

Adobe Q3 FY2024 Earnings Call

September 12, 2024

Adobe

Introduction

Jonathan Vaas | VP, Investor Relations

Adobe

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 Wadhvani, 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 third quarter fiscal year 2024 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, September 12, 2024, and contains forward-looking statements that involve risks, uncertainties 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, September 12, and contains forward-looking statements that involve risk, uncertainty and assumptions. Actual results may differ materially from those set forth in these statements. For more information on those risks, please review today's earnings release and 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. Non-GAAP reconciliations are available in our earnings release and on Adobe's Investor Relations website.

I will now turn the call over to Shantanu.


Q3 FY2024 Results

Shantanu Narayen | Chair & CEO





SHANTANU NARAYEN

Q3 FY2024 Performance





Unleashing
creativity






Accelerating
document productivity





Powering
digital businesses



\$5.41B in revenue	11% Y/Y growth	11% Y/Y growth in constant currency	\$3.76 GAAP EPS <i>+23% Y/Y growth</i>	\$4.65 Non-GAAP EPS <i>+14% Y/Y growth</i>
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Thanks, Jonathan. Good afternoon and thank you for joining us.

Adobe had an outstanding third quarter. We saw strength across Creative Cloud, Document Cloud and Experience Cloud, achieving revenue of \$5.41 billion, representing 11 percent year-over-year growth. GAAP earnings per share for the quarter was \$3.76 and non-GAAP earnings per share was \$4.65, representing 23 percent and 14 percent year-over-year growth, respectively.

Our success reflects our strong execution against an ambitious innovation agenda to deliver value to our customers. The product advances we've launched in the past eighteen months are delighting a

huge and growing universe of users and enterprises, empowering them to unleash their creativity, accelerate document productivity and power their digital businesses.

Our vision revolves around Adobe's deep technology platforms across Creative Cloud, Document Cloud and Experience Cloud which, when integrated, provide significant differentiation and value. We are amplifying creativity and productivity by enabling the convergence of products like Photoshop, Express and Acrobat as knowledge workers and creatives seek to make content more compelling and engaging. We're bringing together content creation and production, workflow and collaboration and campaign activation and insights across Creative Cloud, Express and Experience Cloud. New offerings including Adobe GenStudio and Firefly Services empower companies to address personalized content creation at scale with agility and enable them to address their content supply chain challenges.

Adobe's customer-centric approach to AI is highly differentiated across data, models and interfaces. We train our Firefly models on data that allows us to offer customers a solution designed to be commercially safe. We have now have released Firefly models for Imaging, Vector and Design and just previewed a new Firefly Video model. Our greatest differentiation comes at the interface layer with our ability to rapidly integrate AI across our industry-leading product portfolio, making it easy for customers of all sizes to adopt and realize value from AI.

Firefly-powered features in Adobe Photoshop, Illustrator, Lightroom and Premiere Pro help creators expand upon their natural creativity and accelerate productivity. Adobe Express is a quick and easy create-everything application, unlocking creative expression for millions of users. Acrobat AI Assistant helps extract greater value from PDF documents. Adobe Experience Platform AI Assistant empowers brands to automate workflows and generate new audiences and journeys. Adobe GenStudio brings together content and data, integrating high-velocity creative expression with the enterprise activation needed to deliver personalization at scale. Overall, we're delighted to see customer excitement and adoption for our AI solutions continue to grow and we have now surpassed 12 billion Firefly-powered generations across Adobe tools.

I'll now turn it over to David to discuss the momentum in our Digital Media business.

Q3 FY2024 Highlights

David Wadhvani | President, Digital Media Business



DAVID WADHWANI

Thanks, Shantanu. Hello everyone.

In Q3, we achieved net new Digital Media ARR of \$504 million and revenue of \$4.00 billion, which grew 12 percent year over year, fueled by innovation in both our Creative and Document businesses.

- Document Cloud revenue of \$807 million, up 18% Y/Y as reported and in constant currency in Q3 FY2024
- Expanded Acrobat customer value with multi-document support for AI Assistant, enhanced meeting transcript capabilities and support for larger documents
- Optimized AI Assistant for mobile, web, and desktop experiences, including voice-enabled conversations on Android
- Continued strength of PDF-based collaboration, with shared links growing greater than 70% Y/Y
- Increased top of funnel through Acrobat Web, MAU growing over 35% Y/Y as a result of link sharing and our Microsoft Edge and Google Chrome extensions
- Key enterprise customer wins include Amazon, Charles Schwab, Disney, Home Depot, KPMG, RedBull, Sutter Health and the U.S. Treasury Department



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Digital Media: Document Cloud

With Document Cloud, we continue to reinvent how people create, edit, share, review and sign digital documents with PDF and Acrobat across mobile, web and desktop.

For decades, PDF has been the de facto standard for storing unstructured data, resulting in the creation and sharing of trillions of PDFs. The introduction of AI Assistant across Adobe Acrobat and Reader has transformed the way people interact with and extract value from these documents. In Q3, we released significant advancements including the ability to have conversations across multiple documents and support for different document formats, saving users valuable time and providing important insights. We're thrilled to see this value translate into AI Assistant usage, with over 70 percent quarter over quarter growth in AI interactions.

In addition to consumption, we're focused on leveraging generative AI to expand content creation in Adobe Acrobat. We've integrated Adobe Firefly image generation into our Edit PDF workflows. We've optimized AI Assistant in Acrobat to generate content fit for presentations, emails and other forms of communication. And we're laying the groundwork for richer content creation, including the generation of Adobe Express projects.

The application of this technology across verticals and industries is virtually limitless. Tata Consultancy Services recently used Adobe Premiere Pro to transcribe hours of conference videos and then used AI Assistant in Acrobat to create digestible event summaries in minutes. This allowed them to distribute newsletters on session content to attendees in real time.

We're excited to leverage generative AI to add value to content creation and consumption in Acrobat and Reader in the months ahead. Given the early adoption of AI Assistant, we intend to actively promote subscription plans that include generative AI capabilities over legacy perpetual plans that do not.

In Q3, we achieved Document Cloud revenue of \$807 million, growing 18 percent year over year. We added \$163 million of net new Document Cloud ARR.

Other highlights include:

- Expanded Acrobat customer value with multi-document support for AI Assistant, enhanced meeting transcript capabilities and support for larger documents.

- Optimized AI Assistant for mobile, web, and desktop experiences, including voice-enabled conversations on Android.
- Continued strength of PDF-based collaboration, with shared links growing greater than 70 percent year over year.
- Increased top of funnel through Acrobat Web, with monthly active users growing over 35 percent year over year as a result of link sharing and our Microsoft Edge and Google Chrome extensions.
- Key enterprise customer wins include Amazon, Charles Schwab, Disney, Home Depot, KPMG, RedBull, Sutter Health and the U.S. Treasury Department.

- Creative revenue of \$3.19 billion, up 10% Y/Y as reported or 11% in constant currency in Q3 FY2024
- New AI-powered features in Photoshop that accelerate core creative workflows and streamline repetitive tasks
- Broad innovations in Illustrator, including significant improvements to vector generation, enhancements to text-to-pattern and the all-new Generative Shape Fill
- Strong adoption of the latest version of Lightroom and Lightroom Mobile, which now includes the new Generative Remove feature
- Strong demand for Firefly Services empowering organizations to automate content production while maintaining quality and control. Total API calls tripled Q/Q
- Acrobat Pro single app continues to be a growth driver in Creative Cloud, reflecting the increasing adoption of PDF as a preferred format
- Key enterprise customer wins include The Brandtech Group, Dentsu, Estée Lauder, Google, MediaMonks, Meta, MLB, Newell Brands, PepsiCo, Stagwell Group and the U.S. Navy

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Digital Media: Creative Cloud

With Creative Cloud, the demand for creative expression and design across media types and surfaces has never been greater. Consumers are sharing edited photos more than ever. Students need to create school presentations that stand out. Creative professionals are being asked to create more images, designs and videos faster than ever before. Small businesses are looking to engage prospects on social channels. And large enterprises are defining their content supply workflows to deliver personalization at scale.

AI has the potential to empower creative professionals, communicators, consumers and organizations of all sizes to be more creative and productive. Our strategy is to build technology that will create more streamlined and precise workflows within our tools, through features like Text-to-Template in Express, Generative Fill in Photoshop, Generative Recolor in Illustrator, Generative Remove in Lightroom and the upcoming Generative Extend for video in Premiere Pro. We're exposing the power of our creative tools and the magic of generative AI through Firefly Service APIs so organizations can generate and assemble content at scale.

As we integrate Firefly innovations throughout our tools, usage continues to accelerate, crossing 12 billion generations since launch. The introduction of the new Firefly Video model earlier this week at IBC is another important milestone in our journey. Our video model, like the other models in the Firefly family, is built to be commercially safe, with fine-grained control and application integration at its core. This will empower editors to realize their creative vision more productively in our video products, including Premiere Pro.

With Express, we're on a multi-year strategic journey to dramatically expand our reach across customer segments. Adobe Express is our AI-first content creation application fulfilling our mission to enable creativity for all. The all-new release of Express across web and mobile earlier this year has been embraced by millions of users. They love how easy it is to create anything in Express with strong enthusiasm for our image editing features, powered by Photoshop, video editing capabilities, powered by Premiere Pro, document and presentation workflows, powered by Acrobat, and unparalleled generative AI features, powered by Adobe Firefly. Our integration of Adobe Stock and design templates with our unique Firefly Design Model ensures that content created in Express can stand out.

Express empowers a broad array of individuals and businesses, from solopreneurs to the largest enterprises in the world. We're continuing to grow Express as we ramp our go-to-market activities to support recent product releases, including Express for individuals, Express for Education, Express for Teams and Express for Enterprises. As a result, in Q3 we drove 70 percent year over year growth in cumulative exports. We onboarded over 1,500 businesses and millions of students.

In Q3, we achieved \$3.19 billion in revenue, which grew 11 percent year over year in constant currency. Net new Creative Cloud ARR was \$341 million.

Other highlights include:

- **New AI-powered features in Photoshop** that accelerate core creative workflows and streamline repetitive tasks. Generative Fill in Photoshop was upgraded to Firefly Image 3, Generative Image was made generally available, and the new Selection Brush and Adjustment Brush Tools were introduced, making selective edits easier than ever.
- **Broad innovations in Illustrator**, including significant improvements to vector generation, enhancements to text-to-pattern and the all-new Generative Shape Fill. These advances unlock new ways for pro designers and illustrators to quickly bring their vision to life.
- Strong adoption of the latest version of **Lightroom and Lightroom Mobile**, which now includes the new Generative Remove feature. Millions of users have non-destructively removed unwanted objects from their photos with a single click.
- Strong demand for **Firefly Services**, which provide APIs, tools and services for content generation, editing and assembly, empowering organizations to automate content production while maintaining quality and control. Total API calls tripled quarter over quarter.
- Acrobat Pro single app continues to be a growth driver in Creative Cloud, reflecting the increasing adoption of PDF as a preferred format to create, collaborate and share visually compelling content.
- Key enterprise customer wins include The Brandtech Group, Dentsu, Estée Lauder, Google, MediaMonks, Meta, MLB, Newell Brands, PepsiCo, Stagwell Group and the U.S. Navy.

We look forward to hosting Adobe MAX, the world's largest creativity conference, next month in Miami, where we will welcome more than 10,000 members of our global community and engage with hundreds of thousands more online. We will hear from inspiring creators and unveil innovations across our clouds.

In summary, we are excited about the pace and caliber of innovations across our Digital Media products and the continued execution across multiple growth drivers.

I'll now pass it to Anil.

Q3 FY2024 Highlights

Anil Chakravarthy | President, Digital Experience Business



ANIL CHAKRAVARTHY

Thanks, David. Hello everyone.

- Digital Experience revenue of \$1.35 billion, up 10% Y/Y as reported and in constant currency with subscription revenue of \$1.23 billion, up 12% Y/Y as reported and in constant currency in Q3 FY2024
- The general availability of Adobe Content Hub, further enhancing the value of Adobe Experience Manager (AEM) Assets. AEM Assets is used by the majority of the Fortune 50 companies
- Increasing importance and adoption of Workfront to streamline workflows across marketing organizations and agencies. Used by global brands including Deloitte, Interpublic Group (IPG) and NASCAR
- Continued momentum for Adobe Experience Platform and native applications including Real-time Customer Data Platform, Customer Journey Analytics and Adobe Journey Optimizer
- Strong industry analyst recognition, including the Forrester Wave for B2B Revenue Marketing Platforms and IDC Marketscape reports for Digital Asset Management and Headless Digital Commerce for both Enterprise and Mid-Market
- Key customer wins include Dentsu, Home Depot, Humana, IBM, Johnson & Johnson, Mayo Clinic, Newell Brands, Premier League, Stagwell Group, TD Bank and UPS



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In Q3, we achieved Experience Cloud revenue of \$1.35 billion. Subscription revenue was \$1.23 billion, representing 12 percent year-over-year growth.

Customer Experience Management remains top of mind for B2C and B2B companies around the world as they focus on digital strategies for customer acquisition, engagement, retention and expansion. Enterprises want an integrated platform to deliver personalized experiences at scale to their customers while maximizing the ROI of their marketing and customer experience investments. Through the

integration of Experience Cloud and Creative Cloud, Adobe is uniquely positioned to combine the right content, data and journeys in real time for every customer experience. The revenue growth we are driving across our categories – content, commerce and workflows, data insights and audiences, and customer journeys, all built on the Adobe Experience Platform – demonstrate the strength of our business. Global brands trust Adobe to build their content supply chain and deliver personalization at scale, making us the #1 digital experience platform in the industry.

Customers are embracing the opportunity to address their content supply chain challenges with Adobe GenStudio. With native integrations across Experience Cloud and Creative Cloud, GenStudio empowers marketers to quickly plan, create, store, deliver and measure marketing content and drive greater efficiency in their organizations.

Financial services leader Vanguard is creating an integrated content supply chain to serve the strategic goal of deepening their relationships with a broad range of investors. Leveraging the GenStudio solution, Vanguard was able to increase quality engagement by 176 percent by focusing on one-to-one personalization and to realize millions in savings by improving content velocity and resource allocation with an end-to-end content creation workflow.

Other highlights include:

- The general availability of **Adobe Content Hub**, further enhancing the value of Adobe Experience Manager (AEM) Assets. Content Hub enables brands to reimagine how creative assets are used across their organization and with external agencies, driving content velocity and major efficiency gains. AEM Assets is used by the majority of the Fortune 50, including 8 of the 10 largest media companies, 9 of the 10 largest financial services companies and 8 of the 10 largest retailers.
- Increasing importance and adoption of Workfront to streamline workflows across marketing organizations and agencies. We extended our leadership in this category through the general availability of **Adobe Workfront Planning**, which delivers a comprehensive view of all marketing activities in an organization and enables teams to optimize marketing planning and execution. Global brands including Deloitte, Interpublic Group (IPG) and NASCAR are

using Workfront Planning to drive productivity gains and meet the rising demand for highly personalized marketing campaigns.

- Continued **momentum for Adobe Experience Platform and native applications** including Real-time Customer Data Platform, Customer Journey Analytics and Adobe Journey Optimizer. We expanded our AEP portfolio with the general availability of Adobe Journey Optimizer B2B Edition, which leverages generative AI to deliver personalized experiences to ‘buying groups’—the decision-makers, practitioners and stakeholders responsible for major purchasing decisions.
- Strong industry analyst recognition, including the Forrester Wave for B2B Revenue Marketing Platforms, and three IDC Marketscape reports across Digital Asset Management and Headless Digital Commerce for both Enterprise and Mid-Market.
- Key customer wins include Dentsu, Home Depot, Humana, IBM, Johnson & Johnson, Mayo Clinic, Newell Brands, Premier League, Stagwell Group, TD Bank and UPS.

We look forward to unveiling new customer experience management innovations across content, data and journeys at MAX next month, showcasing integrations across Express, Creative Cloud and Experience Cloud for freelancers, solopreneurs and marketers across agencies and enterprises. Our pace of innovation, commitment to customer value, global partner ecosystem, and category-defining solutions position us to continue our market leadership.

I will now pass it to Dan.

Q3 FY2024 Results

Dan Durn | EVP & CFO



DAN DURN

Thanks, Anil.

Today I will start by summarizing Adobe’s performance in Q3 fiscal 2024, highlighting growth drivers across our businesses, and I’ll finish with financial targets.

Q3 FY2024 Results

Total Revenue	\$5.41 billion	11% Y/Y growth	11% Y/Y growth ¹
Digital Media segment revenue	\$4.00 billion	11% Y/Y growth	12% Y/Y growth ¹
Digital Media ARR	\$504 million of net new ARR		
Digital Experience segment revenue	\$1.35 billion	10% Y/Y growth	10% Y/Y growth ¹
Digital Experience subscription revenue	\$1.23 billion	12% Y/Y growth	12% Y/Y growth ¹
Earnings per share	GAAP: \$3.76		Non-GAAP: \$4.65

- Generated \$2.02 billion of cash flows from operations
- \$2.5 billion share repurchase agreement
- Remaining Performance Obligations (RPO) exiting the quarter were \$18.14 billion

¹ Adjusted to show growth rates in constant currency.

Q3 Performance

In Q3, Adobe achieved record revenue of \$5.41 billion, which represents 11 percent year-over-year growth as reported and in constant currency.

Our focus on both growth and profitability has been a cornerstone of our operating philosophy for years, rooted in strategic prioritization, relentless innovation, and laser-focused execution. Our Q3 results reflect this approach. We're making significant investments in our technology platforms, launching global campaigns to expand our customer base, and attracting top-tier talent, while delivering world-class cash flows and profitability.

Third quarter business and financial highlights included:

- GAAP diluted earnings per share of \$3.76 and non-GAAP diluted earnings per share of \$4.65;
- Digital Media revenue of \$4.00 billion;
- Net new Digital Media ARR of \$504 million;
- Digital Experience revenue of \$1.35 billion;
- Cash flows from operations of \$2.02 billion; and
- RPO of \$18.14 billion exiting the quarter.

Digital Media

In our Digital Media segment, we achieved Q3 revenue of \$4.00 billion, which represents 11 percent year-over-year growth, or 12 percent in constant currency. We exited the quarter with \$16.76 billion of Digital Media ARR, growing our ending ARR book of business 13 percent year over year in constant currency.

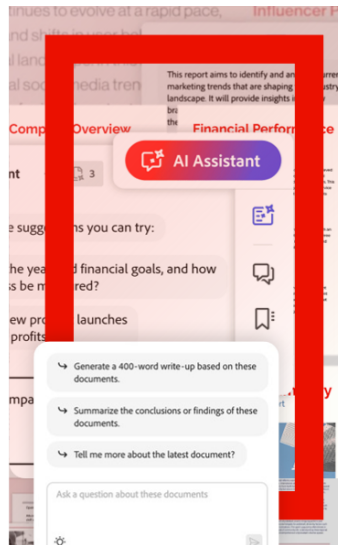
Adobe Document Cloud Q3 FY2024 Highlights



- Document Cloud revenue of \$807 million, up 18% Y/Y as reported and in constant currency, with \$163 million of net new Document Cloud ARR
- Usage and MAU growth across Adobe Reader and Acrobat
- Usage and MAU growth via 3rd-party ecosystems, including Google Chrome and Microsoft Edge extensions, which are driving free-to-paid conversion
- Demand for Acrobat desktop and mobile subscriptions across all customer segments and geographies
- Strength in monetization of our AI Assistant with new Acrobat subscriptions
- Strength in SMBs driven by our reseller partner network
- Strength in enterprise and public sector sales, with a number of large deals closing in the quarter



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Digital Media: Document Cloud

Adobe achieved Document Cloud revenue of \$807 million, which represents 18 percent year-over-year growth as reported and in constant currency. We added \$163 million of net new Document Cloud ARR, which was a record for a Q3, growing our ending ARR book of business 24 percent year over year in constant currency.

Q3 Document Cloud growth drivers included:

- Usage and MAU growth across Adobe Reader and Acrobat;
- Usage and MAU growth via 3rd-party ecosystems, including Google Chrome and Microsoft Edge extensions, which are driving free-to-paid conversion;
- Demand for Acrobat desktop and mobile subscriptions across all customer segments and geographies;
- Strength in monetization of our AI Assistant with new Acrobat subscriptions;
- Strength in SMBs driven by our reseller partner network; and
- Strength in enterprise and public sector sales, with a number of large deals closing in the quarter.

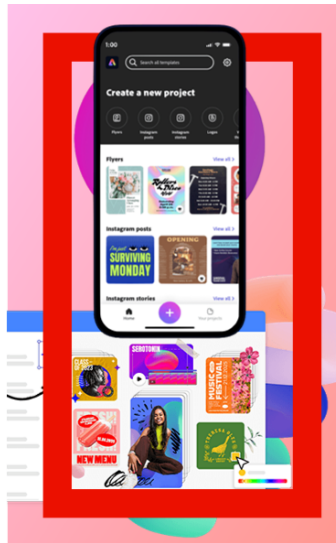
Adobe Creative Cloud Q3 FY2024 Highlights



- Creative revenue of \$3.19 billion growing 10% Y/Y as reported or 11% Y/Y in constant currency, with \$341 million of net new Creative ARR
- New subscriptions for Creative Cloud All Apps across customer segments, including Teams, Enterprise, and Education
- Strength across our Acrobat Pro, Illustrator, Lightroom and Photoshop single apps on Adobe.com
- Growing demand for our AI-first Adobe Express offerings in mobile, emerging markets and education
- Early monetization of our new Firefly Services solution in the enterprise segment
- Continued momentum with new subscriptions in emerging markets
- Contribution from customers stepping up to our higher-value Creative plans at renewal

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Digital Media: Creative Cloud

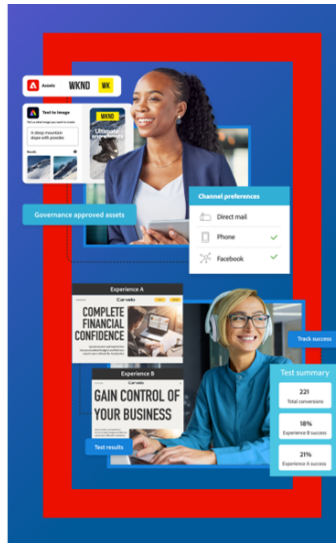
We achieved Creative revenue of \$3.19 billion, which represents 10 percent year-over-year growth, or 11 percent in constant currency. We added \$341 million of net new Creative ARR in the quarter, growing our ending ARR book of business 11 percent year over year in constant currency.

Q3 Creative growth drivers included:

- New subscriptions for Creative Cloud All Apps across customer segments, including Teams, Enterprise, and Education with back-to-school demand;
- Strength across our Acrobat Pro, Illustrator, Lightroom and Photoshop single apps on Adobe.com;
- Growing demand for our AI-first Adobe Express offerings in mobile, emerging markets and education;
- Early monetization of our new Firefly Services solution in the enterprise segment;
- Continued momentum with new subscriptions in emerging markets; and
- Contribution from customers stepping up to our higher-value Creative plans at renewal.

Adobe Experience Cloud Q3 FY2024 Highlights

- Digital Experience revenue of \$1.35 billion growing 10% Y/Y as reported and in constant currency, with subscription revenue of \$1.23 billion growing 12% Y/Y as reported and in constant currency
- Strong subscription revenue growth at scale of AEP and native applications, up greater than 50% Y/Y
- Strong subscription revenue growth with Adobe Experience Manager and Workfront
- Success in booking transformational deals as well as individual solution selling
- Continued strength in retention and expansion across our enterprise customers
- Growing pipeline for our GenStudio solutions to address the content supply chain opportunity



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Digital Experience

Turning to our Digital Experience segment, in Q3 we achieved revenue of \$1.35 billion, which represents 10 percent year-over-year growth as reported and in constant currency. Digital Experience subscription revenue was \$1.23 billion, growing 12 percent year over year as reported and in constant currency.

Q3 Digital Experience growth drivers included:

- Strong subscription revenue growth at scale of AEP and native applications, up greater than 50 percent year over year;
- Strong subscription revenue growth with Adobe Experience Manager and Workfront;
- Success in booking transformational deals as well as individual solution selling;
- Continued strength in retention and expansion across our enterprise customers; and
- Growing pipeline for our GenStudio solutions to address the content supply chain opportunity.

Q3 FY2024 Results

\$18.14B

RPO

\$7.52B

Cash and short-term investments

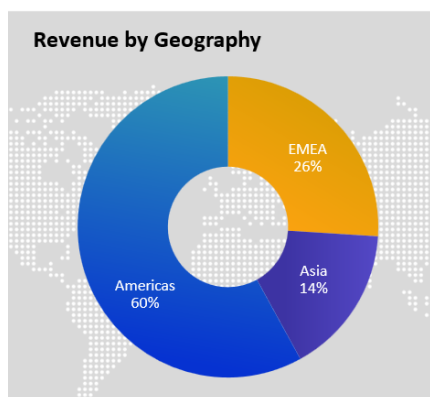
\$2.02B

Cash flows from operations

\$2.5B

Share repurchase agreement

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Income Statement and Balance Sheet

Turning to the income statement and balance sheet, in Q3 Adobe delivered year-over-year EPS growth of 23 percent on a GAAP basis and 14 percent on a non-GAAP basis. This was primarily driven by revenue growth and disciplined prioritization of our investments, which resulted in operating margin strength in Q3. The company continues to deliver world-class margins while making significant investments in AI model training and inferencing capacity.

Adobe’s effective tax rate in Q3 was 17.5 percent on a GAAP basis and 18.5 percent on a non-GAAP basis.

RPO exiting the quarter was \$18.14 billion, growing 15 percent year over year as reported, or 16 percent in constant currency. Current RPO grew 12 percent year over year exiting the quarter.

Our ending cash and short-term investment position at the end of Q3 was \$7.52 billion, and cash flows from operations in the quarter were \$2.02 billion.

In Q3 we entered into a \$2.50 billion share repurchase agreement, and we currently have \$20.15 billion remaining of the original \$25 billion authorization granted in March 2024.

Targets

We will now provide Q4 targets, which factor in current macroeconomic conditions and year-end seasonal strength.

Q4 FY2024 Financial Targets | September 12, 2024

Total Revenue	\$5.50 billion to \$5.55 billion	
Digital Media ARR	~\$550 million of net new ARR	
Digital Media segment revenue	\$4.09 billion to \$4.12 billion	
Digital Experience segment revenue	\$1.36 billion to \$1.38 billion	
Digital Experience subscription revenue	\$1.23 billion to \$1.25 billion	
Tax rate	GAAP: ~16.0%	Non-GAAP: ~18.5%
Earnings per share ¹	GAAP: \$3.58 to \$3.63	Non-GAAP: \$4.63 to \$4.68

The information on this slide contains forward looking statements that involve risk and uncertainty. Actual results may differ materially. Please review Adobe's SEC filings and/or visit the Adobe Investor Relations website for additional information.

¹ Targets assume diluted share count of ~445 million for Q4 fiscal year 2024.

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For Q4 we are targeting:

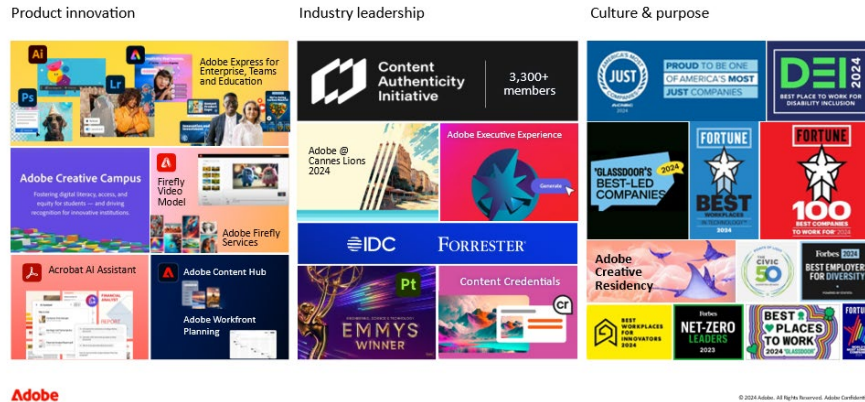
- Total Adobe revenue of \$5.50 to \$5.55 billion;
- Digital Media net new ARR of approximately \$550 million;
- Digital Media segment revenue of \$4.09 to \$4.12 billion;
- Digital Experience segment revenue of \$1.36 to \$1.38 billion;
- Digital Experience subscription revenue of \$1.23 to \$1.25 billion;
- Tax rate of approximately 16 percent on a GAAP basis and 18.5 percent on a non-GAAP basis;
- GAAP earnings per share of \$3.58 to \$3.63; and
- Non-GAAP earnings per share of \$4.63 to \$4.68.

Summary

In summary, I am proud of our year-to-date performance, which stems from a powerful combination of product leadership, rapid innovation, diversified business and financial discipline. Given the massive markets we are catalyzing, I am confident in our ability to drive growth and industry leadership.

Shantanu, back to you.

Q3FY24 Accomplishments



SHANTANU NARAYEN

Thanks, Dan.

Adobe’s focus on responsible innovation, with customers at the center, continues to be a unifying purpose for the company. The Content Authenticity Initiative, which we founded in 2019, now counts over 3,300 members across the digital ecosystem, all committed to enhancing trust and transparency with Content Credentials. In five years, this mission has gone from a vision to reality with companies including Amazon, Google, Leica, Meta, Qualcomm, Sony, TikTok and others all committing to implementing Content Credentials. The U.S. Department of Defense (DoD) became the first federal government agency to implement Content Credentials by applying them to official DoD images.

We're teaming up with Governor Gavin Newsom on a new initiative to boost digital and media literacy skills in K-12 schools and higher education institutions in California. By providing educational content, programming, and resources to schools across the state, we can help empower California’s future workforce for success in an AI-powered world and use this as a blueprint for other states and countries.

Next week, we will bring employees together for our annual Adobe for All conference to celebrate our vision and purpose and the impact that has on our customers and communities.

I am confident that Adobe’s culture, innovative product roadmap, global market opportunity, trusted brand and the unwavering commitment of our employees will continue to drive our success.

Thank you and we will now take questions. Operator.

Q&A

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