



Investor Relations Contact

Jonathan Vaas
Adobe
ir@adobe.com

Public Relations Contact

Ashley Levine
Adobe
adobepr@adobe.com

FOR IMMEDIATE RELEASE

Adobe Reports Record Revenue in Q1 Fiscal 2023

Company raises Digital Media net new ARR and EPS annual targets

SAN JOSE, Calif. – March 15, 2023 – Adobe (Nasdaq:ADBE) today reported financial results for its first quarter fiscal year 2023 ended March 3, 2023.

“Adobe drove record Q1 revenue and we are raising our annual targets based on the tremendous market opportunity and continued confidence in our execution,” said Shantanu Narayen, chairman and CEO, Adobe. “Creative Cloud, Document Cloud and Experience Cloud are mission-critical in fueling the global digital economy.”

“Our strong engine of innovation combined with world-class operational rigor drove profitable growth in Q1, setting us up to deliver another strong fiscal year,” said Dan Durn, executive vice president and CFO, Adobe. “Adobe is better positioned today than we’ve ever been to serve our customers globally.”

First Quarter Fiscal Year 2023 Financial Highlights

- Adobe achieved revenue of \$4.66 billion in its first quarter of fiscal year 2023, which represents 9 percent year-over-year growth or 13 percent in constant currency. Diluted earnings per share was \$2.71 on a GAAP basis and \$3.80 on a non-GAAP basis.
- GAAP operating income in the first quarter was \$1.59 billion and non-GAAP operating income was \$2.13 billion. GAAP net income was \$1.25 billion and non-GAAP net income was \$1.75 billion.
- Cash flows from operations were \$1.69 billion.
- Remaining Performance Obligations (“RPO”) exiting the quarter were \$15.21 billion.
- Adobe repurchased approximately 5.0 million shares during the quarter.

First Quarter Fiscal Year 2023 Business Segment Highlights

- Digital Media segment revenue was \$3.40 billion, which represents 9 percent year-over-year growth or 14 percent in constant currency. Creative revenue grew to \$2.76 billion, representing 8 percent year-over-year growth or 13 percent in constant currency. Document Cloud revenue was \$634 million, representing 13 percent year-over-year growth or 16 percent in constant currency.
- Net new Digital Media Annualized Recurring Revenue (“ARR”) was \$410 million, exiting the quarter with Digital Media ARR of \$13.67 billion. Creative ARR grew to \$11.28 billion and Document Cloud ARR grew to \$2.39 billion.
- Digital Experience segment revenue was \$1.18 billion, representing 11 percent year-over-year growth or 14 percent in constant currency. Digital Experience subscription revenue was \$1.04 billion, representing 12 percent year-over-year growth or 14 percent in constant currency.

Financial Targets

Adobe is providing second quarter targets and updated fiscal year 2023 targets for Digital Media net new ARR and earnings per share. These targets factor in current expectations for the macroeconomic and foreign exchange environments.

The following table summarizes Adobe's updated fiscal year 2023 targets:

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

The following table summarizes Adobe's second quarter fiscal year 2023 targets:

Total revenue	\$4.75 billion to \$4.78 billion	
Digital Media net new ARR	~\$420 million	
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 ¹	GAAP: \$2.65 to \$2.70	Non-GAAP: \$3.75 to \$3.80

¹ Targets assume share count of ~458 million for second quarter fiscal year 2023 and ~456 million for fiscal year 2023.

Adobe to Host Conference Call

Adobe will webcast its first quarter fiscal year 2023 earnings conference call today at 2:00 p.m. Pacific Time from its investor relations website: www.adobe.com/ADBE. Earnings documents, including Adobe management's prepared conference call remarks with slides and an investor datasheet are posted to Adobe's investor relations website in advance of the conference call for reference.

Forward-Looking Statements, Non-GAAP and Other Disclosures

This press release contains forward-looking statements, including those related to business momentum, our market opportunity, market trends, current macroeconomic conditions, fluctuations in foreign currency exchange rates, strategic investments, customer success, revenue, operating margin, annualized recurring revenue, tax rate on a GAAP and non-GAAP basis, earnings per share on a GAAP and non-GAAP basis, and share count, all of which involve risks and uncertainties that could cause actual results to differ materially. Factors that might cause or contribute to such differences include, but are not limited to: failure to compete effectively; failure to develop, acquire, market and offer products and services that meet customer requirements; introduction of new technology; failure to realize the anticipated benefits of past or future acquisitions; information security and privacy; potential interruptions or delays in hosted services provided by us or third parties; risks associated with cyber-attacks; complex sales cycles; failure to effectively manage critical strategic third-party business relationships; changes in accounting principles and tax regulations; fluctuations in subscription renewal rates; risks related to the timing of revenue recognition from our subscription offerings; uncertainty in the financial markets and economic conditions in the countries where we operate; geopolitical and macroeconomic conditions, including the Russia-Ukraine war; and other various risks associated with being a multinational corporation. For a discussion of these and other risks and uncertainties, please refer to Adobe's Annual Report on Form 10-K for our fiscal year 2022 ended Dec. 2, 2022, and Adobe's Quarterly Reports on Form 10-Q issued in fiscal year 2023.

The financial information set forth in this press release reflects estimates based on information available at this time. These amounts could differ from actual reported amounts stated in Adobe's Quarterly Report on Form 10-Q for our fiscal quarter ended March 3, 2023, which Adobe expects to file in late March or early April 2023. Adobe assumes no obligation to, and does not currently intend to, update these forward-looking statements.

A reconciliation between GAAP and non-GAAP earnings results and financial targets is provided at the end of this press release and on Adobe's investor relations website.

About Adobe

Adobe is changing the world through digital experiences. For more information, visit www.adobe.com.

###

©2023 Adobe. All rights reserved. Adobe, Creative Cloud, Document Cloud and the Adobe logo are either registered trademarks or trademarks of Adobe (or one of its subsidiaries) in the United States and/or other countries. All other trademarks are the property of their respective owners.

Condensed Consolidated Statements of Income
(In millions, except per share data; unaudited)

	Three Months Ended	
	March 3, 2023	March 4, 2022
Revenue:		
Subscription	\$ 4,373	\$ 3,958
Product	120	145
Services and other	162	159
Total revenue	<u>4,655</u>	<u>4,262</u>
Cost of revenue:		
Subscription	434	393
Product	8	10
Services and other	126	109
Total cost of revenue	<u>568</u>	<u>512</u>
Gross profit	4,087	3,750
Operating expenses:		
Research and development	827	701
Sales and marketing	1,301	1,158
General and administrative	331	269
Amortization of intangibles	42	42
Total operating expenses	<u>2,501</u>	<u>2,170</u>
Operating income	1,586	1,580
Non-operating income (expense):		
Interest expense	(32)	(28)
Investment gains (losses), net	1	(9)
Other income (expense), net	43	—
Total non-operating income (expense), net	<u>12</u>	<u>(37)</u>
Income before income taxes	1,598	1,543
Provision for income taxes	351	277
Net income	<u>\$ 1,247</u>	<u>\$ 1,266</u>
Basic net income per share	<u>\$ 2.72</u>	<u>\$ 2.68</u>
Shares used to compute basic net income per share	<u>459</u>	<u>473</u>
Diluted net income per share	<u>\$ 2.71</u>	<u>\$ 2.66</u>
Shares used to compute diluted net income per share	<u>460</u>	<u>475</u>

Condensed Consolidated Balance Sheets
(In millions; unaudited)

	March 3, 2023	December 2, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,072	\$ 4,236
Short-term investments	1,581	1,860
Trade receivables, net of allowances for doubtful accounts of \$17 and \$23, respectively	1,801	2,065
Prepaid expenses and other current assets	888	835
Total current assets	8,342	8,996
Property and equipment, net	1,967	1,908
Operating lease right-of-use assets, net	402	407
Goodwill	12,792	12,787
Other intangibles, net	1,354	1,449
Deferred income taxes	826	777
Other assets	984	841
Total assets	\$ 26,667	\$ 27,165
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade payables	\$ 308	\$ 379
Accrued expenses	1,469	1,790
Debt	—	500
Deferred revenue	5,357	5,297
Income taxes payable	222	75
Operating lease liabilities	81	87
Total current liabilities	7,437	8,128
Long-term liabilities:		
Debt	3,630	3,629
Deferred revenue	120	117
Income taxes payable	536	530
Operating lease liabilities	415	417
Other liabilities	323	293
Total liabilities	12,461	13,114
Stockholders' equity:		
Preferred stock	—	—
Common stock	—	—
Additional paid-in-capital	10,284	9,868
Retained earnings	29,435	28,319
Accumulated other comprehensive income (loss)	(307)	(293)
Treasury stock, at cost	(25,206)	(23,843)
Total stockholders' equity	14,206	14,051
Total liabilities and stockholders' equity	\$ 26,667	\$ 27,165

Condensed Consolidated Statements of Cash Flows
(In millions; unaudited)

	Three Months Ended	
	March 3, 2023	March 4, 2022
Cash flows from operating activities:		
Net income	\$ 1,247	\$ 1,266
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	212	213
Stock-based compensation	416	322
Unrealized investment (gains) losses, net	3	17
Other non-cash adjustments	(33)	153
Changes in deferred revenue	63	141
Changes in other operating assets and liabilities	(215)	(343)
Net cash provided by operating activities	<u>1,693</u>	<u>1,769</u>
Cash flows from investing activities:		
Purchases, sales and maturities of short-term investments, net	287	(26)
Purchases of property and equipment	(101)	(100)
Purchases and sales of long-term investments, intangibles and other assets, net	(30)	(28)
Acquisitions, net of cash acquired	—	(106)
Net cash provided by (used for) investing activities	<u>156</u>	<u>(260)</u>
Cash flows from financing activities:		
Repurchases of common stock	(1,400)	(2,400)
Taxes paid related to net share settlement of equity awards, net of proceeds from treasury stock re-issuances	(95)	(175)
Other financing activities, net	(19)	(29)
Net cash used for financing activities	<u>(2,014)</u>	<u>(2,604)</u>
Effect of exchange rate changes on cash and cash equivalents	1	(10)
Net change in cash and cash equivalents	(164)	(1,105)
Cash and cash equivalents at beginning of period	4,236	3,844
Cash and cash equivalents at end of period	<u>\$ 4,072</u>	<u>\$ 2,739</u>

Non-GAAP Results

The following table shows Adobe's GAAP results reconciled to non-GAAP results included in this release.

(In millions, except per share data)

	Three Months Ended		
	March 3, 2023	March 4, 2022	December 2, 2022
Operating income:			
GAAP operating income	\$ 1,586	\$ 1,580	\$ 1,505
Stock-based and deferred compensation expense	417	312	392
Amortization of intangibles	95	101	100
Acquisition-related expenses ^(*)	33	—	26
Non-GAAP operating income	<u>\$ 2,131</u>	<u>\$ 1,993</u>	<u>\$ 2,023</u>
Net income:			
GAAP net income	\$ 1,247	\$ 1,266	\$ 1,176
Stock-based and deferred compensation expense	417	312	392
Amortization of intangibles	95	101	100
Acquisition-related expenses ^(*)	33	—	26
Investment (gains) losses, net	(1)	9	(4)
Income tax adjustments	(45)	(86)	(15)
Non-GAAP net income	<u>\$ 1,746</u>	<u>\$ 1,602</u>	<u>\$ 1,675</u>
Diluted net income per share:			
GAAP diluted net income per share	\$ 2.71	\$ 2.66	\$ 2.53
Stock-based and deferred compensation expense	0.91	0.66	0.84
Amortization of intangibles	0.21	0.21	0.21
Acquisition-related expenses ^(*)	0.07	—	0.06
Investment (gains) losses, net	—	0.02	(0.01)
Income tax adjustments	(0.10)	(0.18)	(0.03)
Non-GAAP diluted net income per share	<u>\$ 3.80</u>	<u>\$ 3.37</u>	<u>\$ 3.60</u>
Shares used in computing diluted net income per share	460	475	466

Non-GAAP Results (continued)

The following table shows Adobe's first quarter fiscal year 2023 GAAP tax rate reconciled to the non-GAAP tax rate included in this release.

	First Quarter Fiscal 2023
Effective income tax rate:	
GAAP effective income tax rate	22.0 %
Income tax adjustments	0.5
Stock-based and deferred compensation expense	(3.0)
Amortization of intangibles	(0.7)
Acquisition-related expenses ^(*)	(0.3)
Non-GAAP effective income tax rate ^(**)	18.5 %

^(*) Includes deal costs and certain professional fees associated with the planned acquisition of Figma

^(**) Represents Adobe's fixed long-term non-GAAP tax rate based on three-year projections and currently available information

Reconciliation of GAAP to Non-GAAP Financial Targets

The following tables show Adobe's updated annual fiscal year 2023 financial targets reconciled to non-GAAP financial targets included in this release.

(Shares in millions)

	Fiscal Year 2023	
	Low	High
Diluted net income per share:		
GAAP diluted net income per share	\$ 10.85	\$ 11.15
Stock-based and deferred compensation expense	3.96	3.94
Amortization of intangibles	0.82	0.82
Acquisition-related expenses ^(*)	0.15	0.15
Income tax adjustments	(0.48)	(0.46)
Non-GAAP diluted net income per share	\$ 15.30	\$ 15.60
Shares used to compute diluted net income per share	456	456

The following tables show Adobe's second quarter fiscal year 2023 financial targets reconciled to non-GAAP financial targets included in this release.

(Shares in millions)

	Second Quarter Fiscal 2023	
	Low	High
Diluted net income per share:		
GAAP diluted net income per share	\$ 2.65	\$ 2.70
Stock-based and deferred compensation expense	0.97	0.96
Amortization of intangibles	0.21	0.21
Acquisition-related expenses ^(*)	0.05	0.05
Income tax adjustments	(0.13)	(0.12)
Non-GAAP diluted net income per share	\$ 3.75	\$ 3.80
Shares used to compute diluted net income per share	458	458

Reconciliation of GAAP to Non-GAAP Financial Targets (continued)

	Second Quarter Fiscal 2023
Effective income tax rate:	
GAAP effective income tax rate	21.5 %
Stock-based and deferred compensation expense	(3.1)
Amortization of intangibles	(0.7)
Acquisition-related expenses ^(*)	(0.2)
Income tax adjustments	1.0
Non-GAAP effective income tax rate ^(**)	18.5 %

^(*) Includes deal costs and certain professional fees associated with the planned acquisition of Figma

^(**) Represents Adobe's fixed long-term projected non-GAAP tax rate based on three-year projections and currently available information

Use of Non-GAAP Financial Information

Adobe continues to provide all information required in accordance with GAAP, but believes evaluating its ongoing operating results may not be as useful if an investor is limited to reviewing only GAAP financial measures. Adobe uses non-GAAP financial information to evaluate its ongoing operations and for internal planning and forecasting purposes. Adobe's management does not itself, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Adobe presents such non-GAAP financial measures in reporting its financial results to provide investors with an additional tool to evaluate Adobe's operating results. Adobe believes these non-GAAP financial measures are useful because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. This allows institutional investors, the analyst community and others to better understand and evaluate our operating results and future prospects in the same manner as management.

Adobe's management believes it is useful for itself and investors to review, as applicable, both GAAP information as well as non-GAAP measures, which may exclude items such as stock-based and deferred compensation expenses, amortization of intangibles, investment gains and losses, the related tax impact of all of these items, income tax adjustments, and the income tax effect of the non-GAAP pre-tax adjustments from the provision for income taxes. Adobe uses these non-GAAP measures in order to assess the performance of Adobe's business and for planning and forecasting in subsequent periods. Whenever such a non-GAAP measure is used, Adobe provides a reconciliation of the non-GAAP financial measure to the most closely applicable GAAP financial measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure as detailed above.