

JONATHAN VAAS

Good afternoon and thank you for joining us. With me on the call today are Shantanu Narayen, Adobe’s Chair and CEO, David Wadhwani, President of Digital Media, Anil Chakravarthy, President of Digital Experience, and Dan Durn, Executive Vice President and CFO.

On this call, which is being recorded, we will discuss Adobe’s second quarter fiscal year 2023 financial results. You can find our press release, as well as PDFs of our prepared remarks and financial results, 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 15, 2023, 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 Adobe's SEC filings.

During this presentation, we will discuss non-GAAP financial measures. The GAAP financial measures that correspond to non-GAAP or adjusted financial measures, as well as the reconciliation between the two, are available on www.adobe.com/ADBE.



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The information discussed on this call, including our financial targets and product plans, is as of today, June 15, 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, you should review the factors discussed in today's press release and in Adobe's SEC filings.

On this call we will discuss GAAP and non-GAAP financial measures. Our reported results include GAAP growth rates as well as constant currency rates. During this presentation, Adobe's executives will refer to constant currency growth rates unless otherwise stated. Reconciliations are available in our earnings release and on Adobe's Investor Relations website.

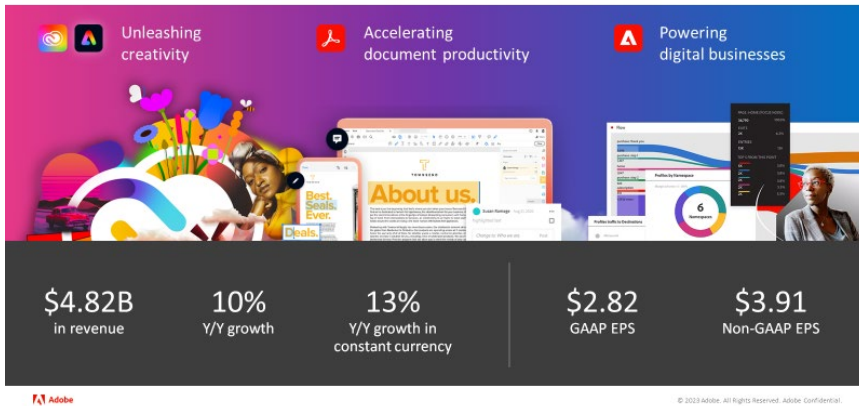
I will now turn the call over to Shantanu.



SHANTANU NARAYEN

Thanks, Jonathan. Good afternoon and thank you for joining us.

Q2 FY2023 Performance



Adobe had an outstanding quarter, achieving record revenue of \$4.82 billion, representing 13 percent year-over-year growth. GAAP earnings per share for the quarter was \$2.82 and non-GAAP earnings per share was \$3.91. Our results demonstrate strong demand across Creative Cloud, Document Cloud and Experience Cloud, with particular strength in Digital Media ARR.

Adobe’s mission to change the world through personalized digital experiences is more critical than ever as digital continues to rapidly transform work, life and play. Our groundbreaking innovations, including the new Adobe Express, the launch of Firefly - our family of creative generative AI models, co-pilot functionality in our creative applications including Photoshop and Illustrator, AI-powered advancements in Acrobat, a new Product Analytics solution and the latest capabilities in Real-Time

CDP, are empowering an ever-expanding customer base to imagine, create and deliver standout content and experiences. We are executing against our strategy to unleash creativity for all, accelerate document productivity and power digital businesses.

Every disruptive technology has presented exciting opportunities for Adobe to innovate and increase our addressable market opportunity. This has been true for cloud computing, mobile and AI. We have delivered hundreds of AI innovations through Adobe Sensei such as *Neural Filters* in Photoshop, *Liquid Mode* in Acrobat and *Customer AI* in Adobe Experience Platform. Our ongoing R&D investments have enabled the rapid development and deployment of Firefly, our generative AI technology. We believe generative AI will drive both further accessibility and adoption of our products.

Our generative AI strategy focuses on data, models and interfaces. Our rich datasets across creativity, documents and customer experiences enable us to train models on the highest quality assets. We will build foundation models in the categories where we have deep domain expertise, including imaging, vector, video, documents and marketing. We are bringing generative AI to life as a co-pilot across our incredible array of interfaces to deliver magic and productivity gains for a broader set of customers. Since its launch in March, Firefly has captured the imagination of the world with over half a billion generations, and we're just getting started.

Our Digital Experience business is powering personalized customer engagement for companies around the world, enabling them to drive experience-led growth. We're delivering an innovative product roadmap and integrating Sensei GenAI services across Experience Cloud. Last week, we hosted a successful EMEA Summit with tremendous excitement from thousands of customers and partners, reinforcing that digital is a critical imperative across industries. Adobe's category leadership and mission-critical products will continue to drive our growth.

For FY23, we now expect Creative Cloud and Document Cloud to end the year ahead of our previously issued revenue and ARR targets and Digital Experience to be slightly below our previous annual target, given the current enterprise spend environment. As a result of our groundbreaking innovation and continued execution, we are pleased to raise total Adobe annual revenue and EPS targets.

David, over to you.



DAVID WADHWANI

Thanks, Shantanu. And hello everyone.



Adobe Creative Cloud

- Creative revenue of \$2.85 billion in Q2 FY2023
- Beta release of Firefly, Adobe's pioneering family of creative generative AI models, and adobe.com/firefly
- Firefly-powered capabilities seamlessly integrated into Photoshop, Illustrator, Adobe Express and the Enterprise version of Adobe Express
- New AI-powered text-based editing and automatic tone mapping in Premiere Pro
- Expansion of Frame.io platform to support collaboration across PDFs and images
- Lightroom mobile allows users to instantly access photos from Apple iCloud and Android Gallery
- Strategic partners – Adobe Firefly GenAI for Bard, NVIDIA collaboration on GenAI optimization across hardware and software and Lightroom for Apple Vision Pro VR
- Key customer wins include EY, Government of the Philippines, NVIDIA, Omnicom, TAFE New South Wales and WPP
- GenAI monetization opportunities

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Digital Media: Creative Cloud

Adobe has long had a mission to unleash creativity for all, and today this is more possible than ever through the power of AI. The introduction of the new Adobe Express and Firefly will go down as a seminal moment in our creative history. These innovative products and our generative AI co-pilot in our flagship applications will extend our leadership in core creative categories such as imaging, design, video, illustration, animation and 3D, as well as attract an increasingly expansive global audience.

In Q2, we achieved net new Creative ARR of \$354 million and revenue of \$2.85 billion, which grew 14 percent year over year.

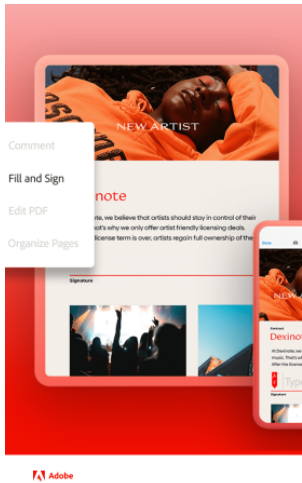
We could not be more excited about our generative AI roadmap that will make Adobe products more accessible to an even larger universe of people, while dramatically enhancing productivity for existing customers. Firefly is attracting tremendous customer interest and is highly differentiated in the market. It is being directly integrated into our product workflows as a co-pilot to accelerate ideation, exploration and the end-to-end production process.

Business and innovation highlights include:

- The beta release of Firefly, Adobe's pioneering family of creative generative AI models, and adobe.com/firefly, a destination that allows users to generate and refine content; Firefly's first model is trained on Adobe Stock images and other openly licensed content, designed to generate commercially viable, professional quality content.
- Firefly-powered capabilities seamlessly integrated into Photoshop are catalyzing a new era of creative power and precision. The viral response to Photoshop's new Generative Fill co-pilot has been extraordinary across social media platforms. Users have now generated over half a billion assets on the Firefly website and in Photoshop, making these two of our most successful beta releases in company history.
- Building on this innovation, earlier this week we announced Generative Recolor in Illustrator, which will similarly serve as a generative AI co-pilot to millions of designers to iterate and transform vector art.
- We also released an all-new Adobe Express with Firefly generative AI capabilities that revolutionizes how everyone, from students to small business owners to marketers in large organizations, creates and shares standout content. Adobe Express brings the magic of our technology from Photoshop, Illustrator, Premiere and Acrobat to combine power and precision with speed and ease. The response to the public beta, in particular the groundbreaking video-editing capabilities, has been overwhelmingly positive.
- The Enterprise version of Adobe Express and Firefly will empower every employee in an organization to participate in the creation of content, campaigns and websites in conjunction with Experience Cloud.
- New AI-powered text-based editing and automatic tone mapping in Premiere Pro makes video editors more productive.

- An expanded Frame.io platform that now supports collaboration across PDFs and images, in addition to video, increases the value of Adobe's cross-cloud content supply chain solution.
- A major Lightroom mobile update that instantly allows you to access photos from Apple iCloud and Android Gallery empowers our growing base of mobile-first and mobile-only users.
- Continued momentum with our ecosystem of strategic partners drives awareness of our products and top-of-funnel for Adobe. Google announced that Adobe Firefly will be a premier generative AI partner for Bard, powering text-to-image capabilities. NVIDIA and Adobe announced that we will collaborate on Generative AI optimizations across hardware and software. Apple highlighted how Lightroom will empower users to edit photos on the Vision Pro VR headset at WWDC.
- Momentum across routes to market and customer segments, including key enterprise customer wins: EY, Government of the Philippines, NVIDIA, Omnicom, TAFE New South Wales and WPP.

Our generative AI offerings represent additional customer value as well as multiple new monetization opportunities. First, Firefly will be available both as a standalone freemium offering for consumers as well as an enterprise offering, announced last week. Second, co-pilot generative AI functionality within our flagship applications will drive higher ARPUs and retention. Third, subscription credit-packs will be made available for customers who need to generate greater amounts of content. Fourth, we will offer developer communities access to Firefly APIs and allow enterprises the ability to create exclusive custom models with their proprietary content. And finally, the industry partnerships, as well as Firefly, represent exciting new top-of-funnel acquisition opportunities for Express, Creative Cloud and Document Cloud. Our priority for now is to get Firefly broadly adopted, and we will introduce specific pricing later this year.



Adobe Document Cloud

- Document Cloud revenue of \$659 million in Q2 FY2023
- Significant growth in Acrobat web MAU driven by Acrobat verb searches and explosive PDF consumption via Chrome and Edge extensions
- Viral adoption of PDF collaboration services – increases usage by existing customers and brings new users into the Acrobat ecosystem
- Mobile momentum across app store downloads and documents consumed in Liquid Mode
- New workflows between Acrobat and Express allow users to make documents visually stunning
- Key customer wins include Boston Consulting Group, Cushman & Wakefield, Novartis, T-Mobile and WPP

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Digital Media: Document Cloud

Now turning to the Document Cloud business, PDF has become the de facto standard for the world’s unstructured data and businesses of all sizes are turning to Adobe to help streamline and automate document-based workflows. Adobe Document Cloud offers a comprehensive set of ubiquitous products to accelerate document productivity across every device, by seamlessly integrating PDF services into Acrobat.

In Q2, we achieved Document Cloud revenue of \$659 million, growing 14 percent year over year. We added \$116 million of net new Document Cloud ARR, with ending ARR growing 22 percent year over year in constant currency.

Business and innovation highlights include:

- Significant growth in Acrobat web monthly active users, driven by searches for Acrobat verbs and further accelerated by an explosion of PDF consumption through our Chrome and Edge extensions.
- Viral adoption of PDF collaboration services, which are both increasing active use among existing users and creating a growth loop to bring new users into the Acrobat ecosystem.
- Mobile momentum across both app store downloads as well as documents consumed in Liquid Mode.
- New workflows between Acrobat and Express allow users to integrate documents seamlessly

into their creative process. Express now has full fidelity PDF import and editing, which allows users to make documents visually stunning.

- Momentum across routes to market and customer segments, including key enterprise customer wins: Boston Consulting Group, Cushman & Wakefield, Novartis, T-Mobile and WPP.

Today marks the 30th anniversary of Acrobat, a significant milestone that is both inspiring and humbling. PDF and Acrobat are more relevant today than ever before. We are incredibly proud of how PDF continues to transform the world of digital documents, powering communication and productivity for billions of people every day, and we know that the best is yet to come.

The pending acquisition of Figma will further expand our addressable market, and we have been delighted to hear from customers, partners and industry analysts who are excited about the benefits that the combination will unlock. We continue to engage in conversations with the Competition and Markets Authority in the UK, the European Commission and the U.S. Department of Justice as they conduct their regulatory reviews and given the merits of the case, we believe the transaction should close by the end of 2023.

Adobe's Digital Media business is on a roll. We're rapidly delivering groundbreaking innovations across Creative Cloud and Document Cloud. Our increasing breadth of offerings is reaching a broader universe of customers, and our incredible go-to-market strength and proven data-driven operating model are propelling the growth of both our emerging and established businesses. Given the momentum, we are raising our net new Digital Media ARR and revenue targets for fiscal '23.

I'll now pass it to Anil.



ANIL CHAKRAVARTHY

Thanks, David. Hello everyone.

In Q2, we continued to drive strong growth in our Experience Cloud business, achieving \$1.22 billion in revenue. Subscription revenue was \$1.07 billion, representing 14 percent year-over-year growth. Customer interest in the digital experience category remains high. Last week, we were excited to spend time with thousands of customers and partners at EMEA Summit. Businesses of all sizes and industries around the world are increasingly relying on digital channels to engage customers and deliver experience-led growth, and they are turning to Adobe as their trusted partner on that journey.



Adobe Experience Cloud

- Digital Experience revenue of \$1.22 billion with subscription revenue of \$1.07 billion in Q2 FY2023
- Strong demand for AEP and native apps, book of business exceeding \$500M. Real-Time CDP is used by global brands including DICK'S Sporting Goods, General Motors, Henkel, MLB, ServiceNow and TSB Bank
- Adobe Product Analytics drive new level of product-led growth
- Content Supply Chain solution helps enterprises effectively manage their content demands. Partners include Accenture, IBM, Omnicom and Publicis
- Strong demand for Workfront – choice for teams to launch personalized campaigns at scale
- Adobe Mix Modeler provides marketers with AI-powered, self-service solutions
- New AI innovations in AEM provides real-time content performance data and predictions
- Leadership in industry analyst reports – *IDC MarketScape for Retail Commerce Platforms* and a Positive rating in Gartner's annual assessment of Adobe's enterprise strategy
- Key customer wins include DSV, ICICI Bank, JPMorgan, Kroger, Omnicom, Royal Canin, ServiceNow, T-Mobile and Volkswagen

Adobe Experience Cloud offers the most comprehensive set of solutions for content and commerce, data insights and audiences, customer journeys and marketing workflows. Built natively on Adobe

Experience Platform, our Real-Time Customer Data Platform (Real-Time CDP) provides businesses with a single view of their customers' data across every channel. Real-Time CDP now delivers over 600 billion predictive insights each year and customers are creating over 30 trillion audience segments every day.

Experience Cloud is now used by 87 percent of Fortune 100 companies. For example, Prudential Financial uses our cross-cloud offerings to power its end-to-end customer experience management workflows, from creating high-impact content with Creative Cloud and Express to delivering personalized customer experiences at scale with Adobe Experience Platform. In addition, Prada is using Real-Time CDP and Journey Optimizer to connect digital and in-store customer experiences in real-time, while reimagining shopping experiences using Substance 3D.

Our vision for Experience Cloud is to deliver personalized experiences at scale and the power of generative AI accelerates our ability to do that. We are delivering Sensei GenAI innovations to reimagine the work marketers do and how they do it. With Sensei GenAI as their co-pilot, marketers can generate audiences with high precision and design tailored customer journeys for these audiences. They can activate personalized campaigns for their audiences with on-brand visual content created with Adobe Express and Firefly and compelling offers generated by Experience Cloud applications leveraging real-time customer profiles in AEP. Conversational natural language interfaces powered by Sensei GenAI will make it significantly easier for any marketer to derive insights from Customer Journey Analytics and apply these insights in real-time to optimize their campaigns. These are just a few of the transformational innovations that Sensei GenAI is bringing to Experience Cloud.

Business and innovation highlights include:

- Strong demand for Adobe Experience Platform and native applications, with our book of business now exceeding \$500 million. This quarter, we unveiled new capabilities in Real-Time CDP that will enable brands to scale-first party data with look-alike audiences, significantly accelerating the delivery of personalized experiences. Real-Time CDP is used by global brands across industries including DICK'S Sporting Goods, General Motors, Henkel, MLB, ServiceNow and TSB Bank.

- The launch of Adobe Product Analytics, which combines customer journey insights with product analytics to drive a new level of product-led growth.
- A comprehensive Content Supply Chain solution that connects content creation and delivery across Experience Cloud and Creative Cloud to help enterprises effectively manage their content demands. We're working with partners, including Accenture, IBM, Omnicom and Publicis to scale the delivery of Content Supply Chain to our joint customers.
- Strong demand for Workfront as it rapidly becomes the solution of choice for teams to plan, orchestrate and launch personalized campaigns at scale.
- Global availability of Adobe Mix Modeler to provide marketers with an AI-powered, self-service solution to accurately measure campaigns across paid, owned and earned channels.
- New AI innovations in Adobe Experience Manager that provide real-time content performance data and predictions on which content will perform best by audience segment.
- Leadership in industry analyst reports including the *IDC MarketScape for Retail Commerce Platforms* and a Positive rating in Gartner's annual assessment of Adobe's enterprise strategy.
- Key customer wins including DSV, ICICI Bank, JPMorgan, Kroger, Omnicom, Royal Canin, ServiceNow, T-Mobile and Volkswagen.

While overall demand is strong and win rates remain healthy, as we enter the second half, we are seeing some projects being pushed out in the current enterprise spend environment, which we have reflected in our updated annual targets. In a world where digital has become the predominant channel to reach and engage customers, Adobe is uniquely positioned to keep winning with innovative products that power end-to-end customer experiences and enable enterprises to simultaneously drive growth and profitability.

I will now pass it to Dan.



DAN DURN

Thanks, Anil.

Today I will start by summarizing Adobe’s performance in Q2 fiscal 2023, highlighting growth drivers across our businesses, and I’ll finish with financial targets.

Q2 FY2023 Results

Total Revenue	\$4.82 billion	10% Y/Y growth	13% Y/Y growth ¹
Digital Media segment revenue	\$3.51 billion	10% Y/Y growth	14% Y/Y growth ¹
Digital Media ARR	\$470 million of net new ARR		
Digital Experience segment revenue	\$1.22 billion	12% Y/Y growth	14% Y/Y growth ¹
Digital Experience subscription revenue	\$1.07 billion	11% Y/Y growth	14% Y/Y growth ¹
Earnings per share	GAAP: \$2.82		Non-GAAP: \$3.91

- Generated \$2.14 billion of cash flows from operations
- Repurchased approximately 2.7 million shares
- Remaining Performance Obligations (RPO) exiting the quarter were \$15.22 billion

¹ Adjusted to show growth rates in constant currency. © 2023 Adobe. All Rights Reserved. Adobe Confidential.

Q2 Performance

Adobe’s Q2 results demonstrate strong demand across a diverse portfolio of products, from individuals buying through digital channels to the world’s largest enterprises. While we grow existing businesses and deliver world-class profitability, Adobe continues to incubate and invest in groundbreaking new technologies that will change how people work and democratize access to our tools. I couldn’t be prouder of how Adobe has navigated the current environment and positioned the company to win.

In Q2, Adobe achieved record revenue of \$4.82 billion, which represents 10 percent year-over-year growth, or 13 percent in constant currency.

Business and financial highlights included:

- GAAP diluted earnings per share of \$2.82 and non-GAAP diluted earnings per share of \$3.91;
- Digital Media revenue of \$3.51 billion;
- Net new Digital Media ARR of \$470 million;
- Digital Experience revenue of \$1.22 billion;
- Cash flows from operations of \$2.14 billion;
- RPO of \$15.22 billion exiting the quarter; and
- Repurchasing approximately 2.7 million shares of our stock during the quarter.

Digital Media

In our Digital Media segment, we achieved Q2 revenue of \$3.51 billion, which represents 10 percent year-over-year growth, or 14 percent in constant currency. We exited the quarter with \$14.14 billion of Digital Media ARR, growing 15 percent year over year in constant currency.



Adobe Creative Cloud | Q2 FY2023 Highlights

- Creative revenue of \$2.85 billion growing 9% Y/Y or 14% Y/Y in constant currency, with \$354 million of net new Creative ARR
- New user growth across geographies, customer segments and Creative offerings
- Strong traffic and conversion on Adobe.com
- Strength in single app subscriptions, including a strong quarter for imaging, driven by the “Everyone Can Photoshop” campaign
- Strong growth in photography, driven by accelerated demand for Lightroom mobile
- Strength in Adobe Stock and other emerging businesses, with exiting ARR for both Frame.io and Substance growing greater than 50% Y/Y in constant currency
- Success rolling out our new Acrobat CC offering integrated with Sign capabilities
- Strong enterprise adoption in Creative and collaboration solutions



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Digital Media: Creative Cloud

We achieved Creative revenue of \$2.85 billion, which represents 9 percent year-over-year growth, or 14 percent in constant currency. We added \$354 million of net new Creative ARR in Q2, with strong digital demand for our offerings throughout the quarter.

Second quarter Creative growth drivers included:

- New user growth across geographies, customer segments and Creative offerings, driven by targeted campaigns and promotions and utilizing insights from our data-driven operating model (DDOM);
- Strong traffic and conversion on Adobe.com;
- Single app subscriptions, including a strong quarter for imaging, driven by the “Everyone Can Photoshop” campaign;
- Strong growth in photography, driven by accelerated demand for Lightroom mobile;
- Another strong quarter for Adobe Stock and other emerging businesses, with exiting ARR for both Frame.io and Substance growing greater than 50 percent year over year in constant currency;
- Continued success rolling out our new Acrobat CC offering integrated with Sign capabilities; and
- Success in the enterprise, as our Creative and collaboration solutions continue to see strong adoption.



Adobe Document Cloud | Q2 FY2023 Highlights

- Document Cloud revenue of \$659 million growing 11% Y/Y or 14% Y/Y in constant currency, with \$116 million of net new Document Cloud ARR
- Strong subscription demand for Acrobat with integrated Sign capabilities across customer segments and geographies, driven by targeted offers, DDOM insights and our “Acrobat’s Got It” campaign
- Success monetizing new customers through the Acrobat web funnel, with monthly-active users growing greater than 50% Y/Y
- Strength in Acrobat mobile downloads, conversion and engagement, with Liquid Mode usage up over 40% Y/Y
- Strength in the enterprise, driven by seat expansion



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Digital Media: Document Cloud

Adobe achieved Document Cloud revenue of \$659 million, which represents 11 percent year-over-year growth, or 14 percent in constant currency. We added \$116 million of net new Document Cloud ARR in the quarter, crossing the \$2.5 billion milestone, with exiting ARR growing 22 percent year over year in constant currency.

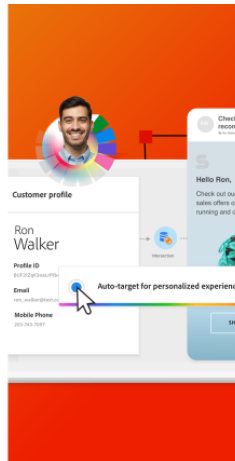
Second quarter Document Cloud growth drivers included:

- Strong subscription demand for Acrobat with integrated Sign capabilities across customer segments and geographies, driven by targeted offers, DDOM insights and our “Acrobat’s Got It” campaign;
- Success monetizing new customers through the Acrobat web funnel, with monthly-active users growing greater than 50 percent year over year as our product-led growth strategy continues to perform well;
- Strength in Acrobat mobile downloads, conversion and engagement, with Liquid Mode usage up over 40 percent year over year; and
- Strength in the enterprise, driven by seat expansion.

This quarter perpetual sales accounted for less than five percent of Document Cloud revenue.

Adobe Experience Cloud | Q2 FY2023 Highlights

- Digital Experience revenue of \$1.22 billion growing 12% Y/Y or 14% Y/Y in constant currency, with subscription revenue of \$1.07 billion growing 11% Y/Y or 14% Y/Y in constant currency
- Strong demand for our AEP and native applications, including Real-Time CDP, Customer Journey Analytics and Adobe Journey Optimizer. In Q2, subscription revenue for AEP + Apps grew more than 60% Y/Y
- Strength in Content and Commerce, with AEM as a cloud service seeing significant book of business growth in Q2
- Customer interest in our Content Supply Chain solution. The value proposition of seamlessly connecting content creation workflows to customer experience management is resonating with enterprises and is driving accelerated growth for Workfront and our Content solutions
- Strong retention across our customer segments
- Momentum selling transformational deals to large enterprises adopting our platform and end-to-end suite of applications, including T-Mobile and Omnicom



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Digital Experience

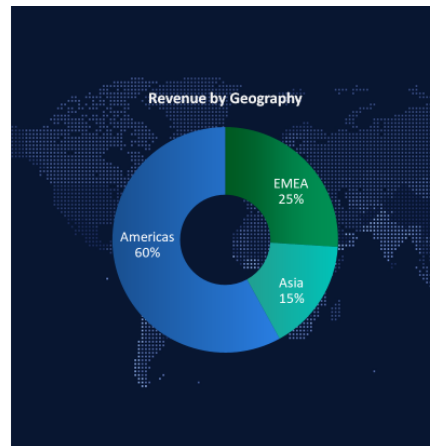
Turning to our Digital Experience segment, in Q2 we achieved revenue of \$1.22 billion, which represents 12 percent year-over-year growth, or 14 percent in constant currency. Q2 subscription revenue was \$1.07 billion, which represents 11 percent year-over-year growth, or 14 percent in constant currency.

Second quarter Digital Experience growth drivers included:

- Strong demand for our Adobe Experience Platform (AEP) and native applications, including Real-Time CDP, Customer Journey Analytics and Adobe Journey Optimizer. In Q2, subscription revenue for AEP + Apps grew more than 60 percent year over year;
- Strength in Content and Commerce, with AEM as a cloud service seeing significant book of business growth in Q2;
- Customer interest in our Content Supply Chain solution. The value proposition of seamlessly connecting content creation workflows to customer experience management is resonating with enterprises and is driving accelerated growth for Workfront and our Content solutions;
- Continued value realization from our solutions, leading to strong retention across our customer segments; and
- Momentum selling transformational deals to large enterprises adopting our platform and end-to-end suite of applications, including T-Mobile and Omnicom.

Q2 FY2023 Results

- RPO of \$15.22 billion
- Cash and short-term investments of \$6.60 billion
- Cash flows from operations of \$2.14 billion
- Repurchased approximately 2.7 million shares



 Adobe

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Income Statement and Balance Sheet

Adobe's effective tax rate in Q2 was 21.5 percent on a GAAP basis and 18.5 percent on a non-GAAP basis, in line with our expectations.

RPO exiting the quarter was \$15.22 billion, growing 10 percent year over year, or 13 percent when adjusting for a three percent FX headwind.

Our ending cash and short-term investment position exiting Q2 was \$6.60 billion, and cash flows from operations in the quarter were \$2.14 billion.

In Q2 we entered into a \$1.0 billion share repurchase agreement, and we currently have \$4.15 billion remaining of our \$15 billion authorization granted in December 2020 which goes through the end of fiscal 2024.

Q3 FY2023 Financial Targets | June 15, 2023

Total Revenue	\$4.83 billion to \$4.87 billion	
Digital Media ARR	~\$410 million of net new ARR	
Digital Media segment revenue	\$3.55 billion to \$3.57 billion	
Digital Experience segment revenue	\$1.21 billion to \$1.23 billion	
Digital Experience subscription revenue	\$1.08 billion to \$1.10 billion	
Tax rate	GAAP: ~21.5%	Non-GAAP: ~18.5%
Earnings per share ¹	GAAP: \$2.82 to \$2.88	Non-GAAP: \$3.95 to \$4.00

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 investor relations website for a discussion of these targets and a detailed reconciliation between GAAP and non-GAAP targets.

¹ Targets assume share count of ~458 million for Q3 fiscal year 2023



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Targets

In light of the momentum across our business, and factoring in current macroeconomic conditions and summer seasonality, for Q3 we are targeting:

- Total Adobe revenue of \$4.83 billion to \$4.87 billion;
- Digital Media net new ARR of approximately \$410 million;
- Digital Media segment revenue of \$3.55 billion to \$3.57 billion;
- Digital Experience segment revenue of \$1.21 billion to \$1.23 billion;
- Digital Experience subscription revenue of \$1.08 billion to \$1.10 billion;
- Tax rate of approximately 21.5 percent on a GAAP basis and 18.5 percent on a non-GAAP basis;
- GAAP earnings per share of \$2.82 to \$2.88; and
- Non-GAAP earnings per share of \$3.95 to \$4.00.

FY2023 Updated Financial Targets | June 15, 2023

Total Revenue	\$19.25 billion to \$19.35 billion	
Digital Media ARR	~\$1.75 billion of net new ARR	
Digital Media segment revenue	\$14.10 billion to \$14.15 billion	
Digital Experience segment revenue	\$4.85 billion to \$4.90 billion	
Digital Experience subscription revenue	\$4.30 billion to \$4.35 billion	
Tax rate	GAAP: ~21.5%	Non-GAAP: ~18.5%
Earnings per share ¹	GAAP: \$11.15 to \$11.25	Non-GAAP: \$15.65 to \$15.75

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¹ Targets assume share count of ~458 million for fiscal year 2023



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Given the company's performance in the first half of the year and our relentless focus on driving disciplined, profitable growth, we are raising our annual fiscal 2023 targets for EPS and net new Digital Media ARR. We are also raising our total Adobe revenue target for fiscal 2023, with Digital Media ahead of our previously issued targets and Digital Experience slightly lower.

For fiscal 2023 we are now targeting:

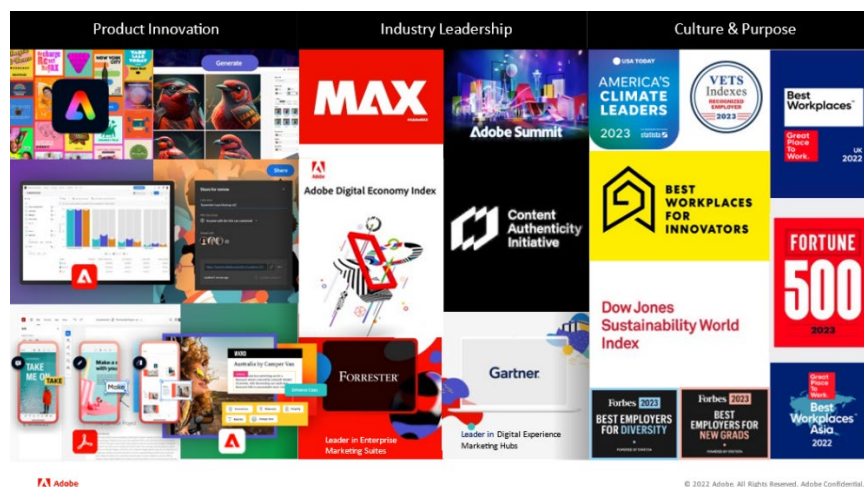
- Total Adobe revenue of \$19.25 billion to \$19.35 billion;
- Digital Media net new ARR of approximately \$1.75 billion;
- Digital Media segment revenue of \$14.10 billion to \$14.15 billion;
- Digital Experience segment revenue of \$4.85 billion to \$4.90 billion;
- Digital Experience subscription revenue of \$4.30 billion to \$4.35 billion;
- Tax rate of approximately 21.5 percent on a GAAP basis and 18.5 percent on a non-GAAP basis;
- GAAP earnings per share of \$11.15 to \$11.25; and
- Non-GAAP earnings per share of \$15.65 to \$15.75.

In Q4 we expect to see year-end strength in customer demand for our Digital Experience and Digital Media solutions. Our updated targets for fiscal 2023 demonstrate solid operating margin expansion in the second half as compared to the second half of fiscal 2022.

Summary

In summary, I’m extremely pleased with Adobe’s performance in the first half of the year. Few companies are capable of delivering strong top- and bottom-line growth in a challenging environment, while at the same time delivering game-changing innovations that will drive the next decade of growth. These innovations are generating strong customer demand for our products, shaping fiscal 2023 to be another wonderful year for Adobe.

Shantanu, back to you.



SHANTANU NARAYEN

Thanks, Dan.

Our strong Q2 results underscore our momentum and the significant opportunities we have across our business. I am proud of how our employees around the world continue to raise the bar, create the future and live our purpose. We continue to invest in hiring new college grads and interns to bring the best and brightest talent to Adobe.

It’s an incredibly exciting time at Adobe. Demand for our category-defining products and services continues to grow. Our innovation engine is delivering Adobe magic for an expanding set of global customers and our strong execution is enabling us to address a massive market opportunity. 2023 is going to be another phenomenal year for Adobe, as we continue to deliver topline growth and margins while investing in fundamental technologies that expand Adobe’s success for decades.

Thank you. We will now take questions, operator.

Q&A

