

**JONATHAN VAAS**

Good afternoon and thank you for joining us. With me on the call today are Shantanu Narayen, Adobe’s Chairman 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 first 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, March 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](http://www.adobe.com/ADBE).



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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.

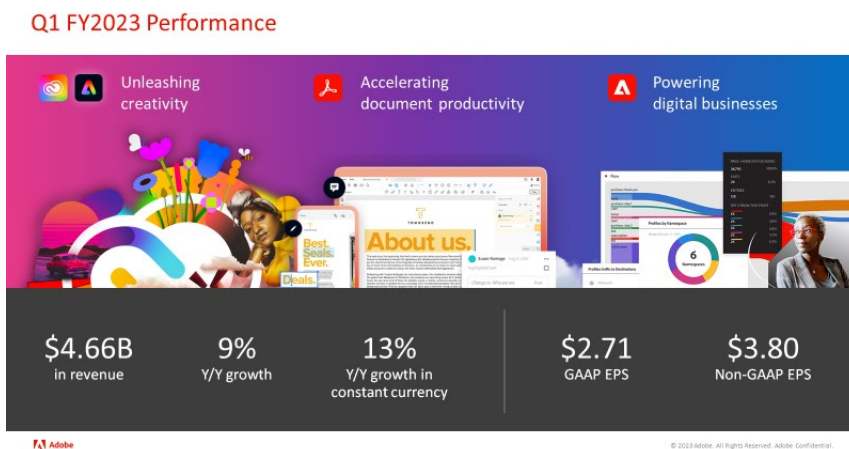
Adobe Summit is just around the corner in Las Vegas at the Venetian Convention and Expo Center beginning on Tuesday, March 21. Following the day one keynote, we will host a Q&A session with financial analysts and investors in attendance at 11:30am Pacific Time. Audio of the event will be broadcast live and the replay will be available on Adobe's IR website. More details about Summit and the agenda are available at [summit.adobe.com](http://summit.adobe.com).

I will now turn the call over to Shantanu.



**SHANTANU NARAYEN**

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



Adobe had a strong Q1, driving record revenue across our Creative Cloud, Document Cloud and Experience Cloud businesses. We achieved \$4.66 billion in revenue, representing 13 percent year-over-year growth. GAAP earnings per share for the quarter was \$2.71, and non-GAAP earnings per share was \$3.80.

Digital is reshaping how we connect and engage with the world around us. Our performance demonstrates the critical role that Adobe products are playing in fueling the global digital economy, empowering everyone, everywhere to imagine, create and bring any digital experience to life. We are executing against our strategy to unleash creativity for all, accelerate document productivity and power digital businesses, delivering on our innovative product roadmap and engaging a growing

universe of customers—from individuals to small businesses to the largest enterprises.

Given the recent news reports, I wanted to provide an update on the process and timing of our pending acquisition of Figma. We remain excited about the opportunity to advance product design, accelerate collaborative creativity on the web and redefine the future of creativity and productivity. The potential combination continues to be well-received by customers, industry analysts and partners. In addition, we are preparing for integration as we work through the regulatory process. From the outset, we have been well-prepared for all potential scenarios, while realistic about the regulatory environment. We have completed the discovery phase of the U.S. DOJ second request and are prepared for next steps, whether that is an approval or a challenge. Adobe remains confident in the facts underlying the case, and based on current process timing, we believe the transaction continues to be on track for a close by the end of 2023.

It goes without saying that our Q1 success demonstrates that we continue to be ruthlessly focused on executing against our immense opportunities, independent of this combination.

David, over to you.



**DAVID WADHWANI**

Thanks, Shantanu. Hello everyone.



**Adobe Creative Cloud**

- Creative revenue of \$2.76 billion in Q1 FY2023
- Strong growth in top of funnel traffic – across all routes to market and customer segments globally
- Increase in mobile adoption in imaging with Photoshop and Lightroom
- Momentum for Premiere Pro, After Effects and Frame.io, used by films at Sundance, as well as Oscar winners
- Rapid adoption of Substance 3D – honored with a technical Oscar for 3D capabilities in popular films
- Acceleration in Adobe Stock business – imaging, vector, video and 3D content
- Significant growth in Adobe Express monthly active users across all segments; actively driving adoption by new users and Creative Cloud subscribers
- New products, including beta releases of Character Animator and Adobe Podcast
- Key customer wins include Accenture, BBC, Disney, IBM, Infosys and Nintendo

**Digital Media: Creative Cloud**

We are living in a visual, digital-first world where content creation and consumption are exploding, and where consumers, students and businesses need to create content that stands out and elevates their online profiles. As a result, more and more people are turning to Creative Cloud, which remains a preeminent destination for creativity across imaging, design, video, illustration and animation, as well as new media types like 3D and augmented reality. We continue to see strong demand for our flagship applications, including Photoshop, Lightroom, Illustrator, Premiere Pro and Acrobat and are excited about the traction we’re getting with Adobe Express.

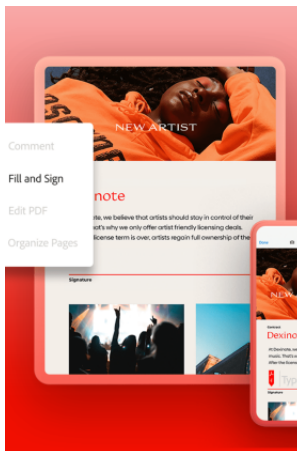
Q1 was a strong quarter for Creative Cloud. We achieved net new Creative ARR of \$307 million and revenue of \$2.76 billion, which grew 13 percent year over year.

Q1 highlights include:

- Strong growth in top of funnel traffic, which resulted in healthy new demand for Creative Cloud applications across all routes to market and customer segments globally, from individuals, to SMBs to large enterprises;
- Increased demand and mobile adoption in imaging with products like Photoshop and Lightroom; Lightroom mobile is now the default photo editor for the high-end photo editing experience on the Samsung Galaxy S23 Series;
- Continued momentum for Premiere Pro, After Effects and Frame.io, which are leaders in video editing and collaboration. Over two thirds of films at Sundance, as well as Oscar winners “Everything Everywhere All at Once” and “Navalny,” were edited with our video products;
- Rapid adoption of Substance 3D by brands such as Amazon, Burberry and Louis Vuitton; the Substance 3D team was honored with a technical Oscar in recognition of 3D capabilities that are making popular films such as Spider-Man, Star Wars and Blade Runner 2049 possible;
- Acceleration in our Adobe Stock business, driven by the demand for high quality imaging, vector, video and 3D content;
- Momentum for Adobe Express, with significant year-over-year growth in monthly active users across segments such as students, small businesses and creative professionals; we are actively driving adoption of both new users and existing Creative Cloud subscribers who are now using Express when they want speed and ease, and we look forward to an imminent release of a dramatic upgrade with enhanced performance, collaboration functionality and new authoring capabilities for video and mixed media;
- Exciting introduction of new products, including our beta releases of Character Animator and Adobe Podcast; Adobe Podcast is a web-based, AI-powered audio recording and editing app, perfect for the growing podcast industry; it makes every recording, even those done on your phone in busy spaces, sound like they were recorded in a studio;

- Key customer wins in the quarter include Accenture, BBC, Disney, IBM, Infosys and Nintendo.

Our innovation engine continues to fire on all cylinders to reimagine the future of creativity. Last October, we previewed some of Adobe’s Generative AI technology at MAX. We have been hard at work training Adobe models on our proprietary datasets, creating APIs, envisioning new services and integrating all these capabilities into our existing applications as a creative co-pilot. These innovations are developed and deployed in alignment with Adobe’s AI ethics principles of accountability, responsibility and transparency. Stay tuned for some exciting announcements slated for next week in conjunction with Adobe Summit.



### Adobe Document Cloud

- Document Cloud revenue of \$634 million in Q1 FY2023
- Demand for PDF in the browser – now the default PDF viewer in Microsoft Edge for over a billion Windows users
- Significant growth in monthly active users for Acrobat web
- Acrobat – demand for Share for Review and Adobe Sign functionality
- Outstanding increase in API transactions
- Strong demand across all routes to market and customer segments globally
- Key customer wins include Bank of Montreal, HP, JPMorgan Chase, Ministry of Defense of Netherlands, Samsung and Verizon

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## Digital Media: Document Cloud

Digital documents are powering productivity at home and at work, whether users are filing a tax form, submitting a sales contract, requesting feedback on a marketing campaign or completing an online bank transaction. Adobe Document Cloud is a leader in digital documents, redefining how people view, edit, share, scan and sign documents across desktop, web and mobile.

In Q1, Document Cloud had record revenue of \$634 million, which represents 16 percent year-over-year growth and strong net new ARR of \$103 million, with ending ARR growing 22 percent year over year in constant currency.

Q1 highlights include:

- Continued demand for PDF, with outstanding growth in documents opened in the Acrobat Chrome extension and a new integration that will make Acrobat Reader the default PDF viewer in Microsoft Edge for over a billion Windows users;
- Significant growth in monthly active users for Acrobat web, driven by search volume for PDF-related verbs and a continually optimized funnel to our web offering;
- Continued proliferation of Acrobat, driven by demand for integrated functionality such as Share for Review for collaboration and Adobe Sign for e-signatures;
- Outstanding increase in API transactions, as our ecosystem and business customers continue to customize and integrate document services;
- Strong demand across all routes to market and customer segments globally, from individuals, to SMBs to large enterprises;
- Key customer wins including Bank of Montreal, HP, JPMorgan Chase, Ministry of Defense of Netherlands, Samsung and Verizon.

Given the strong Q1, the demand for our products and innovation roadmap, we're pleased to raise our FY23 Digital Media net new ARR target.

I'll now pass it to Anil.





**ANIL CHAKRAVARTHY**

Thanks, David. Hello everyone.

During the 2022 Holiday Season, e-commerce drove a record \$211 billion, with 38 days of \$3+ billion in daily spend, according to the Adobe Digital Economy Index. Companies across B2B and B2C need an integrated Customer Experience Management (CXM) platform that empowers them to anticipate and meet the expectations of their customers. Today, digital is especially critical in enabling companies to drive profitable growth by delivering engaging and efficient customer experiences across the entire funnel and Adobe is uniquely positioned to power experience-led growth.



**Adobe Experience Cloud**

- Digital Experience revenue of \$1.18 billion with subscription revenue of \$1.04 billion in Q1 FY2023
- High retention rates and strong demand for services
- Growth in Adobe Experience Platform and native applications – Real-Time CDP, Adobe Journey Optimizer and Customer Journey Analytics
- Momentum for Workfront around the globe to power collaborative workflows and launch campaigns with ease and efficiency
- Significant wins over single product competitors in Analytics, Content Management and CDP
- Leadership in industry analyst reports – Forrester Wave for Digital Intelligence Platforms, Forrester Wave for Cross-Channel Marketing Hubs, and Gartner’s Magic Quadrant for Digital Experience Platforms
- Key transformational deals include Accenture, Carnival AIDA, Costco, IBM, MetLife, Paramount, Pfizer, S&P Global, TD Bank and Tim Hortons

Experience Cloud offers a comprehensive portfolio of products that span the entire experience lifecycle, from marketing planning and workflows, to data insights and activation, to content and commerce and customer journeys. Built natively on Adobe Experience Platform, our Real-Time CDP

provides businesses with actionable customer profiles, leveraging data from online and offline channels to deliver personalized experiences at scale.

In Q1, we continued to drive strong growth in our Experience Cloud business, achieving \$1.18 billion in revenue. Subscription revenue was \$1.04 billion, both representing 14 percent year-over-year growth.

Petco is a great example of a B2C company leveraging Adobe's comprehensive set of products to create and deliver engaging experiences. Petco uses Creative Cloud to create content and Experience Cloud, including Real-Time CDP and Adobe Journey Optimizer, to orchestrate personalized experiences across their pet care ecosystem, including veterinary care, grooming, training and insurance.

On the B2B side, Qualcomm is harnessing Experience Cloud to deliver personalized experiences and improve marketing performance, as well as Creative Cloud and Document Cloud to accelerate content velocity across its business lines.

Additional Q1 highlights include:

- High retention rates and strong demand for services, demonstrating our customers' focus on long-term value realization;
- Strong growth in Adobe Experience Platform and our native applications - inclusive of Real-Time CDP, Adobe Journey Optimizer and Customer Journey Analytics;
- Momentum for Workfront, which is powering workflows to help teams around the globe collaborate and launch campaigns with ease and efficiency;
- Significant wins over single product competitors in Analytics, Content Management and CDP that underscore Adobe's differentiation;
- Leadership in industry analyst reports, including the Forrester Wave for Digital Intelligence Platforms, the Forrester Wave for Cross-Channel Marketing Hubs and Gartner's Magic Quadrant for Digital Experience Platforms;
- A significant number of transformational deals including Accenture, Carnival AIDA, Costco, IBM, MetLife, Paramount, Pfizer, S&P Global, TD Bank and Tim Hortons.

The Digital Experience business had a strong start to the year. Enterprises are focused on driving revenue growth through digital channels while increasing the productivity of their investments in customer experience and marketing. Experience Cloud is uniquely positioned to help enterprise customers across the world unlock profitable growth.

Next week, we are excited to host Adobe Summit, the world's largest digital experience conference. It is our first time coming together in person in Las Vegas since 2019, and we'll be joined online by tens of thousands of customers, partners and developers from around the world. In addition to unveiling exciting new technology innovation across Experience Cloud, we will host inspirational C-level executives from several companies at the forefront of the digital economy.

I will now pass it to Dan.



**DAN DURN**

Thanks, Anil.

Today I will start by summarizing Adobe’s performance in Q1 fiscal 2023, highlighting growth drivers across our businesses, and I’ll finish with financial targets.

**Q1 FY2023 Results**

Total Revenue	\$4.66 billion	9% Y/Y growth	13% Y/Y growth <sup>1</sup>
Digital Media segment revenue	\$3.40 billion	9% Y/Y growth	14% Y/Y growth <sup>1</sup>
Digital Media ARR	\$410 million of net new ARR		
Digital Experience segment revenue	\$1.18 billion	11% Y/Y growth	14% Y/Y growth <sup>1</sup>
Digital Experience subscription revenue	\$1.04 billion	12% Y/Y growth	14% Y/Y growth <sup>1</sup>
Earnings per share	GAAP: \$2.71		Non-GAAP: \$3.80

- Generated \$1.69 billion of cash flows from operations
- Repurchased approximately 5.0 million shares
- Remaining Performance Obligations (RPO) exiting the quarter were \$15.21 billion

<sup>1</sup> Adjusted to show growth rates in constant currency.

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**Q1 Performance**

Q1 was a strong start to the year for Adobe. I know the macroeconomy is on every investor’s mind right now, and you can see the resilience and diversification of Adobe’s business in our financial results. Businesses today are prioritizing investments in order to maximize returns and impact, both to drive their top-line and to deliver operational efficiency. And individuals are looking to create content that enables them to connect and stand out across digital platforms. In this environment, the demand

for our products continues to be strong, as our solutions are mission-critical to customers in a world where digital content and engagement drive the global economy. Our product differentiation, engine of innovation and a data-driven operating model are continuing to drive Adobe's growth.

We have a world-class balance sheet, industry-leading margins, a strong cash flow profile, and a proven financial track record. I can't think of a company that's better positioned as we continue to innovate in our core business and create and scale emerging businesses to drive profitable growth.

In Q1 Adobe achieved record revenue of \$4.66 billion, which represents 9 percent year-over-year growth, or 13 percent in constant currency.

Business and financial highlights included:

- GAAP diluted earnings per share of \$2.71 and non-GAAP diluted earnings per share of \$3.80;
- Digital Media revenue of \$3.40 billion;
- Net new Digital Media ARR of \$410 million;
- Digital Experience revenue of \$1.18 billion;
- Cash flows from operations of \$1.69 billion;
- RPO of \$15.21 billion exiting the quarter; and
- Repurchasing approximately 5.0 million shares of our stock during the quarter.

### **Digital Media**

In our Digital Media segment, we achieved Q1 revenue of \$3.40 billion, which represents 9 percent year-over-year growth, or 14 percent in constant currency. We exited the quarter with \$13.67 billion of Digital Media ARR.



## Adobe Creative Cloud | Q1 FY2023 Highlights

- Creative revenue of \$2.76 billion growing 8% Y/Y or 13% Y/Y in constant currency, with \$307 million of net new Creative ARR
- New user growth, with increased web traffic
- Adoption of Creative Cloud All Apps across customer segments and geographies
- Students graduating from education segment into creative professional jobs
- Strength in upselling new Acrobat CC offering, including integrated Sign
- Licensing of individuals applications, including imaging and photography offerings
- Momentum in high-growth businesses – Substance, Stock and Frame.io
- Fast start to year selling into large enterprise accounts



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## Digital Media: Creative Cloud

We achieved Creative revenue of \$2.76 billion, which represents 8 percent year-over-year growth, or 13 percent in constant currency, and we added \$307 million of net new Creative ARR in the quarter.

Q1 Creative growth drivers included:

- New user growth, fueled by customer demand and targeted marketing campaigns, which drove increased web traffic in the quarter;
- Adoption of our Creative Cloud All Apps offerings across customer segments and geographies;
- Students graduating from our education segment into the creative professional job market;
- Continued strength in upselling our new Acrobat CC offering, which includes integrated Sign capabilities;
- Licensing of individual applications, including a strong quarter for our imaging and photography offerings;
- Momentum in high-growth businesses such as Substance and Stock, where we had a tremendous quarter generating new business, and with Frame, which we are successfully cross selling into our video customer base; and
- A fast start to the year selling into our large enterprise accounts.

 Adobe Document Cloud | Q1 FY2023 Highlights

- Document Cloud revenue of \$634 million growing 13% Y/Y or 16% Y/Y in constant currency, with \$103 million of net new Document Cloud ARR
- Product-led growth strategy driving Acrobat web
- Strength in conversion and retention rates of Acrobat mobile customers
- Demand for Acrobat subscriptions across all customer segments
- Success generating new customer demand for Acrobat Sign in SMB and the midmarket
- Strength in the enterprise, driving seat-expansion for Acrobat business



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### Digital Media: Document Cloud

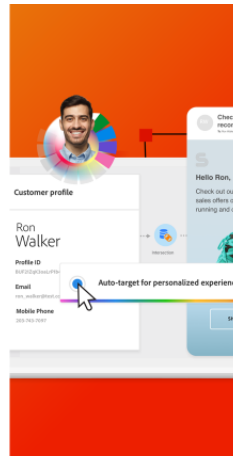
Adobe achieved Document Cloud revenue of \$634 million, which represents 13 percent year-over-year growth, or 16 percent in constant currency. We added \$103 million of net new Document Cloud ARR in the quarter.

Q1 Document Cloud growth drivers included:

- Continued growth of Acrobat web, demonstrating the success of our product-led growth strategy;
- Strength in conversion and retention rates of our Acrobat mobile customers;
- Demand for Acrobat subscriptions across all customer segments;
- Success generating new customer demand for Acrobat Sign in SMB and the midmarket; and
- Strength in the enterprise, driving seat-expansion for our Acrobat business.

**Adobe Experience Cloud | Q1 FY2023 Highlights**

- Digital Experience revenue of \$1.18 billion growing 11% Y/Y or 14% Y/Y in constant currency, with subscription revenue of \$1.04 billion growing 12% Y/Y or 14% Y/Y in constant currency
- Success closing numerous transformational deals with large enterprises that are choosing Adobe to be their end-to-end CXM platform to drive personalization at scale
- Momentum with Adobe Experience Platform (AEP) and native applications, with the book of business growing more than 50 percent year over year
- Strength with Content and Workfront
- Renewal rates of enterprise customers continue to be strong
- Sales execution across multiple geographies



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**Digital Experience**

Turning to our Digital Experience segment, in Q1 we achieved revenue of \$1.18 billion and subscription revenue of \$1.04 billion, which represents 12 percent year-over-year growth, or 14 percent in constant currency.

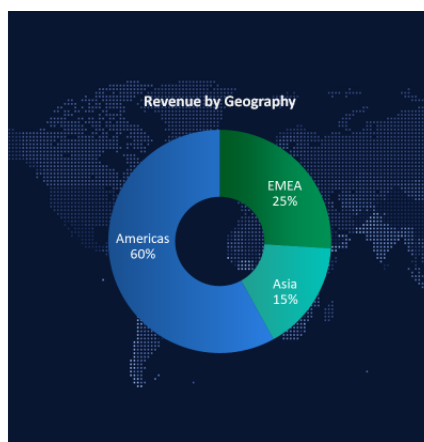
Q1 Digital Experience growth drivers included:

- Success closing numerous transformational deals with large enterprises that are choosing Adobe to be their end-to-end CXM platform to drive personalization at scale;
- Momentum with our AEP and native applications, with the book of business growing more than 50 percent year over year;
- Strength with our Content and Workfront solutions, as our content supply chain strategy is resonating with customers;
- Renewal rates of our enterprise customers that continue to be strong; and
- Sales execution across multiple geographies.



### Q1 FY2023 Results

- RPO of \$15.21 billion
- Cash and short-term investments of \$5.65 billion
- Cash flows from operations of \$1.69 billion
- Repurchased approximately 5.0 million shares



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### Income Statement and Balance Sheet

Turning to the income statement and balance sheet. In Q1, we continued with our strategy of making disciplined investments to drive growth while identifying cost-saving opportunities to drive earnings.

Adobe's effective tax rate in Q1 was 22 percent on a GAAP basis and 18.5 percent on a non-GAAP basis, in line with our expectations. For fiscal 2023 Adobe's management is adopting a fixed long-term projected non-GAAP tax rate to assess and report on operating results which we believe provides a clear view of Adobe's financial performance. The fixed long-term non-GAAP rate considers our current operating structure, existing tax positions, legislation, and available forecast information. This rate is based on a three-year projection and may be adjusted for changes in the future.

RPO exiting the quarter was \$15.21 billion, growing 10 percent year over year, or 13 percent when factoring in a 3-percentage point FX headwind.

Our ending cash and short-term investments position exiting Q1 was \$5.65 billion, and cash flows from operations in the quarter were \$1.69 billion. Over the past year we completed a thorough review of our short-term investments and marketable securities to ensure we are prepared for the current environment and with a bias towards the higher end of the investment-grade spectrum. Adobe does not hold substantial assets or securities at Silicon Valley Bank or any regional bank.

In Q1 we entered into a \$1.4 billion share repurchase agreement, and we currently have \$5.2 billion remaining of our \$15 billion authorization granted in December 2020 which goes through the end of fiscal 2024.

Q2 FY2023 Financial Targets | March 15, 2023

Total Revenue	\$4.75 billion to \$4.78 billion	
Digital Media ARR	~\$420 million of net new ARR	
Digital Media segment revenue	\$3.45 billion to \$3.47 billion	
Digital Experience segment revenue	\$1.21 billion to \$1.23 billion	
Digital Experience subscription revenue	\$1.06 billion to \$1.08 billion	
Tax rate	GAAP: ~21.5%	Non-GAAP: ~18.5%
Earnings per share <sup>1</sup>	GAAP: \$2.65 to \$2.70	Non-GAAP: \$3.75 to \$3.80

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.

<sup>1</sup> Targets assume share count of ~458 million for Q2 fiscal year 2023



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## Targets

In light of the strong start to the year and momentum across our business, and factoring in the macroeconomic environment, for Q2 we are targeting:

- Total Adobe revenue of \$4.75 to \$4.78 billion;
- Digital Media net new ARR of approximately \$420 million;
- Digital Media segment revenue of \$3.45 to \$3.47 billion;
- Digital Experience segment revenue of \$1.21 to \$1.23 billion;
- Digital Experience subscription revenue of \$1.06 to \$1.08 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 \$2.65 to \$2.70; and
- Non-GAAP earnings per share of \$3.75 to \$3.80.

FY2023 Updated Financial Targets | March 15, 2023

Digital Media ARR	~\$1.70 billion of net new ARR	
Earnings per share <sup>1</sup>	GAAP: \$10.85 to \$11.15	Non-GAAP: \$15.30 to \$15.60

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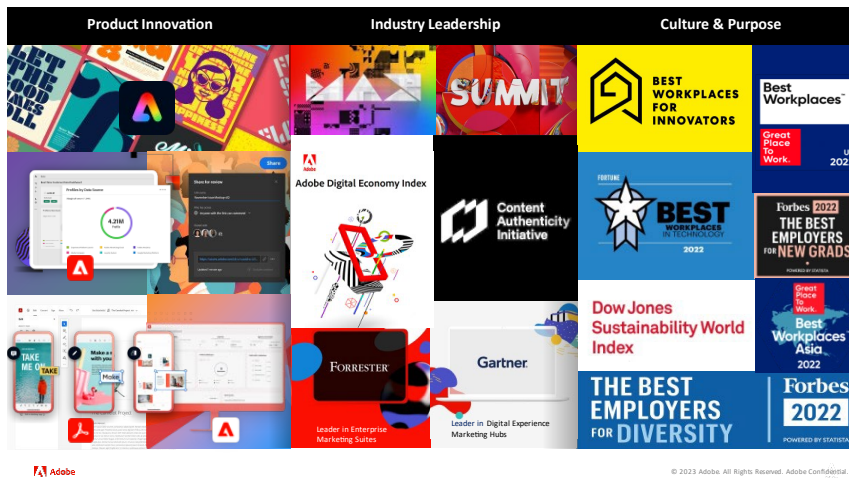
As a result of the strong performance in Q1 and trajectory of the business we are raising our Fiscal 2023 net new ARR and EPS targets. For fiscal 2023 we are now targeting:

- Digital Media net new ARR of approximately \$1.70 billion;
- GAAP earnings per share of \$10.85 to \$11.15; and
- Non-GAAP earnings per share of \$15.30 to \$15.60.

**Summary**

In summary, I am pleased with our strong top-line and bottom-line execution in Q1 demonstrating the momentum we've established for the year. Our strong engine of innovation combined with our operational rigor are driving profitable growth and position us well to capture the massive growth opportunities at our doorstep.

Shantanu, back to you.



**SHANTANU NARAYEN**

Thanks, Dan.

Adobe’s Q1 results underscore our strong momentum and the significant opportunities we have across our businesses. We are thrilled to be back in Las Vegas for Adobe Summit next week. In addition to unveiling several new innovations across Experience Cloud, Creative Cloud and Document Cloud, we will share how we are building on our decades of AI leadership to deliver generative AI technologies that redefine creativity and customer experiences. We look forward to seeing you there.

Adobe’s employees around the world motivate us to continuously raise the bar and create the future. This quarter, we were named to Glassdoor’s Best Places to Work, Bloomberg’s Gender-Equality Index for the fifth year in a row and the CDP A List, which recognizes leadership in environmental impact. Our renowned brand, mission-critical products and vast base of customers create an unmatched advantage that will fuel our growth.

Thank you and we will now take questions. Operator.

Q&A

