

Q4 2021 Earnings Call

Company Participants

- Anil Chakravarthy, Executive Vice President and General Manager, Digital Experience Business
- Ann Lewnes, Chief Marketing Officer and Executive Vice President, Corporate Strategy and Development
- Dan Durn, Executive Vice President and Chief Financial Officer
- David Wadhvani, Chief Business Officer and Executive Vice President, Digital Media
- Jonathan Vaas, Associate General Counsel
- Scott Belsky, Chief Product Officer and Executive Vice President, Creative Cloud
- Shantanu Narayen, Chairman, President, and Chief Executive Officer

Other Participants

- Alex Zukin, Analyst
- Brad Sills, Analyst
- Brent Thill, Analyst
- Gregg Moskowitz, Analyst
- Kash Rangan, Analyst
- Keith Weiss, Analyst
- Kirk Materne, Analyst
- Mark Moerdler, Analyst
- Saket Kalia, Analyst

Presentation

Operator

Please welcome Jonathan Vaas, Vice President of Investor Relations.

Jonathan Vaas {BIO 21700508 <GO>}

Good morning, and thanks everyone for joining us today. I'm Jonathan Vaas and welcome to our Financial Analyst Meeting. You should have a copy of the press release which we filed this morning at approximately 5:00 AM Pacific Time, as well as a copy of our Slides that we posted to the Investor Relations website. I'm hopeful to have an opportunity to meet with many of you in person this year. For now, I'm really pleased to be able to be here with Adobe's leadership team and engage once again virtually and we have a great program for you today.

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With the webcast format, the live presentation we'll be doing today will be a streamline version of the long-form information that we posted to the Investor Relations website, that has all of the information you're used to receiving from Adobe. So we'll cover a portion of those Slides today and then we'll go ahead and do Q&A at the end. Let's take a quick look at the agenda.

Shantanu will kick things off with a brief welcome and then Ann will present Adobe's vision and strategy for the future. Anil will go over our Digital Experience strategy and David will cover Digital Media strategy after that and then Dan Durn, who joined in October as Adobe's Chief Financial Officer will provide a detailed financial summary, as well as discussing Adobe long-term strategy. Then Shantanu will wrap things up, sharing his vision of the long-term opportunity and we'll go to live Q&A.

Before we get started, as a reminder, some of the information we'll be providing includes forward-looking statements that are subject to risks and uncertainties. Actual results may differ from those statements and we encourage you to review the risk factors in our SEC filings for more information. Additionally, we'll be providing both GAAP and non-GAAP financial metrics. Reconciliations between the two are available on Adobe's Investor Relations website.

I will now pass it over to Adobe's Chairman and CEO, Shantanu Narayen.

Shantanu Narayen {BIO 3332391 <GO>}

Good morning, and thanks, Jonathan. Welcome to this virtual 2022 financial analyst meeting. Adobe had another outstanding year in 2021. I'm incredibly proud of the dedication and resilience of Adobe's 25,000 employees all around the world in delivering breakthrough technologies for our customers. I'd like to start with a recap of the tremendous accomplishments we had across every dimension in 2021. As a product geek at heart, I take immense pride in our team driving hundreds of innovations across Adobe Creative Cloud, Document Cloud and Experience Cloud.

Earlier this week, we introduced Creative Cloud Express to enable anyone to express their idea simply and beautifully. Creative Cloud Express is the start of a brand new journey to introduce first time creators to Adobe creative tools, while adding significant value to all of our current Creative Cloud subscribers. I think it marks a new chapter of creation, collaboration and sharing on the web and leverages the unique technology and capabilities of Adobe's flagship products. It also builds on the collaboration capabilities we debuted at MAX including Illustrator and Photoshop on the web, Creative Cloud Spaces and Creative Cloud Canvas.

With the addition of Frame.io, we're now incorporating review and approval functionality to deliver a powerful collaboration platform for end-to-end video collaboration and we're continuing to add Magic to our flagship applications and we are enabling them to run natively on new hardware like Apple's M1 chip, as well as Microsoft Windows Surface and Pen. In Document Cloud, Acrobat Web now supports 21 frictionless verbs, create, export, extract and edit, for both text and images in PDF.

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We've seen tremendous growth in Acrobat Online as people tap our powerful free browser-based Document tools to handle important tasks on the fly without the need to download any software. In addition, we made outstanding progress with PDF support within both the Chrome as well as Edge browsers. And on the Experience Cloud platform, we extended our real-time Customer Data Platform to B2B customers, bringing together individual and account profiles across systems to give B2B companies a single view of their customer for the very first time. We launched Adobe Journey Optimizer harnessing over 20 years of industry-leading email, marketing and cross-channel campaign management expertise to empower brands to design and deliver personalized experiences across the entire customer journey in a single application.

With the new acquisition of Adobe Workfront, we're now empowering companies to optimize business outcomes by connecting creative and marketing professionals to manage all Creative workflows across the entire marketing lifecycle. In addition, we've advanced our industry leadership in key areas across our portfolio. Clearly underpinning our three clouds is the magic and power of Adobe Sensei, our artificial intelligence and machine learning framework, a significant differentiator for Adobe and an enabler to more rapid innovation.

We continued our investment in the Adobe Experience Platform as the foundational platform for strong governance capabilities across our Experience Cloud business, accelerating innovations like real-time Customer Data Platform and Adobe Journey Optimizer on a global scale. We take our responsibility in the creative community very seriously, and as part of the content authenticity initiative, we published a draft specification as an open standard to combat online disinformation. I am amazed at the resiliency of our employees and we pioneered all new digital event experiences with Adobe Summit and Adobe MAX, extending our reach and engaging millions of people around the world.

I'm also tremendously proud of the industry recognition we continue to receive for our brand, our workplace, our culture and our practices. And just to name a few examples, we were again named a top riser on Interbrand's Best Global Brands list. We're named to Fortune's 100 Best Companies to Work For, for the 21st year. People magazine's company's, Companies That Care list for the fifth year. Fast Company's Brands That Matter list and I think what's more significant for a lot of investors moving forward, The Dow Jones Sustainability Index for the fifth year and one that I'm particularly proud of, a 100% score for being the Best Place to Work for disability inclusion.

When you look at our financial results, it puts us in an incredibly rare position in the industry. Not many companies can drive the top-line and bottom-line growth, with an impressive margin the way we do and we powered through \$15 billion in 2021 and we accomplished some significant milestones in Q4, our first billion dollar Digital Experience revenue quarter, our first \$3 billion Digital Media and \$2 billion in cash flow, just some incredible financial statistics. Dan Durn, our new CFO, will cover our Q4 as well as our FY '21 results in greater detail. Since he joined Adobe in October, I've really appreciated his experience and partnership and I look forward to him sharing his perspective as well as having significant impact on Adobe's growth in the decade to come.

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I'm also delighted to announce that Anil Chakravarthy and David Wadhwani have been promoted to the President of the Digital Experience and Digital Media businesses respectively. I value their leadership and contributions and they will share more color around each of our businesses.

While 2021 was awesome, I'm actually most excited about what's to come for 2022 and beyond, in the over 20 years that I've been at Adobe. We have this immense market opportunity. We have an incredible technology innovation roadmap and the best leadership team of any company on the planet. And I think what we've done is provided 2022 targets that demonstrate the strength of the underlying business, three incredibly large growing opportunities across our clouds, continued focus on execution based on the current economic climate. I think the one change that we all are experiencing is as the Company scales beyond \$15 billion, we also have to focus on FX expectations given the recent strength of the US dollar.

But as excited as I am to talk about 2022, today is really sharing about Adobe's tremendous growth story and how we're going to be driving the next decade of growth, because that's really what underpins our growing over \$200 billion addressable market opportunity. As you'll hear throughout the day from our leadership team, our growth is anchored across these 5 key pillars, our proven track record and our focus on creating and leading categories. The ever increasing expanding set of customers that we serve, from consumers to creative pros, to first-time creators to small and medium businesses, to the largest enterprises in the world. Our ability to deliver incredible technology platforms that enable whole new classes of applications and accelerate our innovative cadence.

The important shift we continue to make from building applications to enabling new business models, apps, services, artificial intelligence and platforms that's paying dividends. And last but not least, an incredible global ecosystem of partners that spans the entire customer lifecycle, from experience creation and marketing, to delivery and ongoing support. And I think the message for you as investors is across every dimension, across every business. Our aspirations are higher and we are thinking bigger. There is this incredible once-in-a-lifetime expansive opportunity in front of us and I think we're uniquely positioned to capture it.

And now to provide color on the strategy on how we're going to expand markets and categories, I'd like to welcome Ann Lewnes who recently celebrated her 15th year at Adobe, our incredible Chief Marketing Officer, who has also taken on the additional responsibility for Corporate Strategy. Ann?

Ann Lewnes {BIO 3177578 <GO>}

Thank you, Shantanu, and good morning everyone. Over the past two years, we've witnessed a profound global shift to all things digital. Everyone, from students to small businesses, to the largest global brands, has had to make this dramatic pivot. Technology innovation, the proliferation of new devices and platforms and the increased desire and ability for anyone to create and deliver great digital experiences, have all accelerated the move to a truly digital world and there's no going back, whether it's through your phone,

tablet or PC, it's easy for anyone anywhere to create, work, learn, connect, shop, unwind and launch and grow businesses.

While there continue to be massive challenges in the world, digital has also empowered us. Through the democratization of creativity, the development of rich digital experiences, the ability to work and learn from home, to shop and sell products online or to connect with those you love, we are moving society forward. Digital has fundamentally changed everything. According to Adobe Analytics, online spending during the 2021 holiday season is projected to be \$200 billion and total e-commerce spending is projected to reach \$1 trillion in 2022. It's clear that digital is a requirement to conducting business today.

From your favorite local restaurants to Fortune 500 companies across every country and every industry, digital is powering today's businesses. Companies are automating mission critical document processes like HR and Legal, to drive increased efficiency and agility. At the same time, customers now expect rich personalized digital experiences that are relevant, engaging and consistent across any device. It's well documented that digital-first businesses drive greater long-term growth and customer loyalty. At Adobe, our own technology has enabled us to transform into a digital-first business.

Companies like Adobe are measuring every single customer interaction, to understand behavior, intent and ultimately to drive business impact. We do that by providing personalized digital experiences at scale through adobe.com across all of our Digital Channels and increasingly through our products. Digital has not only changed the way we live and work, but also how we connect with one another. Anyone can create or participate in an online community, whether it's with your family, friends, colleagues or those with whom you share interests and passions and with the emergence of the creator economy, it's possible for enterprising content creators to build both a large following and monetize their passions, products or services.

Today, there are seemingly unlimited number of social platforms and ways to engage with ones' desired audience. The ease with which you can share, promote and monetize content, products and services, has enabled a whole new level of connection and commerce. We're also finding new ways to work together even when we're apart, through the proliferation of collaboration solutions like Frame.io, which we acquired in Q4. Adobe's mission to change the world through digital experiences is more important than ever before.

The digital world runs on Adobe's tools and platforms. And through our unparalleled innovation, creativity, scale and advanced data-driven operating model, we are continuing to catalyze the growth of digital. Hundreds of millions of people across the globe use our products every single day and we're impacting every aspect of society. Adobe continues to be uniquely positioned to lead in this next digital era.

Our three industry-leading cloud offerings are mission critical across every geography and audience. With Creative Cloud, we're unleashing creativity for all, giving anyone anywhere the tools to express their creativity. With Document Cloud, we're accelerating document

productivity, modernizing how people view, share and engage with documents. And with Experience Cloud, we're powering digital businesses of all sizes, giving them everything they need to design and deliver great customer experiences. Underpinning our three clouds is the power of Adobe Sensei, our advanced AI/ML framework that enables us to deliver a steady stream of unparalleled innovation.

Over the last year, we've seen the critical role that creativity has played in the world. Creative Cloud is empowering everyone from the high school students to the social media influencer, to the most demanding creative professional to tell their story. The Creative Cloud TAM is projected to be approximately \$63 billion in 2024. \$25 billion of that TAM comes from our core base of creative professionals who purchase Creative Cloud applications and services like Adobe Stock. New growth drivers in this segment includes 3D and other immersive experiences, as well as web-first collaboration tools like Frame.io. \$13 billion of the TAM is coming from communicators, non professional creators, including small businesses, students and marketers.

As you'll hear from David, many communicators are already using Creative Cloud and we hope to serve even more of them with products like Creative Cloud Express, which we just launched on Monday. The remaining \$7 billion of TAM comes from consumers including hobbyists and social media users. The biggest growth drivers here are mobile applications, in categories like video and imaging such as Adobe's Photoshop Express.

Digital documents are core to the future of work. PDFs and document workflows empower everyone from individuals to the largest enterprises to be productive anytime, anywhere. We're excited about the Document Cloud strategy and the large addressable market which is projected to grow to \$32 billion by 2024. \$10 billion of that TAM is coming from knowledge workers, business professionals who typically use our core Acrobat Desktop subscription offerings. Growth is expected to come from the expansion of digital document use cases, e-signatures and increased collaboration capabilities.

\$8 billion of the TAM is coming from communicators who are using Acrobat Web and mobile applications to create, scan and edit PDF files for both business and personal use. Growth in this segment is projected to come from expanding the premium PDF base and capturing demand from new files, with offerings designed for web and mobile use cases.

Finally, \$14 billion of the TAM is coming from enterprises who are using document services including Acrobat and e-signature solutions, as well as APIs that developers use to seamlessly integrate with key line of business applications. Growth drivers in this segment include APIs to build powerful document workflows and expanded use cases. Whether it's B2B or B2C, businesses of every size across every category are investing in customer experience management.

Adobe Experience Cloud empowers companies to deliver predictive, personalized real-time digital experiences across every phase of the customer lifecycle. Our total addressable market for Adobe Experience Cloud is estimated to be \$110 billion in 2024. \$33 billion of the TAM is coming from the data insights and audiences category, which includes Adobe Experience Platform, real-time CDP and Adobe Analytics, including our

new customer journey analytics offering. Future growth drivers include the increasing demand for a unified customer profile and personalization at scale.

\$49 billion of TAM is coming from the content and commerce category, which includes our Adobe Experience Manager and Adobe Commerce offerings. The volume of content needed by businesses to engage customers across every touch point is exploding and the pace at which it must be deployed is accelerating. The need for a seamlessly integrated commerce capability is accelerating at that same pace. \$18 billion of the TAM is coming from the customer journeys category, which includes Adobe Campaign, Marketo Engage and our new Adobe Journey Optimizer. Growth in this segment is expected to come from the continued need for businesses to engage with their customers across an ever-increasing array of channels.

New to the TAM this year is the \$10 billion marketing workflow category, which includes Adobe Workfront acquired last year. Growth here is expected to come from the increasing need for teams to efficiently plan, track and execute marketing campaigns.

Adobe has always been relentlessly focused on looking around the corner, inventing new growth opportunities and successfully driving growth within our existing businesses. We have pioneered and are leading three massive categories, creativity, digital documents and customer experience management. This week, we announced Creative Cloud Express, our exciting new unified web and mobile offering that's perfect for anyone looking to quickly and easily make and share standout content. Creative Cloud Express is great for first-time creators and communicators, but will also provide value to our current Creative Cloud subscribers. It's a great example of how we continue to expand our customer base and grow our TAM.

We win by creating enduring technology platforms, from Sensei to the Adobe Experience Platform, they are the foundation for product innovation and our industry-leading applications and services. Since transitioning Creative Cloud to a subscription model 10 years ago, we have continued to innovate our business models, building applications, services and platforms, to bring value to market faster, better serve new customers and leverage new monetization models. It would be impossible to do all this alone. We have built a large ecosystem of partners from agencies to solution integrators to ISVs, that customize and extend our solutions to the needs of our joint customers. We continue to see massive opportunities from Creative Cloud, Document Cloud and Experience Cloud. With the market tailwinds, our world-class innovation and the best employees in the world, we believe we're well positioned for our next decade of growth.

And now, I'd like to introduce Anil Chakravarthy, President of our Digital Experience business.

(Video Presentation)

Anil Chakravarthy {BIO 16628903 <GO>}

Thank you, Ann. Hello, everyone. Good to be here with you. And I look forward to sharing more on our momentum, opportunity and strategy for the Digital Experience business. It's

really an exciting time for us as Ann shared.

Let me begin by discussing a couple of highlights from Q4. We had strong performance across the board. Our segment revenue crossed over \$1 billion for the first time with 23% year-over-year growth. Our subscription revenue grew to \$886 million, up 27% year-over-year. And our subscription bookings in Q4 we're up over 50% year-over-year. And with that, we were up over 40% year-over-year for the full year FY '21. A lot of that was powered by the success of our Adobe Experience Platform and the native apps that run on it. It's foundational to our Digital Experience business.

We invested early in the platform and have a significant head start having launched the platform in 2019. Our growth has accelerated. Earlier this year, we disclosed that we had passed over \$100 million in revenue. And at the end of Q4, we surpassed \$250 million in book of business. And we have seen a 300% year-over-year growth in customer count. The scale that we are operating in production is massive, over 21 trillion segment evaluations per day and our ecosystem is extremely broad, with over 300 partner integrations.

And as Shantanu and Ann both mentioned, we have really accelerated our innovation over the past 18 months, with new native applications and services, powered by Sensei. A great example of this is Major League Baseball. They are leveraging digital to transform experiences for their customers, with a focus on reaching that next generation of fans and this is across all their channels, at home, on the go and in-venue in the ballpark, they are focused on personalization at scale, delivering that right experience at the right time via the right channel to all of their fans.

And it's not just Major League Baseball, it's clear that every business is a digital business and Customer Experience Management is critical to business success. The changes and the tailwinds that we have seen during the pandemic are here to stay. And this has contributed to a strong momentum in our Digital Experience business. Couple of examples here again, significant growth in average annual recurring revenue across our top 1000, 100 and 25 accounts. We have seen strong growth across all accounts greater than \$1 million in ARR and all of our customers are building long-term partnerships with us. As an example, the combined total contract value of our top 10 accounts is \$760 million, which is three times higher than what it was at the end of FY '19.

When we think about Customer Experience Management, it is imperative for every company today to deliver personalization at scale to millions of customers. That's how they reach and engage all the customers across the world. And it's critical for them to do that to deliver that next level digital business growth. It's all about personalized experiences that are tailored to the individuals, delivered in real time and delivered seamlessly across online and offline channels, based on first-party data and making sure that they honor customer preference and privacy.

And that's what we focus on. Our strategy is battle-tested and helps companies across the world achieve personalization at scale. We offer customers the best of both worlds. Integrated AI-enabled comprehensive applications delivered on a real-time cloud-scale

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platform. We have strong momentum with Workfront, with the ability to unify marketing workflow and increase marketing agility for all customers. And we are the strategic partner for Customer Experience Management. I hear this from customers all around the world every day. And our ecosystem of partners is expansive with over 4,000 partners as Ann mentioned, across ISVs, tech partners, system integrators and agencies.

This is how we make this happen for our customers, through the Adobe Experience Cloud. We focus on four key categories, content and commerce, data insights and audiences, customer journeys and marketing workflow, all delivered on a common platform which is the Adobe Experience Platform. We've had a strong innovation engine over the last 18 months, and that's continuing both on the application layer, as well as the platform, with AI and machine learning capabilities in the platform powered by Adobe Sensei. This is a huge moat for us, with the combination of a comprehensive set of applications and an integrated platform.

In closing, I am incredibly excited about the opportunity we have for the Digital Experience business. We have strong momentum and we are the clear leader in the Customer Experience Management category. We have a large growth opportunity to help every company deliver personalization at scale to millions of customers around the world. And we have the best technology across our Adobe Experience Platform and the native applications, with the ability to grow rapidly as we have shown over the last couple of years.

With that, it's my pleasure to turn it over to David to cover the Digital Media business. David?

David Wadhwani {BIO 16728396 <GO>}

Great. Thanks, Anil, and hello everyone. I've been back at Adobe now for about six months and I'm really excited about what I see. As some of you know, I ran the Digital Media business during the transition to Creative Cloud and while the business has certainly matured since the early days of that transition, some things haven't changed. Our product teams keep delivering incredible innovation and our business continues to show strong momentum and before we dive into what I'm personally excited about for FY '22 and beyond, I want to hit on some Q4 highlights.

Our Digital Media business in the quarter delivered \$571 million of net new ARR in total. With that, Creative Cloud crossed \$10 billion in ARR and we saw continued strength in our Creative Cloud offers, while seeing outsized growth for Substance, which grew 100% year-over-year, thanks to increasing demand for 3D and the emerging Metaverse platforms. We also saw outsized growth in our mobile applications, which grew over 55% year-over-year. Our mobile applications have now generated over 400 million mobile IDs to date and has been a great source of new user acquisition for us.

On the Document Cloud side, we grew ARR 31% for the year, ending at \$1.9 billion. A bit of color behind these numbers, we now have 2.5 billion mobile and desktop devices with Reader or Acrobat installed on them. We're seeing explosive growth in Acrobat Web, where we saw monthly active users grow over 100% since last year and our strategy of

integrating Adobe Sign and Acrobat is clearly paying off for us, with 85% year-over-year growth in Adobe Sign transactions in Acrobat. In aggregate, we ended the year with approximately \$12.2 billion of ARR.

And while we posted a great FY '22 -- FY '21, we have even more exciting opportunities ahead for us. Let's start by talking a little bit about Creative Cloud. The big picture here is that we're living in a time where content and creativity and design has never been more valued, where content is fueling the global economy, where the digital consumption is exploding and where virtually every business needs a digital presence. We're living in a world where creative expression is considered a 21st century skill in education. And we're living in a world where we're seeing emerging 3D and immersive technologies like the Metaverse creating demand for all new types of content. All of this continues to drive incredible tailwinds for Creative Cloud.

In particular though, I wanted to spend a minute on the rise of the creator economy, where we're seeing a growing number of individuals, solar printers and small business owners creating businesses from their passions and monetizing their content, their goods or their services online. The creator economy is already big with nearly a 100 million small businesses on social media and with the majority of them saying, that their online presence is more important to their success than their physical presence.

Now despite it being big, it continues to grow at an incredible rate with nearly 4.5 million new businesses minted in the US alone last year, which was a record. This has been a significant contributor to our success and a major contributor to the over 600 million free and paid monthly active users across our digital media products, who were not considered creative professionals. And of course, this expansive opportunity needs an expansive strategy that drives our mission for creativity for all.

In the next few minutes, I'll lay out how Adobe can help anyone who wants to express themselves in creative ways. From a small business owner to the highest end production house, Adobe has a solution for them because of our investment in five key areas. And since we just launched Creative Cloud Express, I wanted to start by discussing how we empower the world with content-first task-based creativity. Let's go ahead and start by looking at a video of Creative Cloud Express and what it can do.

(Video Presentation)

Creative Cloud Express is the result of years of end-market learning from our web and mobile products and it's built on four key pillars. First, we remove all barriers to adoption. It's free to get started. It doesn't require a desktop download because it's 100% web in mobile. It doesn't have a learning curve and users can create an account and publish content in minutes.

Second, it's got an unparalleled content library, so novice users can build beautiful images and social media posts, digital flyers and more in minutes. This includes a 175 Stock images from Adobe Stock, 20000 fonts and 1000's of templates and design assets and

it's all powered by a universal search capability that surfaces the right content and recommendations at the right time.

Third, it leverages decades of Adobe's product innovation. As you'd expect, we have great workflows with our Creative Cloud applications, but it also includes a slew of Sensei-based quick actions that make creating and editing images, videos and PDF, easier than ever before.

And fourth, we understand that people create content with the intent to distribute it. So Creative Cloud Express has integrations for single-click publishing to social media services and you can expect to see that our recent acquisition of ContentCal will benefit CCX users with even more social planning and publishing capabilities in the very near future.

Creative Cloud Express is easy to use and it's easy to get started with. Users can have a lot of success with the free-tier, but they are also presented with premium features and content for an affordable -- at an affordable monthly price. CCX is also entitled with most CC existing plans, which we expect will drive higher engagement and retention in our core Creative Cloud customer base. And the go-to-market motion is very familiar to us. We'll combine our digital acquisition funnels and our product led growth motion tuned for web in mobile. This gives us an opportunity to continually iterate and optimize user journeys, while ramping this business over time.

We also plan to leverage our existing footprint across education, reseller and enterprise to scale the business. We're thrilled to have Creative Cloud Express in market today. It's been amazing to see what people can make with it and we really couldn't be more excited about this moment and what this means for a start of a whole new journey for Adobe.

So moving beyond Creative Cloud Express, we also have a lot going on across Creative Cloud as a whole. We're advancing the state-of-art in imaging, video and design and more, by building new capabilities across desktop web in mobile. For example, we introduced Photoshop and Illustrator for web at Adobe MAX and we released a series of new Sensei-driven AI/ML capabilities, including Neural Filters and auto masking in Photoshop and auto captioning in Premiere, just to name a few.

We also continued our focus on democratizing 3D and immersive. Substance 3D now supports end-to-end 3D workflows. Users can design parametric 3D assets in Designer; compose rendering virtual scenes in Stager; add texture, color, effects in Painter; and create 3D materials with Sampler. This enables fully virtual photoshoot, saving companies a lot of money and a lot of time and speeds up asset and scene creation for inclusion in games, videos and the emerging metaverse platforms.

Collaboration is another big area of focus for us. We're putting into -- we're integrating collaboration directly into our apps and existing creative workflows. We're very excited about the Frame.io acquisition and see tremendous opportunity across individual, corporate and media workflows with that product. We shipped a public beta of share-for-review workflows at MAX and we demoed Spaces in Canvas, which we believe will enable teams to organize their creative assets and host live working sessions.

And last but certainly not least, we continue to produce content that inspires and educates our users through services like Adobe Live. We help users monetize their work through services like Adobe Stock and we help them connect and inspire each other through services like Behance, which now is closing in on almost 29 million members.

These five strategic pillars work together to ensure that anyone with creative needs can find a solution at Adobe, whether they are a creative professional trying to keep up with the increasing content demand or they are a communicator participating in the creator economy or a consumer looking up -- looking to up their game in photography or a student developing 21st century skills.

We use our data driven operating model, DDOM, to engage them as they express their interest online, by perhaps searching for something like compositing in Photoshop or designing a Twitter post. Based on their intent, we then route them to one of our Creative Cloud apps, one of our mobile apps or one of our frictionless web quick actions. We make sure that they have early success and then we introduce them to other capabilities in Creative Cloud or Creative Cloud Express, before converting them to and engaging them as a paid user. This digital motion combined with our reseller partners, our direct sales teams, gives us an amazing global footprint and reach.

So in summary, everything is going digital and content is fueling the digital economy. The result is a massive and growing TAM for Creative Cloud as Ann talked about earlier, and our offerings which now include Creative Cloud Express, continue to expand to meet market demand for both professionals and non-professionals. We couldn't be more excited about the opportunity ahead for the Creative business.

And as you know, the other part of the Digital Media business is of course our Document Cloud, which is also experiencing significant tailwinds. Demand for PDF has never been greater. In fact, web searches for PDF have doubled in the last decade and we believe the reason for this is that PDF has become the de facto format for unstructured data. PDF has also been the de facto standard for business to business collaboration, where nowhere is this more pronounced of course than with e-signatures. This makes PDF an essential part of modernizing any business workflow. And Adobe is uniquely positioned to take advantage of this trend.

Our apps are installed on over 2.5 billion devices and we've opened in our apps, we've opened or created 320 billion PDFs in the last 12 months alone. We continue to be a leading destination for PDF viewing and we saw 100 million free and paid sign ups over the last year. And we see that Acrobat can be a gateway to related services. Adobe Sign transactions in Acrobat as I mentioned earlier, have increased 85% year-over-year as we continue to deepen the integration between the two offers.

Our strategy here is clearly working and we are investing across five key motions to make sure it continues to. First, our document verbs strategy has been very effective. We now have 21 verbs in market, everything from edit PDF to convert PDF to rotate PDF and we're seeing continued -- and we're continuing to optimize our digital acquisition and

increasing our share of voice across the 80 million PDF-related searches that happen every month.

Second, we're proliferating e-signatures by integrating them into Acrobat across all services, desktop, web and mobile. Given our early success here over the last year, you can expect to see us continue bringing these products closer together in the years ahead.

Third, we remain committed to making PDF more intelligent for both interacting and reading. Adobe is reinventing mobile PDF viewing with Liquid Mode. We're accelerating document productivity with automated form field detection and we're helping transform unstructured data to structured actionable data with our AI/ML based extract functionality.

Fourth, we're unlocking business workflows through our PDF and Sign APIs. This empowers developers to build document automation solutions that transform how their businesses work.

And fifth, we're leveraging our diversified go-to-market motions to reach anyone with a document need. Our global resellers and inside sales teams give us amazing access to a broad base of business demand. Our enterprise sales team allow us to sell tops-down to CIOs looking to transform their business and perhaps most importantly, our digital funnel continues to drive individuals -- individual users into our conversion funnels. Knowledge workers, communicators, IT decision makers and developers, all have frictionless on boarding pathways.

Our data driven operating model helps customers discover Adobe technology when they're are searching for PDF-related verbs and we engage them in ways that provide quick success on web, mobile and desktop before upselling them to premium features products, services or APIs that broaden their engagement with Adobe over time. In short, Document Cloud is incredibly well positioned for the years ahead.

I hope this gives you a sense of why we're excited about both the Creative and Document businesses. In summary, both businesses are benefiting from significant tailwinds that are underpinning their large and growing TAMs, both businesses are realizing the market benefits by leveraging our amazing brand awareness. Our go-to-market footprint and our incredible pipeline of innovation and both businesses have the opportunity to supercharge their existing data driven operating model by pairing it with a product led growth motion as our capabilities increasingly are accessed by users on web and mobile.

So we're really excited about the year ahead. And with that, I wanted to turn it over to Dan.

Dan Durn {BIO 17483115 <GO>}

Thanks, David. And before I jump in, I also want to thank him for letting me borrow his sweater today. Let me begin by saying how thrilled I am to be here today and be a part of this amazing team at Adobe. Having just been here for a few months, it's obvious what a special company this is, and I couldn't be more excited about what's ahead.

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Now let me jump in with Adobe's Q4 results. Adobe achieved revenue of \$4.11 billion, a significant milestone which represents 20% year-over-year growth. GAAP diluted EPS was \$2.57 and non-GAAP diluted EPS was \$3.20. Digital Media segment revenue was \$3.01 billion. The businesses first \$3 billion quarter which represents 21% year-over-year growth with net new Digital Media ARR of \$571 million. Digital Experience achieved its first \$1 billion quarter, which represents 23% year-over-year growth. Digital Experience subscription revenue was \$886 million, representing 27% year-over-year growth. We had record cash flows from operations of \$2.05 billion in the quarter and we repurchased approximately 1.6 million shares of our stock.

Turning to our three strategic clouds, it was a tremendous finish to the year. In Q4, Adobe achieved \$2.84 billion in Creative revenue and added \$430 million of net new Creative ARR. We exited the year with more than \$10 billion of ending Creative ARR with strong performance throughout the year. Growth drivers in the quarter included acquisition of new users on adobe.com, strength and our teams offering, seasonal Q4 strength in the enterprise and success co-selling frame IO with our Creative Cloud enterprise offerings. However, while we saw increased demand for offerings during the Black Friday and Cyber Monday weeks, we did not see the traditional spikes we have had in previous years. This is consistent with this year's industry trends in line with e-commerce holiday shopping data from the Adobe Digital Economy Index.

Adobe Document Cloud achieved \$532 million in Q4. Revenue continues to be our fastest growing business. We added a record \$141 million of net new Document Cloud ARR in the quarter with ending ARR of \$1.93 billion, growing 31% year-over-year. Our Integrated Document platform is clearly resonating with customers around the globe, we continue to see momentum with enterprises small businesses and individuals using web and mobile first tools.

In Digital Experience, we achieved our first \$1 billion revenue quarter. We're seeing strong demand for our real-time Experience Platform and app services. As large enterprises are making investments and Adobe to drive customer experience management and personalization at scale, we drove record Q4 net subscription bookings and for the full fiscal year we grew net ASV greater than 40% year-over-year.

Let's look quickly at the annual numbers. Adobe's financial performance in the year was outstanding with both top line acceleration and margin expansion in the year, resulting in more than \$7 billion of operating cash flow and remaining performance obligations grew 23% year-over-year to nearly \$14 billion absolutely world-class performer.

Now let's discuss what a unique investment opportunity Adobe is. These are some of the outstanding qualities of Adobe and energized me about the opportunity and it's what ultimately brought me here today. There is a fundamental shift towards digitization that's accelerating around the globe, and I believe Adobe is better positioned than any other company to capitalize on these opportunities.

Combining that with Adobe financial track record as well as industry defining products and platforms, the result is an immense runway ahead of this company for growth. Let me

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elaborate a bit more on my view of this opportunity. In the years ahead, there's going to be fundamental shifts in all aspects of our lives, all of them digitally enabled. Digital enablement will increasingly shape and define how we live, how we create, how we communicate, how we collaborate, how companies serve their customers, how companies compete and how economies function. These changes are both powerful and pervasive, I call it the digitization of everything, the digitization of everything is accelerating and I believe what happens in the next 10 years is going to define the rest of the century similar to what happened in the industrial revolution, except now digital content and data are going to be the fuel of the digital economy. This is a generational opportunity and we're talking about unlocking trillions of dollars of economic value in the global economy.

When you look at Adobe's foundational strengths, there is very few companies that are as leveraged to the digitization of the global economy as well as we are. From the way people create and communicate, to the future of productivity and digital collaboration in a distributed work environment, to the digitization of businesses, driving customer engagement with data-driven insights to personalized customer experiences, but do it at massive scale to AI and machine learning, global trends towards digitization have so many intersections with Adobe's unique strengths. Again, digital content and data are the fuel of the digital economy, and I believe no one is better positioned than Adobe to be the digital enabler of the world.

How many companies on the planet have this profile, how many companies have this opportunity? Not very many. When I think about our near-term strengths combined with our long-term opportunities, there is a uniqueness here that's incredibly exciting.

Let's double-click on the company's financial performance and take a closer look at what I'm talking about. Starting with revenue growth, you can see consistent sustained revenue growth over the last four years as the company has grown subscription revenues at a 24% CAGR, that has been the strategy continuing to grow while producing a revenue stream that's even more ratable and predictable. I'm incredibly impressed by this team's acumen what they've been able to accomplish as well as by the contribution to revenue growth from newer initiatives including Adobe Stock, Substance 3D, Acrobat Web, Sign, Creative Cloud, mobile apps and the Adobe Experience Platform.

Underlying this financial performance is an incredibly diverse business from our broad base of customers to diversified products and platforms comprehensive business models and go to market reach that spans across all geographies. With growing and diverse revenue streams, the company has been able to expand profitability over the last four years while accelerating the top line. Adobe's disciplined execution and investment rigor has enabled the company to balance long-term investments while also focusing on profitability. This time period also includes the integration of several strategic acquisitions, Magento, Marketo, Algorithmic, Workfront, FramelO. It's impressive the way Adobe has managed to combine expanded profitability with strong sustained top line growth and M&A integration.

Let's talk about RPO. Contractually, committed future revenues which make Adobe's future performance incredibly predictable and reliable, exiting fiscal year 2021, RPO grew 23% on the strength of our enterprise bookings, RPO consists of deferred revenue and

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unbilled backlog with the current portion expected to flow into revenue over the next 12 months. It's also important to note that most of our adobe.com subscriptions are billed monthly and don't show up as deferred revenue, the remaining contractual commitments of those subscriptions, which average about six months in length at any given time are included in unbilled backlog.

The cash flow performance really speaks for itself as you can see the way our operating cash flows have accelerated over the last two fiscal years, sustained growth and profitability at scale is not easy to achieve, the momentum at Adobe is strong as evidenced by our first \$2 billion quarter of operating cash flows. A strong capital structure with robust investment-grade credit rating positions us to continue to drive growth and provides flexibility making access to capital affordable for Adobe.

Let's talk about our capital allocation strategy. First, we focus on investing in the business to drive long-term growth. Given the tremendous opportunities in front of us, some of our recent innovative R&D initiatives include our next-generation data platform as well as Creative Cloud Express, which we announced earlier this week, we're going to continue to invest in sales and marketing to scale those businesses globally. Second, our cash and investment balances as well as our debt capacity enable inorganic growth opportunities, you've seen the way we've accelerated growth and made accretive strategic additions over the last fiscal year with Workfront and Frame.io. Lastly and importantly, we focus on returning capital to our shareholders. Our stock repurchase program is funded through growth in our operating cash flows, and you can see how successful we've been in driving down the average shares outstanding over the last four years. Since 2018, we've returned approximately \$12 billion to shareholders through our stock repurchase program. Exiting Q4, we have 13.1 billion of remaining stock repurchase authority through the end of our fiscal 2024.

The hallmark of a great technology company is consistent innovation in category-defining products, Adobe has done that across all its businesses and we'll dive into each of them next to discuss the performance drivers. First Creative, the company has driven sustained ARR and revenue growth which accelerated from fiscal 2020 to fiscal 2021. Let me tell you about the underlying data-driven operating model used to drive this performance. It all starts with innovation and the most comprehensive industry defining portfolio of products. Our brilliant marketing campaigns generate awareness about Adobe's offerings and drive traffic to adobe.com to engage customers to try buy, use and renew. It's about taking creators on a journey first with simpler applications including our mobile, tablet and web applications, connecting them with vibrant creative communities and then providing journeys that empower them to do more as they advance including services like Adobe Stock, Cloud libraries and collaboration features.

Now with the addition of Frame.io and Creative Cloud Express, we're continuing to grow the business by broadening the aperture and reaching new creators and stakeholders that will power the world's content. We continue to drive strong growth for Document Cloud again you see this in sustained revenue growth with ARR growing even faster as the business shifts to being increasingly subscription-based with approximately 90% of Document Cloud revenues in FY 2021 now being subscription. The main Document Cloud growth driver continues to be new user acquisition, we're seeing strong growth of Acrobat

on Adobe.com across geographies, growth on the web as well as in mobile and seat expansion in the enterprise, PDF and Document workflows our mission-critical to the way people work and collaborate in the digital first world.

As Anil mentioned earlier, there's tremendous growth opportunity within our cohort of large customers. As we focus on cross-selling and moving them along the maturity curve towards the transformational adoption of our entire platform and set of customer experience management solutions. The average ARR and total contract value of our largest customers demonstrate how massive this opportunity is and we grow by adding new logos to our customer base and then expanding within those accounts on multi-year journeys.

As impressive as this company's track record is, I believe there's even more growth ahead of us. I fundamentally believe there is a \$1 trillion market cap opportunity and Adobe's future. Having crossed the \$15 billion mark in revenue. What does the path to \$30 billion look like? And then from there how we're going to get to \$45 billion. It starts with an estimated \$205 billion TAM and a huge ecosystem that we've built around our market-leading products and services. How are we going to get there. We're going to continue to broaden our appeal to a wider universe of customers, engage and retain our current customers across all geographies. We're also going to grow by innovating and investing to enter new categories that further complement and expand our growth trajectory, better enable our customers in the digital era.

When we execute on that strategy over the next decade, our scale and success will put Adobe in a class that only a few software companies have achieved. Having passed the \$15 billion revenue mark, we're going to start reporting revenues in constant currency given the potential impact of foreign exchange movements, following a year in which FX was a tailwind to reported revenues, the recent U.S. dollar strength is expected to result in a headwind to our reported revenue and growth rates for fiscal year 2022. Consistent with our annual practice, we've revalued our Digital Media ARR balance to account for the movements in the FX rates.

For operating expenses, we continue to save on travel and facilities in fiscal year 2021 while many of our employees continue to work from home. We expect these expenses to ramp throughout FY 2022. We also plan to invest in increasing headcount and integrating Frame.io. We believe these are critical investments we're making and we're going to focus relentlessly on the organic growth opportunities ahead.

Lastly fiscal year 2021 was a 53-week fiscal year with an extra week in Q1, that week added approximately \$267 million of revenue and \$25 million of net new Digital Media ARR, the math around the return to a 52-week fiscal year is expected to be a 2 point headwind on our full year FY '22 growth rates and a 7 point headwind in Q1.

Here's Adobe's fiscal year 2022 annual targets. We show our segment growth targets on an actual and adjusted basis in constant currency factoring for the additional week last year. Total Adobe revenue of approximately \$17.9 billion, net new Digital Media ARR of

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approximately \$1.9 billion, Digital Media segment revenue growth of approximately 14% year-over-year or 17% on an adjusted basis.

Digital Experience segment revenue growth of approximately 14% year-over-year or 17% on an adjusted basis. Digital Experience subscription revenue growth of approximately 16% year-over-year or 19% on an adjusted basis. Tax rate of approximately 17.5% on a GAAP basis and 17% on a non-GAAP basis. GAAP earnings per share of approximately \$10.25 and non-GAAP earnings per share of approximately \$13.70.

For Q1 of fiscal 2022, we're targeting revenue of approximately \$4.23 billion. Net new Digital Media ARR of approximately \$400 million. Digital Media segment revenue growth of approximately 8% year-over-year or 17% on an adjusted basis. Digital Experience segment revenue growth of approximately 11% year-over-year or 18% on an adjusted basis. Digital experience subscription revenue growth of approximately 13% year-over-year or 20% on an adjusted basis. Tax rate of approximately 16% on a GAAP basis and 17% on a non-GAAP basis. GAAP earnings per share of approximately \$2.63 and non-GAAP earnings per share of approximately \$3.35.

I want to conclude by sharing what this Company has achieved over the last four years. Whether it's revenue growth and profitability, outstanding cash flow generation and shareholder returns, Adobe's track record demonstrates why this Company is in a class of its own. I firmly believe that our best days are ahead.

Thanks so much for your time today. I'm going to now pass it back to Shantanu.

Shantanu Narayen {BIO 3332391 <GO>}

Thank you, Dan. And thanks as well to Ann, Anil and David for outlining the opportunities across our three industry-leading clouds. As I said earlier, I'm incredibly excited about Adobe's future and our ability to not only lead, but also create new categories. I think if you zoom out a little bit and think about it from a macro perspective, all over the world, it's clear that digital is empowering individuals, transforming businesses and connecting communities. And frankly, digital is going to play a much bigger role in work, life and entertainment going forward.

We've seen the rise of the creator economy and the democratization of creativity, work and education and now hybrid and here to stay in that form. Cloud and web technology advances are powering unprecedented levels of real-time collaboration. Document workflows are increasingly going to be automated. And most important, the mandate for a digital business is more urgent than ever before, as customers now expect digital-first experiences that are both contextual as well as personalized. E-commerce growth is building on the record highs achieved during the pandemic.

From a technology base, artificial intelligence and machine learning have become indispensable facilitators of our daily lives. And so I think in short, digital technologies are enabling more people to create, collaborate, learn, work, be productive and make a living than ever before. I love our mission and the ability to change the world through digital experiences puts us as the nexus of all of these trends. We are incredibly well positioned

to drive meaningful impact across every aspect of society and that will benefit billions of people around the world for years to come.

As we think about the Company, at Adobe we believe it's not just what we do, but it's also how you do that it really matters. From the very beginning, John Warnock and Chuck Geschke, our founders, committed to building a Company that does the right thing and the sense of purpose has guided our evolution and growth over the past four decades. I think we are all witnessing the shift in the role that companies have to play in sort of social issues and the expectations that stakeholders and investors have for corporations. As you reflect on how companies have responded to the COVID-19 pandemic, it's been remarkable. With that, stakeholders around the world are looking to the private sector to become more active in social issues and people are making decisions on the products that they buy and the places that they work, based on where companies stand.

As our products have become ubiquitous and we help many more companies harness the transformative power of our digital technologies, our responsibility and our commitment to corporate citizenship has also grown dramatically. And I believe that the issues on which Adobe is uniquely positioned to make an impact, are on Adobe for all, making sure we create a diverse and inclusive culture for our employees, as well as position that for our customers and partners. On the belief that technology will transform and in addition to providing technology, we have a responsibility to understand what that means. And I think most important, to being able to allow everyone who has a story to tell their story, the notion of creativity for all.

The reality is that we've been leaning into these for several areas already and our efforts on making a real impact across the Company and our customer communities for many years. But I think it's this purpose that motivates our employees to focus on having more impact and frankly inventing the future. I love the fact that our strategy has remained relatively consistent for the past decade. Our strategy to unleash creativity for all, to accelerate document productivity and to power digital businesses is more mission-critical than ever before.

I think most companies would be thrilled frankly to have one of these growth opportunities. And we're fortunate that we have three businesses that are absolutely in the sweet spot of where the world needs technology to play a more important role. We have the right strategy. It's applied to an exceptional and growing opportunity and so we are no way opportunity constrained.

I'm going to end with how I started. I believe that Adobe is uniquely positioned to drive the next decade of growth. We have a proven capability to create and lead categories and we're always looking around the corner, to the white space that exists, that will provide new opportunities for Adobe. We're thinking bigger about every part of our business, how we scale and how we expand the customers that we serve. We continue to focus on innovation, delivering leading products, services and platforms as we leverage artificial intelligence and machine learning.

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We're continuously thinking about innovating in business models as well, to rapidly deliver more value to a larger set of customers, to capitalize on global growth opportunities and to enable new monetization models that are emerging. And at the end of the day, our technology support a vibrant and growing ecosystem of partners that create, customize and extend our solutions to meet the unique needs of our joint customers. But at the end of the day, our greatest asset as being an intellectual property Company and what's truly driving our growth, is our highly engaged global employee base, over 25,000 strong to whom I'm eternally grateful.

Thank you again for joining us today. I believe 2021 was a fantastic year and we clearly expect that momentum to continue in 2022 and beyond. As we look forward to our 40th anniversary next year, Adobe stands in an enviable position, an impressive track record of innovation, category and brand leadership, great financial performance and multiple growth opportunities. Coupled with the expanding market opportunity, the depth of our technology platforms and the motivated employee base, I certainly believe that Adobe's best days are ahead of us.

And with that, we'll roll a video while we assemble the management team for our Q&A.

(Video Presentation)

Okay. Are we on for Q&A. Great. I know we are on for Q&A. Before we get started, let me introduce two other members of the executive team who are also here with us to answer the questions that you might have. Gloria Chen, our Chief Human Resources Officer who has also run strategy in the past, as it relates to any questions that people have about the pandemic or what we are doing with our global employee base. How do we continue to make sure we ensure that we have the best talented and motivated employees. And Scott Belsky, our Chief Product Officer of Creative Cloud, frankly the visionary behind all of the great innovation that we're delivering across desktop, mobile, collaboration, including the new web-related functionality that we showed at MAX, as well as what we did with Creative Cloud Express.

And so with that, I'll turn it over to Jonathan to help navigate the Q&A.

Questions And Answers

A - Jonathan Vaas {BIO 21700508 <GO>}

Thanks, Shantanu. So we've shared a lot of information today. You can clearly see the team's enthusiasm around the growth opportunity ahead. Now, we'd like to go ahead and take your questions. So for folks who are on the phone, if you haven't already done so, please go ahead and queue up for questions. Quick reminder, we do ask that each of you limit yourself to just one question per person. That will allow us to get through as many people as possible.

And with that, I'd like to go to the Operator. Operator, can we go ahead and take the first question please.

Operator

(Operator Instructions) First question will come from Saket Kalia with Barclays. Please go ahead.

Q - Saket Kalia {BIO 16417197 <GO>}

Okay, great. Hey folks thanks for taking my question here and congrats Anil and David on the promotion and welcome Dan.

A - Anil Chakravarthy {BIO 16628903 <GO>}

Thank you.

Q - Saket Kalia {BIO 16417197 <GO>}

Maybe the question is -- maybe to start us off, I'd love if we can address the Digital Media net new ARR in the quarter, particularly within Creative. I think Dan you had mentioned that we hadn't seen spikes that maybe as high as we've historically seen around Cyber Monday and Black Friday. I was wondering if the team could just go in a little bit deeper into the results versus the guide and then maybe comment on the competitive backdrop within Creative specifically?

A - Anil Chakravarthy {BIO 16628903 <GO>}

Why don't I start with that Saket and then I'll certainly have others add. I mean as we look at the Digital Media ARR accomplishment over the quarter, firstly, it was a record quarter as well as it was a record year. And when we think about what our Digital Media guide was, I mean, we certainly expected frame to close in the quarter and it closed pretty early in the quarter. And so what we do is we think about a range of outcomes and what that might do and certainly we wanted to focus on frame as well, but it was probably not explicitly factored into the quarter.

When you consider it from different customer segments. The team business actually performed really well right through the quarter. And so the Teams offering and the strength in the small and medium business was great. Enterprise, we actually actively redirected and pivoted the team to think about video and frame and how we were continuously selling it, as I said it closed early in the quarter and so enterprise had the traditional Q4 strength as well that we normally expect. The individual demand was actually fairly strong right through the year, as Dan mentioned, maybe the one slight change is that, as you think about what's happening with online shopping, while we continues to see demand up into the right we perhaps did not see as much of the spike as you would have perhaps seen traditionally in either the Black Friday or the Cyber Monday weeks. But apart from that strength and demand continues to be strong and clearly we've factored that into our guidance for fiscal 2022, which is the strongest ARR guide that we've ever guided to.

I think as it relates to the product and the differentiation, maybe I'll have Scott touch on that and then David can certainly speak to other issues of the business.

A - Scott Belsky {BIO 2409231 <GO>}

Sure in terms of product differentiation for Creative Cloud. I mean, what a year we had, we delivered some of the mind-blowing Adobe Magic throughout our actual pro products, Neural Filters and Photoshop for example, a lot of the collaboration features and we really made a proclamation that Creative Cloud going forward will be as much about collaboration as it is about creativity, which if you think about it invites many more stakeholders of creativity into the fold. And that's what we're seeing across all of our enterprise as well as small businesses.

Everyone wants to be a stakeholder and have a say and be able to jump in and give feedback, and so we're building our products for the future to enable that. I also want to mention, of course, last week we launched Creative Cloud express and this is just the start of an amazing new chapter for us. We've had a number of products in the market in our incubation zone we call it as we learn about how to really fulfill our mission of creativity for all. And now we've galvanized all of the learnings, all of the signals and we just couldn't be more excited about the new journey we're on here with that product in particular.

A - David Wadhvani {BIO 16728396 <GO>}

And I'm happy to add a little bit more from the business perspective as well, all the innovation that Scott talked about and has been driving. One of the big things that you have to recognize is that is really what's driving the TAM growth that and talked about earlier both in terms of expanding the base of people we can access with something like Creative Cloud express and also increasing the value that we're providing to our Creative Pro base. So as you start looking at where we are going with the business, we're building on the momentum as we talked about we had a to almost \$2 billion of net new ARR added in FY '21, we had a strongest guide ever and it's really on the back of that.

One more thing with regard to Creative Cloud express and how that will start to drive opportunity for us, it can start by actually adding a lot of new users to the franchise. One of the things that we've been doing a phenomenal job with and I think this expands is bringing new users to Adobe getting them successful with what they're doing and then start to mature them up the value curve into Creative Cloud subscription or now Creative Cloud express subscription. But we're also making this available to all Creative Cloud customers. This is something that we see a lot of Creative Cloud customers occasionally want speed and content first development. For those user as we see the opportunity to really drive higher engagement and retention even beyond where we already are. And then as you start to have more plans that are separated for the kinds of things people want to do it gives us the opportunity to drive more price optimization across the lines as well. So we're very excited about where we're heading and what this really adds to the mix we have.

Q - Saket Kalia {BIO 16417197 <GO>}

Got it. Thanks very much guys. Very helpful.

Operator

And our next question will come from Alex Zukin with Wolfe Research. Please go ahead.

Q - Alex Zukin {BIO 18006605 <GO>}

Hey guys. Thanks for taking the questions. Maybe I'll go a little bit more direct we're (inaudible) investors. If I look at the guide, if I look at the performance of this year or quarter and we assume that Frame.io was not in the guide, it's the first time I think Adobe that you've actually not outperformed your guidance for the quarter. And so I realize that there are definitely worth in Q4 that may have impacted that. Just give us a sense of like what do we now split back there and you had to look back at the COVID impacts of both the second half, the holiday season or how should we think about the confidence in your guides for the next year vis-a-vis your historical cadence or historical pattern and seasonality?

A - Anil Chakravarthy {BIO 16628903 <GO>}

Yes, Alex. I mean, I'll take that and if you think about it, our first as people who covered us for a long time we take our guidance very seriously, and let me maybe roll back a little bit to what we accomplished in 2020 and then how we guided for 2021. As you know, we guided a little bit below what our 2020 guidance was, in 2021 when we started and we certainly outperformed that guidance as it relates to Digital Media ARR accomplishment in 2021. And if you look at how we have guided for 2022, it's actually a little bit closer to our 2021 guide as a starting point. And so clearly we continue to be incredibly optimistic associated with the underlying strength of the business, the overall need for creativity just continues, we don't believe in any way, shape or form there were sort of pull ins, I know that sort of exists for other companies we just continue to see secular trend and some of the new initiatives that we have underway.

I mean we really pivoted the team to be thinking about enterprise and video, we have Creative Cloud express, the usage is going to build dramatically, we already have the largest communicator business I think among the creative community. So we're incredibly optimistic about how that business looks. And then if you look at it from a quarterization perspective, again, let's just go back and look at what we guided in Q1 of 2021. As you know, when we guided to a number we were factoring in the 24 million that we outlined was an additional part of what we accomplished as part of the 13 versus 14 week. And so if you look at it's very much in line, in other words, the trends of the business continue and the optimism in the business continue. So that's how I would think about it Alex.

Q - Alex Zukin {BIO 18006605 <GO>}

That's super helpful. And then maybe just one for Anil on CDP. The last time we talked about CDP product, I think you talked about us being surpassing \$100 million in ARR margin clearly but from your commentary, it sounds like a, I think to perform really, really well and it's really a growth balance for the entire Digital Experience. Where are we with that business today, if there's any way to dimensionalize work for the growth trajectory in your perspective?

A - Anil Chakravarthy {BIO 16628903 <GO>}

We see a lot of momentum, the market clearly customers looking at us and say they have the right vision, and we have the right product to really think about a range of use cases that supported by the Adobe Experience Platform. And we've done a really nice job of integrating our applications with the Adobe Experience Platform so that you could able to

populate the data from our analytics platform and then use the data for activation across all kinds of channels. So in terms of scale, in terms of performance, in terms of the range of use cases, data governance, et cetera, it's really enterprise ready right now and enterprises are beginning to see that this is at the heart of their digital experience and the digital customer engagement. So we feel like we're in a really good place right now with it.

Q - Alex Zukin {BIO 18006605 <GO>}

Perfect. Thank you guys.

Operator

Up next, we will hear from Keith Weiss with Morgan Stanley. Please go ahead.

Q - Keith Weiss {BIO 6993337 <GO>}

Excellent. Thank you guys for taking the question. I wanted to dig a little bit into -- I think David, you started getting into this with the positioning of Express and how we should think about that. How does the Express positioning relates to kind of what you guys were trying to do with Spark and those mobile offerings in terms of an entry ramp, is it kind of in between those two? To what extent should we think about this as defensive to some of the emerging competitors that are ramping up in the marketplace?

And is there any risk of downshifting the existing Creative Cloud customers who need a lighter weight solution, now it appears a, cheaper offering, if you will, is there any potential that you could see some downshifting within the base of people trying to price optimize there or to the contrary, does this allow you to sort of pull price up on the core Creative Cloud? Can you just help us with those kinds of questions on the positioning around the portfolio now?

A - Shantanu Narayen {BIO 3332391 <GO>}

Okay. Maybe I'll start, Keith and then David, certainly you can add to it. If you take a step back, I think this just speaks to the enormous opportunity that exists for creators and if you look at our offerings already today, Keith, I mean we have an incredible diversity of offerings, we have Photoshop Express on mobile, that's doing great as it relates to the ARR and we have you know, the Creative Cloud product that also allows now the Substance 3D products that's probably the most expensive and so, I think with online and our DDOM, we now have absolutely the ability to target and personalize our offerings against -- against a broader set of customers and to make sure that we make it all net positive, and net from a customer satisfaction, as well as a net positive from the ARR that we accomplish.

A couple of other things. I mean first, our Creative business with the communicator segment is already the largest Creative business in the world. I mean, when you think about what's happening with Photoshop or Lightroom or the Express set of products and I think what Express really does is, it actually adds value to every single Creative Cloud subscriber. I mean there are Creative Cloud subscribers who are incredibly proficient in

video, who sometimes want to do a quick flyer associated with it and so I think this brings more and more and more people into the fold.

It's similar frankly to what we've done with the Document Cloud, where when you think about what's happening with this organic demand that we've created for PDF and so net-net, I think it's accretive and then I'll hand it over to David to speak specifically about how this might roll out, but it is actually an enabler for us and it unifies frankly all of the different Creative offerings that we've already had for the communicator segment.

A - David Wadhwani {BIO 16728396 <GO>}

Yes. Just adding to that, we look at this as a really pivotal moment in terms of our ability to -- to fulfill a need that we know our customers have. If you -- if you think back to what we talked about earlier, we have 400 million IDs that have been created on mobile devices already. We have 600 million monthly active users across our digital media products that are not Creative professionals and Creative Cloud Express represents an opportunity to give all of them something that we can onboard them to in an effective way.

As Shantanu also talked about, one of the things that we find really exciting about this is that our Creative Cloud base as well is looking for -- sometimes often they're looking for the power and precision of our Creative flagship applications, but sometimes they just want a velocity-driven content-first creative creation model too and by giving Creative Cloud Express to most of our Creative Cloud plans, we expect to drive even higher engagement and retention there.

And the last thing I want to say is that, this fundamentally expands how we think about our go-to-market motion. We have talked for the last many years about our data-driven operating model and how that drives our ability to pull and acquire users, bring them into our acquisition funnels. With product-led growth because of our increasing investment in mobile and web, we have the ability to do a lot more quick iteration and optimize the user journey. So that conversion of that 600 million mile into -- into paid and premium customers and engagement with them continues.

And the last thing I will say is that, I don't think you can look at this market as you've got non-professionals and professionals. We have a lot of non-professionals that really want to use the power and precision of -- precision of Creative Cloud. And so we look at this as this ongoing seamless journey from the first time you come and you want to do something with Creative expression, you can do it for free with Creative Cloud Express. We then move you up that change so you have the premium content and availability of the premium features and content in Creative Cloud Express paid plan. And then we see people are able to actually move all the way up to the power and precision of Creative Cloud. So it's really a seamless end-to-end journey.

Q - Keith Weiss {BIO 6993337 <GO>}

Got it. Is that what you're talking about when you mentioned price optimization? Is it just having more gearing within that pricing?

A - Shantanu Narayen {BIO 3332391 <GO>}

Yes. Certainly, Keith. So we've talked about price optimization being it. I mean, for the first time as you saw with the 3D products, we did not include it as part of Creative Cloud all applications because of the value, but certainly I think as we get a better feel for all of the different offerings that we have, there are some offerings that are probably underpriced relative to the value that they are providing. But our focus just continues to be, attract more people to the platform and deliver more product value.

Scott, were you going to add something on Creative Cloud Express?

A - Scott Belsky {BIO 2409231 <GO>}

I was just going to say, I mean, I think, David you covered certainly the opportunity for Creative Cloud Express for the broader franchise. But one of the very exciting things that we've learned over the last few years is -- is really around the distinct customer needs that were just not covered frankly by Spark or Photoshop Express, other things we were doing or other kinds of competitive tools out there and I just wanted to share a few of those, because I think they are

Really relevant.

I mean first of all, we're seeing a lot of these customers that come in wanting to make something with a template, they want to be able to go further. So our product team is actually very excited about the prospect of a customer being able to make something and then take it to the next level using one of our more pro-ish applications like Photoshop or Illustrator. Also the desire for artificial intelligence, a lot of customers come in from small businesses, etc, and they have an idea of what they want to make, but they want some assistance in making something remarkable. They want fonts to be recommended to them, they want colors that will perform better in social media, and so we have an opportunity to do that.

And then finally, the idea of a multimedia editor was another really important insight for us in the development of Creative Cloud Express. Because what we learned is that, while a lot of customers come in through the top of the funnel because they want to make a flyer, they want to edit a video, they want to edit an image and when they come in, they actually realize, maybe I'll add some animation, maybe I'll add some sound and before you know it, it's a multimedia creation. And so we're very much building Creative Cloud Express not just for where the customer is now, but where we see the market going. People are going to want to stand out with their media and that's something that I believe Adobe can uniquely deliver with this product.

Q - Keith Weiss {BIO 6993337 <GO>}

Outstanding. Super helpful guys. Thank you.

Operator

Up next, we'll hear from Kirk Materne with Evercore ISI. Please go ahead.

Q - Kirk Materne {BIO 5771115 <GO>}

Yes. Thanks very much. Anil, I was wondering if you could just talk a little bit more about some of the strength you're seeing in the enterprise side, on the Experience Cloud front. Obviously RPO was really strong. I assume a lot of that strength came from the Experience Cloud side and what continues in the next year, because when you look at the fiscal '22 guide, obviously DDOM, that I assume some of that's just Workfront being anniversary. But can you just kind of tell us what you're sort of assuming continues in -- in the strength of business this year going into next year. What has momentum in that business that you feel good about and where are some of the potential points of leverage in terms of upside next year? Thanks.

A - Anil Chakravarthy {BIO 16628903 <GO>}

Well, we definitely see some of the tailwinds we saw during the pandemic continuing and every company, B2C companies, B2B companies and companies that are experimenting with new business models, direct-to-consumer for example, they're all starting to invest across the board in Digital Experience and we see that play out across all of the categories that I laid out. Definitely with one view of the customer, a single view of the customer that carries through the unified profile that we have in the Adobe Experience Platform, that is at the heart of all customer engagement. So if you kind of map it to how we think of our DDOM, everything from discover to try to buy to use to renew, that whole journey needs a common unified profile, so that you can deliver a consistent experience across all channels and that's a major investment that all companies are making.

And so what we've been able to do is, to really take advantage of all of the knowledge we have and the applications we have across all of these areas, and populate that data in the Adobe Experience Platform and that gives us a clear head start for with every company and then say -- then opening it up by saying that it is open to developers, the data model is an open data model, it runs on top of a cloud so that its horizontally scalable, that has really made it something that any enterprise of any size can use, but they can also get started in a particular geography or in a particular business unit or a customer segment and scale from there. So I'm really excited. I think across our categories, we definitely see a lot of strength and more as we now see some of the trends that we've just talked about with the creator economy and so on, that will continue to add more use cases that will be built on top of the platform.

A - David Wadhwani {BIO 16728396 <GO>}

And Kirk, if I were to add a little bit more to that. I mean, when you take a step back and think about what we've accomplished, we created the Digital Marketing category and we said there is a much larger opportunity as it relates to this Customer Experience Management. The innovation that went into the building of the Experience platform and the unification frankly of everything that analyst talked about whether it's content and commerce with its data and insights, whether it's the marketing flow associated with Workfront which is also doing well. There really isn't another company that enables somebody whether you're the market or the Chief Revenue Officer, the Chief Digital Officer to very quickly say I want to get all my data, whether it's online or offline into one particular place an even more important to activate it, and so I think from my perspective, the momentum associated with having this unified platform and you can get customers really up and running so rapidly that's pretty amazing.

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The second thing I would say is that we've done a really good job with the Digital Strategy Group as well as what Anil outlined earlier about these transformative accounts. And so again, as we shared in the data, the ability to sell multiple solutions, the ability to upsell, the ability to co-sell, I think that's also gives us a lot of confidence that now we have the platform we have the absence services on it, we have the AI associated with it and I think if you take a step back there isn't a company that doesn't want to talk to us about a, Adobe how did you do it and b, how do we really make sure that we can get this up and running and activated faster. So I really hope in 2022, you will see how we make increasing progress in terms of not only just the selling but the provisioning and frankly the value realization. And I think we've done a good job on that front as well under Anil's leadership.

Q - Kirk Materne {BIO 5771115 <GO>}

Thank you.

Operator

All right. Up next, we'll hear from Mark Moerdler with Bernstein Research. Please go ahead.

Q - Mark Moerdler {BIO 16855032 <GO>}

Thank you very much for taking my question and congrats on the quarter and the year. I'd like to drill in a little bit because I'm getting a lot of questions obviously, Dan following up on your prepared presentation, you discussed how subscription has sustained 24% growth. And when you look at the overall guidance I'd like help us better unpack what are your puts and takes that are impacting you specifically year Digital Media side and also on the Experience like and also if you can give us any sense on how much you're figuring FX, headwind in ARR revenue it much appreciate it?

A - Dan Durn {BIO 17483115 <GO>}

Sure. Thanks for the question. I think the best place to start is underlying performance of the business. I think we're exposed to great market opportunities, company has got the right strategy and performing well against those strategies. As we think about performance in the current environment, against that backdrop of good performance, we want to strip out noise in the one-year look ahead set of numbers, and I think there's two things that we point to when we separate the noise from what's been communicated. First is FX, second is the extra 53-week versus 52-week and so let's go one layer deep in each of those. As we think about the 53 versus 52 week, that's about a 2% arrowed to growth for the overall company in fiscal '21 and as we window into fiscal '22 that's going to be about a 2 point headwind. Because that extra week occurred in Q1 and you look at Q1 FY '22, it's about a 7 point headwind from just that one extra week alone as we look long quarter forward.

As we take a look at FX and we think about the currency moves not surprisingly, FX for our business over 2021 also added about a 2 point tailwind from a growth perspective broadly speaking, across the business. As we look forward into the next year, it creates about a 1 point headwind given the recent moves that we've seen over the last couple of weeks. I'm sorry, the last couple of months of the dollar strengthening versus a variety of currencies

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around the globe. That gives you a sense of the magnitude of the moves from both of those two factors as we extract underlying performance from a bit of the noise we see. If we were to go to one click further down and take a look at how both of those factors affect the Digital Medium business versus the Digital Experience business.

I would say from the 52 versus 53 week dynamic, you'll see more of that upside and more of that headwind from a growth standpoint impacting the DME business than you do the DX business, but it's just a slight difference between the two businesses depending on how we engage commercially with our customers and I can go into that a little more detail if you'd like, on the FX side, you see a similar dynamic you see slightly accentuated performance to the upside and downside tailwind and headwind from FX on the Digital Media business than you do on the DX business, it's a slight change but you see a slight bias to the upside and downside of DME versus DX.

I think that unpack the numbers and gets to the true underlying performance of the company. And as you take a step back and look at how our businesses have performed over the last couple of years, you'll see what we've just guided is about in line with where we've been for the last couple of years. So again, the company continues to perform pretty well.

A - David Wadhwani {BIO 16728396 <GO>}

Maybe Mark, I'll just add a couple of things to that. First is, as Dan tells me which is first welcome to the big leagues and so I guess when you're \$15 billion of revenue it's neither practical and it's frankly too expensive to hedge all the FX exposure that you were accustomed to maybe we are doing. So if you strip out that FX part and if you think about ARR, just very tactically to be clear what we do is we have an ARR at the beginning of the year with the strength of the dollar in November, you could argue it's the hardest compare on a pure FX and then we bought devalue the beginning book of business on ARR and then we are using that dollar rate for the ARR for the quarter. And so then again if you think about it at a \$1.9 billion guide that we have for the ARR, clearly, the underlying strength of business and the units that is not what's impacting the business. So just, I think that's the other way that I unpack what was the impact of FX as well as to specifically tell you how we take the dollar rate at the beginning of the year for the ARR calculation.

Q - Mark Moerdler {BIO 16855032 <GO>}

That's extremely helpful. I really appreciate. Dan if you don't -- on the difference between the two business can you drill down a little bit more by the extra week is somewhat worse, a little bit on digital.

A - Dan Durn {BIO 17483115 <GO>}

Yes. So as you look at how we engage with customers, you engage with customers through adobe.com and other channels on a daily basis and you're exposed to every single extra day of that week to the upside and the downside depending on which year you're in. On the DX business the vast majority of our -- not the vast, the majority of our revenues will get booked on a daily basis, but there are parts of that business that engage with customers on a monthly basis. And as you can imagine, when that extra week falls in a month and you engage with customers on a monthly basis, you won't see the upside or the downside on that business. So on a like-for-like basis you'll see more of that dynamic

flowed into the Digital Media business than you will the DX business. But again, as you think about a 2 point tailwind FX in FY '21 and a one point headwind in FY '22 you're talking about slight separation to the upside and downside and depending on which year you're in to this dynamic.

Q - Mark Moerdler {BIO 16855032 <GO>}

Perfect. I very much appreciate and thank you for the detail.

A - Dan Durn {BIO 17483115 <GO>}

Yes. You're welcome.

Operator

Next we'll hear from Gregg Moskowitz with Mizuho. Please go ahead.

Q - Gregg Moskowitz {BIO 5721834 <GO>}

Okay, thank you for taking the question. And thank you for hosting this event one of your competitors in the Document Cloud space recently cited softening demand and execution issues, naturally your business is a lot broader than theirs but have you seen any changes as it relates to customer engagement within Document Cloud?

A - Shantanu Narayen {BIO 3332391 <GO>}

Greg, we had a phenomenal quarter and Document Cloud. I think we had record net new ARR \$141 million in net new ARR for the Document Cloud. I think the team has done a really good job of integrating that so maybe I'll have David speak a little bit to how just integrating sign as well into the Acrobat business as one of the verbs is really I think helping really make it more pervasive. David?

A - David Wadhwani {BIO 16728396 <GO>}

Yes. As Shantanu said, we're very excited about the momentum we're seeing the Document Cloud business as a whole. We have -- we benefit from this incredible reach we have, as I mentioned earlier between our inside sales folks and our reseller partners, really anyone that has a Document need is coming and flowing into our funnel and then certainly with the benefit of the enterprise selling in the top-down, we're able to go and have solution-oriented conversations with them. But one of the key areas that we've been focused on over the last 12 months that have really been productive for us is to leverage our footprint in terms of our desktop applications, predominantly things like reader across mobile desktop and web, and drive awareness and utilization of our services through that. As I mentioned earlier, we saw 85% year-over-year increase in terms of Adobe signed transactions that were successfully completed or initiated in Acrobat and you can expect to see us continue to do that. We want Signatures and Adobe Sign to be available to anyone that uses Acrobat going forward and we'll continue to double down on that strategy.

A - Shantanu Narayen {BIO 3332391 <GO>}

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And maybe just one last thing to add on that, Gregg. I mean, one of the exciting things that again I think the team has done is, now this extension that we have in Chrome, as well as what we are doing and we announced the extension of the partnership with Microsoft. So again, I think the distribution of Adobe PDF with all the Magic that we have with Liquid Mode and mobile and Sign, I think that just really enables us, given we have the APIs and the developer motions to really even further extend that. But this notion of automating document workflows is just going to continue to go up into the right.

Q - Gregg Moskowitz {BIO 5721834 <GO>}

That's terrific. And then a quick one for Dan, you spoke about FX and the extra week a moment ago, but how much is an increased or more normalized level of T&E expected to impact your operating margins in fiscal '22, how should we think about that?

A - Dan Durn {BIO 17483115 <GO>}

Yes. So as I think we look into 2022, we in the prepared comments talked about, as the world begins to open up, we're going to get on airplanes. We're going to spend time with customers. You'll see some of the facilities costs come back. This is about growing and scaling our business and engaging with customers and solving their highest value problems. So you will see some of those costs come back and that's reflected in our guide. And so when we take a look at the opportunity in front of us and we think about the runway for growth, we think about how well we're positioned in each of our respective businesses and we think about where the world is going and the key enablement role we as a Company can play to enable that digitization of the world.

We're going to invest for growth. We're going to invest in market-leading and defining products and we're going to continue the lead -- to lead the way we've done in the past. So you'll see some of that complement the investments we're going to make. And then as you think about the Adobe Experience Platform, and you think about Creative Cloud Express, we're going to invest in sales and marketing to grow and scale those businesses globally. So we're going to be oriented to growth and you'll see that reflected in both the performance and the decision-making going forward.

Q - Gregg Moskowitz {BIO 5721834 <GO>}

Great. Thank you.

Operator

And up next, we'll hear from Brent Thill with Jefferies. Please go ahead.

Q - Brent Thill {BIO 1556691 <GO>}

Dan, welcome to the team. Just on the margin side, I mean I think we all understand your margins have gone up 590 basis points in the last three years. So capping the air breaks a little bit on margin makes sense. But when you think about the long-term trajectory still for Adobe on the margin, you believe you're capped in the mid 40% or you still believe long term the margins to trend more towards 50%? And I had a quick follow-up for Shantanu.

A - Shantanu Narayen {BIO 3332391 <GO>}

Dan, do you want me to? I think 60% comes after 50% Brent if you're thinking about numbers on that scale. I -- we have as Dan said, such incredible opportunities and one of the statistics that he showed, that was really hopefully, Brent and you know us, how we think about the businesses, which is we are investing in these long-term really growth rates, but we've been able to do all these acquisitions and really do a fantastic job of keeping our margin.

And so I think it again is all about the growth opportunity. You know it, we have an unbelievable leverage model. And so the leverage model will demonstrate itself. And if you look at our 2022 targets, it actually continues to show a lot of optimism in what we can do. I think Frame.io is a little dilutive. And again, as he said, some of these things, the Experience Cloud and what we are doing with getting more Experience Cloud adoption globally, what we are doing around Document Cloud and Creative Cloud and Creative Cloud Express, I mean we want to make sure that we are spending wisely.

Ann is the expert on attribution not just within the Company but in the world and so we'll continue to do it. But we do believe that -- and this is a question that you've also asked in the past, which is the value that customers are getting, is there an ability to continue to drive higher price offerings and all of them are there. I mean we're just excited about all of these different things, but I won't count on 50% anytime soon right now. I'd rather count on accelerated growth Brent.

Q - Brent Thill {BIO 1556691 <GO>}

Okay. Very clear. Shantanu, just for the quarter, forget the guide. I think many of the Analysts have asked this question, what happened in Q4, and this is not a quarter that we're all used to seeing from you. So from your perspective, is this just a digital digestion from a huge adoption we've seen the last year, is Adobe execution. I don't think it's competitive, but I think many are still asking all of us the question throughout this Analyst Day with the stock down, what happened from your perspective?

A - Shantanu Narayen {BIO 3332391 <GO>}

Brent, so let me maybe again talk to a little bit on the Adobe Digital Index and then I'll come back to our business. If you look at the Adobe Digital Index, what has clearly happened over the last 12 months, 18 months, even pre-pandemic but certainly during the pandemic, is there is more and more activity happening online. That is a secular trend that's actually not going to change. We see it, there is more energy, there is more traffic, there is more activity associated with what's going online. If you look at what I think a lot of companies are looking at, the traditional spikes that you may have seen, a couple of weeks, the Black Friday week or the Cyber Monday week, I think those are maybe a little bit more muted, because it's a little bit more of that traffic, you're seeing actually a steady growth as opposed to those spikes.

So if I take a step back and think about our Digital Media business teams and the small and medium business, nice performance. If I look at the enterprise, as I said, traditional close to the quarter. If I look at the individual business, a little bit of those spikes that we would have seen, we did see growth. We did see growth in both of those weeks, but it was

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perhaps a little bit less than that. And then you're back to again the secular demand. So as I think about the business, it's not about the long-term demand, it's not about the market leadership of our products. I think it's just a little bit of how maybe online shopping globally has changed a little bit, in terms of what the experience is.

So that's what I attribute it to and we're back on Q1, look at our guide and let's go execute against the opportunities that we have. So I'll really point to a little bit of those couple of weeks and it's not just Adobe, it's certainly represented. If you look at the Adobe Digital Index and what we thought was the growth rate going to be for the entire community and how that got a little muted. So that's the way I would look at it.

Q - Brent Thill {BIO 1556691 <GO>}

Thanks, Shantanu.

A - Shantanu Narayen {BIO 3332391 <GO>}

Operator, we're coming up on the top of the hour. Let's take two more questions, please.

Operator

Absolutely. Our next question will come from Brad Sills with Bank of America Securities. Please go ahead.

Q - Brad Sills {BIO 15854296 <GO>}

Oh, great. Thanks guys for taking the question here. I wanted to double-click a little bit on the TAM expansion that you've seen from your perspective with the -- the core creative professional end of the market. I think two years ago you were \$15 billion, now you're forecasting \$25 billion, is there are a certain persona that you think is driving a lot of that expansion in the TAM, just in the core business versus say a couple of years ago, when you look forward towards the addressable market?

A - Shantanu Narayen {BIO 3332391 <GO>}

Yes. There is a -- there are three things that are really driving that. First is just with the increased demand for content. We are seeing more creative professionals coming to the markets, that we are seeing the base of people we can sell to as creative professionals, continuing to grow.

We also are able to provide more value. As people are trying to accelerate the velocity of content, they have to build content more quickly. So things that Scott and team are doing around the addition of collaboration, means that we are able to add more value. The Frame.io acquisition is a great example of that. But we've also added some core new collaborative capabilities to Creative Cloud itself.

And third is the emergence of these new content types. We've been all tracking the growth of 3D, but also now with the emergence of the metaverse, we're starting to see more demand for new types of content and if you look at the performance of Substance 3D and the fact that that business as an example grew 100% year-over-year, it shows you

that the business and the growth that we're seeing is tracking to the TAM expansion that Ann talked about earlier.

Q - Brad Sills {BIO 15854296 <GO>}

Got it. Great. And one more if I could please. With all the effort and work you've done integrating the suite for Experience Cloud between Magento and core CMS, now you have Workfront, is -- are there different entry points that the enterprise customers are starting with within that suite, now that you've delivered on a more integrated offering there?

A - Shantanu Narayen {BIO 3332391 <GO>}

Yes, absolutely. We are starting to see customers who start with commerce and now they want to have a much better web presence and they work with our -- us on content management and they want to focus on marketing agility and efficiency, and that leads to Workfront. So that's a different entry point that we see now. We also see a number of our customers as they think especially about different patterns in commerce, B2B commerce, B2B2C commerce, etc, they are expanding from the content management presence they have with us and picking us up on our vision of making it a truly shoppable experience and so that's starting to move in the other direction as well.

Q - Brad Sills {BIO 15854296 <GO>}

Great to hear. Thank you so much.

Operator

And lastly, we will hear from Kash Rangan with Goldman Sachs. Please go ahead.

Q - Kash Rangan {BIO 22095432 <GO>}

The good thing about going last is, I've got three minutes and you're stuck with me or two minutes. I'm kidding, I'll try to make this -- I'll try to make this brief. Shantanu and Dan, I was intrigued by your comment that you plan to double the size of the Company to \$30 billion and beyond that to \$45 billion. And dovetailing that to Shantanu's observation that you're looking to accelerate as opposed to go for margin expansion, which is great. With that construct in mind, it's certainly when I look at your guidance, it doesn't suggest any deceleration, but maybe a little bit of conservatism, if anything. If you could just talk about the levers in your business, Shantanu, that could cause the Company to do better than expected or downside levers as well for fiscal '22, that would be great.

But more longer-term, if you look at metaverse, the concept of metaverse and how Satya Nadella talks about the equivalent of metaverse on the business side, how we work, combination of virtual and presence, he outlines a view of the word that is fairly compelling, I'm curious how you have thought about how Adobe is positioned for that word, the metaverse in the consumer context and enterprise virtual work context as laid out by Satya? Thank you so much.

A - Shantanu Narayen {BIO 3332391 <GO>}

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Well, thanks for the question, Kash and before I get to the metaverse, maybe the one thing we didn't quite cover is, if you look at the big trends that people are talking about, Kash, the one thing we're maybe not in is EVs and batteries, right. So that's perhaps the one area of digital that Adobe is still not really involved in. As I think about web 3D and as I think about the metaverse, what it really means and implies is that, things that you are accustomed to doing in the physical world, increasingly more and more of that you're going to do in the virtual world. And so if you think about it that way, whether you're doing shopping, whether you're playing games, whether you're creating, co-creating with other people, whether you're expanding it, the aspect of creating all of that metaverse was, what better Company in the planet than Adobe to be able to do that.

So that's that one dimension which is this exponential need for content, is only going to increase. I think the other way I think about what's happening in the metaverse and if you think about it from that point of view is, where prior only physical goods in creativity were deemed worthy of buying, I think now even all these virtual goods are going to have a value associated with. And so when you think about what's happening with NFTs and blockchain, again Adobe I think is incredibly well positioned. We've already demonstrated some leadership in that with what we've done in Photoshop, and so I think the commerce aspects associated with not just large businesses, and we talked about the large businesses, but even individual businesses, I think Adobe is uniquely positioned.

I think opportunities like that, Adobe is probably a little bit more conservative than others in order to, in terms of putting it directly in our forecast for the year. But make no mistake, I mean we are thinking about how these new opportunities, the fact that we bought a 3D company a while ago, the fact that we have Aero and we are working with all of the OS providers in terms of thinking about augmented reality and virtual reality, we're absolutely in the middle of it, we're not just counting it in terms of what happens in terms of revenue of the top.

But if you take even more of a step and go to your question associated with how do we think about the opportunity, I will actually say Kash, as we were all preparing as a group to prepare this, we had so much material and we were talking about how do we try and condensate. So I really hope you look at what Jonathan forced us to do, which is, the deck has so much more information in it, we were trying to really provide sort of a abstract of all of that material, and I think it just reflects the interest that we have. I mean, all three of our businesses and let's go maybe Digital Experience, we've been talking about that for a while and you're seeing just some tremendous adoption of our solutions in that. Digital is only going to go up into the right. And I think Adobe is incredibly well positioned.

The real-time Customer Data platform, the Experience platform how we've unified our products, it actually reminds me of the really heavy lifting that we did many years ago, in what we did on our content creation tools with the unified profiles and the data and insights to deliver value to our customers. So it feels really good. I think what we are doing around Document Cloud, on the web, across surfaces, PDF, Liquid Mode in terms of the AI, we're really spending a lot of time thinking about how businesses are going to automate, what it means to have a hybrid work environment which is clearly a big trend and really making sure that we unify that with respect to our innovation. So really fantastic job by the teams there across all surfaces.

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And certainly, Creative Cloud, the heritage of the Company, this notion of everyone who has a story to tell, I actually tend to think of it as the webs now come alive. The webs now come alive and perhaps one of the things we didn't talk about, the biggest asset even on the web is Adobe's file formats. So the ability to deal with the Photoshop file format, the ability to deal with Illustrator for logos, the ability to deal with in design, if you want to create these flyers and actually for the creative community to participate in this massive community that's been created, we've done all the heavy lifting that now makes that magic possible.

And we have a broader set of offerings than ever before in terms of being able to target people wherever you are in the world. We have pricing flexibility and we have a DDOM that allows us to do it. So I just take a step back and look at it and say, you know what, Adobe is really uniquely positioned. We have a fabulous team. We didn't talk enough about that. Certainly my colleagues here and Dana who is not on the stage, but our GC as an executive team as well as the 25,000 employees, don't take for granted what we have in terms of this motivated staff. And so I just look at it and say, we're focused on top-line growth, to the questions that Brent and others asked, we're always going to be focused on making sure that we have profitable growth and focus on the margin as well. But I feel just uniquely excited about the opportunities that we have.

The one thing I missed is, unfortunately, we're not all together and please stay safe, stay healthy during this holiday season. I think that's the really important thing. But as a management team, and as a employee base, I could not be more excited about the future that Adobe has and so, thank you very much all of you for joining us virtually and thank you for the team for all of the work that went into the preparation. Have a nice day.

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