of all sizes, giving them everything they need to design and deliver great customer

experiences at scale. Adobe Experience Cloud is the most comprehensive set of market-leading solutions across content and commerce, customer journey management, data and insights, and work management, all powered by the Adobe Experience Platform. To further our value proposition, we are investing in artificial intelligence and machine learning, delivering next-generation applications and services on the Adobe Experience Platform, and accelerating the integration of our offerings. Re-architecting systems around the customer requires strong integration across the C-Suite. Building on our deep partnership with the CMO, we are expanding our focus to the CIO and across the C-Suite to enable exceptional experiences at every stage of the customer journey.

Ethics and Integrity

As our products become increasingly ubiquitous and we bring transformational technologies to bear, we are committed to Digital Citizenship – the responsible use of technology for the good of our customers and society – in areas such as content authenticity, artificial intelligence ethics, privacy, and security.

With the velocity of content increasing every day, digital provenance is more critical than ever. We are leading the Content Authenticity Initiative (CAI) with numerous partners in hardware, software, publishing, and social media, establishing the standard for transparency and attribution across the entire content ecosystem. Last year, we introduced the CAI attribution tool, providing an easy way for creators to securely attach information about how a piece of content was edited. We started with Photoshop and Behance and plan to expand into other Adobe Creative Cloud applications this year.

Data is fundamental to how the world connects today, and we uphold high standards of responsibility on privacy and data ethics. We have created a set of artificial intelligence principles on the tenets of responsibility, accountability, and transparency to ensure that artificial intelligence is used responsibly and does not reinforce biases that may exist in data. All new artificial intelligence features and products will be reviewed under these principles.

Adobe's privacy-by-design approach proactively incorporates privacy and certified security controls into product development that meet regulations. We provide our enterprise customers with tools that enable them to manage their consumers' information, and our enterprise solutions are CCPA and GDPR ready. We believe that data, when used with consumer consent, trust, and transparency,

can result in hyper-personalized experiences that deliver tremendous customer value.

People Are Our Greatest Asset

None of this would be possible without our 22,000+ employees around the globe, who are rallied around our mission and strategy – to create products and experiences that inspire people, transform industries, and move the world forward. I remain incredibly proud of how our employees have navigated this time with resilience, dedication, and support for one another.

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Our commitment to people is cemented in our long track record of progressive people-centered benefits and programs, continued investment in the growth and development of our employees around the world, and vibrant employee community networks, which amplify the diverse backgrounds among us and foster an enriched culture of belonging.

We achieved global gender pay parity in October 2018, and in September 2020, we reaffirmed that we have maintained global gender pay parity and announced that we achieved pay parity between employees from underrepresented minority (URM) groups and non-URM employees in the U.S. We have taken our efforts one step further to introduce "opportunity parity," which examines fairness in promotions and horizontal movement across demographic groups.

Last year, together with our Black employees, we formed the "Taking Action Initiative," our strategy to accelerate the representation, development, and success of the Black community across hiring and recruiting, growth and advancement, advocacy, community, and data transparency.

We believe that greater representation leads to a virtuous cycle of more role models, advancement, and growth – a playbook that we can scale globally. We have declared a set of aspirational goals to continue to increase global diversity; increase women in leadership positions to 30 percent globally by 2025; double U.S. underrepresented minorities in leadership positions by 2025; and double Black representation as a percentage of U.S. employees by 2025. To help us achieve our goals, we invested in a Diversity Talent Acquisition team to recruit diverse talent and are increasing our investment in partnerships with diverse institutions to build a strong pipeline.

Looking ahead, we know that the way we work has changed forever. We believe that the future of work for Adobe will be hybrid, leveraging the best of in-person interactions to collaborate and innovate, while utilizing the flexibility that comes with working from home. We will double down on our own digital transformation, making digital tools even more central to how we work. Most importantly, continuing to foster our industry-leading culture and the growth and impact of our people will remain a top priority, regardless of how and where we work.

Purpose At Our Core

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Digital literacy is a fundamental skill and we want to **empower every voice** with the tools, skills, and platform to achieve their goals. We invest in a number of programs to propel talented people to the next stage of their careers, such as the Adobe Digital Academy, Adobe Women-in-Technology Scholarship, and The Design Circle Scholarship Initiative, all of which provide skills and mentorship, products, and resources to prepare candidates for roles in technology and design. Adobe is the first brand to create the Women at Sundance Fellowship, and we are a sponsor of the Sundance

Ignite Fellowship, both of which give emerging filmmakers the opportunity to develop their craft. Our newly launched Diverse Voices platform highlights the stories of diverse creators, providing a single destination for inspiration, education, and connection.

We abide by a set of inclusive design principles to make our products more **accessible**. Adobe Color aids individuals with colorblindness or other visual color deficiencies. Liquid Mode, a capability in Adobe Acrobat, deciphers unstructured PDFs to make them more responsive and readable. In partnership with scientists and researchers, we launched a new effort that uses artificial intelligence, machine learning, and digital tools to give readers of all levels the ability to customize their PDF reading experience, improving speed, accuracy, and reading comprehension.

Our commitment to **sustainability** extends across our products, operations, and advocacy. Adobe technology enables cloud-based software delivery, paperless workflows, and virtual collaboration, allowing our customers to create a more sustainable future. We have seen this especially pronounced during the pandemic. The U.S. Census used Adobe Experience Cloud to power the first Digital Decennial Census in 2020. Ben & Jerry's used Adobe Creative Cloud to create 3D renderings of ice cream pints in a virtual photoshoot, eliminating expenses and emissions that come with physical photoshoots. Financial institutions have leveraged Adobe Sign to process loans and other essential operations online, reducing their carbon footprint.

We furthered our commitment to address climate change by raising our Science-Based Targets to "well-below 1.5°C" — the most ambitious designation available through the Science-Based Target Initiative process. We made significant progress on our goal to be on 100 percent renewable energy by 2035, helping to implement a green tariff in our Utah office and signing a load-matched 100 percent renewable electricity agreement for our California operations, which will commence in mid-2021. We were proud to join "Recover Better," an initiative calling on businesses and governments to put climate action at the forefront of COVID-19 recovery efforts, as well as the LEAD on Climate 2020 initiative, which advocates for long-term solutions to climate change.

In 2020, Adobe invested over \$86 million in our communities through our philanthropy, volunteer, and product donation programs. Our corporate social responsibility programs (CSR) served over 71,000 non-profits worldwide, reaching 1.6 million

underserved people. 70 percent of employees participated in our CSR programs, giving their time and talents to the most pertinent issues facing our societies. As an example, one group of employees produced and distributed over 150,000 3D-printed face shields for healthcare workers. It is our employees' creativity and compassion that is most inspiring.

Looking Ahead

Adobe has the right strategy, applied to an exceptional opportunity — we expect our total addressable market to be \$147 billion in 2023 and plan to surpass \$15 billion in revenue in FY21. Our proven capability to create and lead categories, expansive customer universe, industry-leading products, talented employees, and world-class financial discipline give us an unmatched competitive advantage.

Adobe's best days are ahead of us, and I remain more optimistic than ever that human ingenuity, science, and technology will win, resulting in a brighter future for all of us.

Thank you for being on this journey with us.



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.