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# Q1 2022 Earnings Call

## Company Participants

- Anil Chakravarthy, President-Digital Experience Business
- Daniel Durn, Chief Financial Officer and Executive Vice President of Finance, Technology Services & Operations
- David Wadhwani, President-Digital Media Business
- Jonathan Vaas, Vice President-Investor Relations
- Shantanu Narayen, Chairman & Chief Executive Officer

## Other Participants

- Aleksandr Zukin
- Brent Thill
- Jay Vleeschhouwer
- Kasthuri Rangan
- Keith Bachman
- Keith Weiss
- Michael Turrin
- Saket Kalia
- Sterling Auty
- Tyler Radke

## Presentation

### Operator

Good day and welcome to the Q1 FY 2022 Adobe Earnings Call. Today's conference is being recorded.

At this time, I'd like to turn the conference over to Mr.Jonathan Vaas. Please go ahead, sir.

### Jonathan Vaas {BIO 21700508 <GO>}

Good afternoon and thank you for joining us. With me on the call today are Shantanu Narayen, Adobe's Chairman and CEO; David Wadhwani, President of Digital Media; Anil Chakravarthy, President of Digital Experience and Dan Durn, Executive Vice President and CFO. On this call, which is being recorded, we will discuss Adobe's first quarter fiscal year 2022 financial results. You can find our Q1 press release as well as PDFs of our prepared remarks and financial results on Adobe's Investor Relations website.

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The information discussed on this call, including our financial targets and product plans is as of today March 22, and contains forward-looking statements that involve risk, uncertainty and assumptions. Actual results may differ materially from those set forth in these statements. For a discussion of these risks, you should review the factors discussed in today's press release and in Adobe's SEC filings.

On this call, we will discuss GAAP and non-GAAP financial measures. Our reported results include GAAP growth rates, as well as adjusted growth rates in constant currency that account for an extra week in the year-ago quarter. During this presentation, Adobe's executives will refer to adjusted growth rates unless otherwise stated. Reconciliations between the two are available in our earnings release and on Adobe's Investor Relations website.

I will now turn the call over to Shantanu.

## Shantanu Narayen {BIO 3332391 <GO>}

Thanks, Jonathan. Good afternoon and thank you for joining us. Before I discuss our Q1 results, I want to acknowledge the horrifying and heartbreaking crisis in Ukraine. The pain and suffering of millions of innocent civilians is incredibly tragic, and our thoughts and prayers are with the Ukrainian people. Adobe joins the global community in taking a stand by stopping all new sales of our products and services in Russia.

The Adobe Foundation has made grants to aid humanitarian relief efforts. I'm proud of how our teams have come together and continue to successfully manage our business throughout the most challenging of times, while focusing on delighting customers in the long-term growth initiatives for the company. Adobe has always had a strong purpose driven culture and that has never been more evident than it is today.

Adobe's mission to change the world through digital experiences is more critical than ever before. Everywhere we look whether it is an entertainment, education or the enterprise, content is fueling the global economy. The democratization of creativity, emergence of new ways to work and learn from anywhere, and the business mandate for personalized customer experiences underscore the immense opportunities we have as a company; our strategy to unleash creativity for all, accelerate document productivity and power digital businesses is working.

Our innovation engine is delivering category-leading products, services and platforms across Creative Cloud, Document Cloud and Experience Cloud. Adobe had a strong Q1. Ae achieved a record $4.26 billion in revenue, representing 17% year-over-year growth on an adjusted basis. GAAP earnings per share for the quarter was $2.66 and non-GAAP earnings per share was $3.37.

In our Digital Media business, we drove strong growth in both Creative Cloud and Document Cloud, achieving $3.11 billion in revenue. Net new digital media annualized recurring revenue or ARR was $418 million and total Digital Media ARR exiting Q1 grew to $12.57 billion. In our Experience Cloud business, we built on our Q4 momentum, achieving $1.06 billion in revenue and subscription revenue was $932 million for the quarter.

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I am pleased to have David Wadhwani, President, Digital Media; and Anil Chakravarthy, President Digital Experience on this call to share more about our momentum in the digital media and digital experience businesses respectively. David?

## David Wadhwani {BIO 16728396 <GO>}

Thanks, Shantanu and hello, everyone. The acceleration to all things digital has made content and creativity more important than ever before. Everyone needs to express themselves digitally, from the individual on social media to the student creating a more compelling school project to the creative professional making the next marketing campaign. The rapid rise of the creator economy is giving individuals, solopreneurs and small business owners the opportunity to monetize their passions, their products and their services.

Creative Cloud is catalyzing these trends and fulfilling our vision for creativity for all, enabling customers of every skill level to create content that stands out. We continue to lead in core creative category, such as imaging, design, video and illustration and we're advancing new media types, like 3D and immersive for the emerging metaverse platforms. We're building applications for every surface and every audience across web, mobile and desktop, and we're investing heavily in collaboration services that are deeply integrated into our flagship applications.

Our new web-based solutions enable us to deliver value more quickly and broadly than ever before. Creative Cloud solutions are powered by Adobe Sensei, our AI engine, which enables customers to work faster and smarter. As a result, our creative community has never been stronger. Behance now has nearly 30 million members and we continue to host hundreds of on-demand and live sessions weekly that serve as a source of learning and inspiration. As a result in Q1, we achieved net new Creative ARR of $315 million and revenue of $2.5 billion, which grew 16% year-over-year on an adjusted basis.

Q1 highlights include the launch of Creative Cloud Express, our new template-driven web and mobile products that makes it easy for anyone to create and share beautiful content. It's zero friction onboarding will bring millions of small business owners, social influencers and students into the Creative Cloud family, and empower them to create everything from social posts to marketing materials. Creative Cloud Express features thousands of gorgeous templates, millions of stunning stock images and videos, and the world's most complete collection of fonts.

Its easy-to-use interface is continuously expanding with innovation, such as enhanced search capabilities for millions of assets and new PDF Quick Actions that enable users to edit, convert, combine and organize PDFs. While we're just a few months into our journey, we're seeing strong traffic, millions of monthly active users and high customer satisfaction. On the video front, the explosive demand for video content shows no signs of abating.

In Q1, we launched new AI-powered innovations in Premiere Pro that help merge music into video sequences and accelerate transcription. We also drove strong growth for Frame.io, the leading video collaboration solution Adobe acquired late last year. Frame had its best quarter ever, closing more deals than in any prior quarter, while increasing

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deal sizes to record levels. As creativity has become a team sport, we will extend our leadership and video collaboration, and bring collaboration capabilities to all creative categories. We're also seeing tremendous interest for substance 3D and our new 3D modeler beta as brands bring together the physical and digital worlds, and begin their journeys to become metaverse ready. Substance is already being adopted by global brands like Coca-Cola, NASCAR and NVIDIA for marketing and e-commerce.

Finally, we continue to see strong demand for Creative Cloud offerings globally across all segments, individuals, SMBs, teams and enterprises with key wins at Disney, the FAA, IBM, ING Bank, Kohl's and the New Mexico public education department. On the Document Cloud side, digital documents have become the foundation of how businesses run. And we'll continue to gain significance as hybrid work becomes the standard. Adobe has accelerating document productivity with Document Cloud, enabling all capabilities, including editing, converting, sharing, scanning and signing to be frictionless across web, desktop and mobile.

PDFs are getting smarter and more accessible through our continued investment in AI and ML. And we're enabling new work flows through our APIs by empowering developers to build customized digital document experiences for their businesses. In Q1, we achieved record revenue of $562 million, and net new document cloud ARR of $103 million. Ending ARR for document cloud crossed the $2 billion mark, which represents 29% year-over-year growth.

Q1 highlights include strong growth in Adobe Sign, driven by unifying e-signature functionality in Acrobat and new Sign integrations with Adobe Commerce and Workfront. On the web, we continue to see a high volume of searches for document actions, such as editing, converting and sharing PDFs. As a result, Acrobat Web's contribution to the business has nearly doubled year-over-year. On mobile, we saw billions of Acrobat mobile PDFs opened in Q1. This usage combined with our efforts to convert users to paid subscribers on mobile is working. Acrobat mobile ARR grew over 70% year-over-year.

And lastly, our Document Cloud Enterprise business continues to do well with key wins including Medallia, Mercedes-Benz, Raytheon, Ricoh Europe, Shimizu and UnitedHealth. We've responded to the needs of professionals by adding a broad array of features to our flagship applications across both Creative Cloud and Document Cloud, and we're attracting millions of new users including a significant number of non-pros with Acrobat and Creative Cloud Express on web and mobile. Our increasing breadth of offerings not only expand our ability to reach new customers, but also enable us to further personalize pricing across our offerings starting later in Q2.

I'll now pass it to Anil.

## Anil Chakravarthy {BIO 16628903 <GO>}

Thanks, David. Hello, everyone. Over the last two years, the digital economy has exploded as we have experienced a profound global shift in how we work, learn and play. Telehealth visits are now the norm rather than the exception. Customers and businesses are engaging and transacting digitally. Online shopping is now essential, and the U.S. is on

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track to surpass $1 trillion in e-commerce sales this year, according to the Adobe Digital Economy Index.

To succeed, companies must make the digital economy personal with powerful digital experiences that can be personalized to millions of customers in milliseconds. Adobe Experience Cloud is a comprehensive set of integrated AI-driven applications and services to help companies deliver experiences across all aspects of the customer journey. At its core is the Adobe experience platform with billions of customer profiles.

Our Adobe Experience Cloud application span the entire customer funnel from acquisition to monetization to retention across content and commerce, customer journeys, data insights and audiences, and marketing workflow. We have made the dramatic transformation to deliver AI-driven services with over 80% of Experience Cloud customers now using Adobe Sensei, our industry-leading AI and ML framework to power experiences for their customers.

Lastly, we hosted Adobe Summit, the world's largest digital experience conference. We launched exciting new experience cloud technology and heard from executives from some of the world's most interesting and innovative brands, including BMW, Nike, Prada, Real Madrid and Walgreens Boots Alliance. We enabled the entire event using experience cloud, personalizing the experience for our global attendees.

Summit content has had over $22 million views to date, underscoring the significant interest and demand for digital transformation. We continue to drive outstanding growth in our Experience Cloud business. The pandemic has caused brands around the world to realize the critical need for digital transformation. And we're adding new logos while continuing to focus on driving significant value realization for our existing customers.

In Q1, we achieved $1.06 billion in revenue. Subscription revenue was $932 million for the quarter, representing 22% year-over-year growth on an adjusted basis. Q1 highlights include a slate of exciting product innovations, including new real-time customer data capabilities with the integration of Adobe Real-Time CDP and Adobe Target. Adobe Real-Time CDP is used by a large and growing base of customers such as Dick's Sporting Goods, Henkel, Panera, Real Madrid, ServiceNow and Verizon. New cross-cloud integrations, including a unified workflow between Workfront, Creative Cloud Enterprise and Experienced Manager Assets that powers end-to-end content creation in delivery.

Strong performance in Adobe experience manager emphasizing the need for unified content management to meet the ever-increasing demand for content at speed and scale. Adobe is uniquely positioned to help customers across the content supply chain. New APIs that provide developers with the flexibility to create customized user experiences on top of Adobe Commerce. The general availability of Adobe Experience Cloud for Healthcare to deliver personalized healthcare experiences and expanding partner ecosystem, including a partnership with OneTrust to simplify consent management, the next phase of e-commerce integrations with FedEx, Walmart and PayPal, as well as a collaboration with The Weather Company. And key customer wins including CrowdStrike,

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Deutsche Telekom, IBM, Jaguar Land Rover, JPMorgan Chase, McDonald's and UnitedHealth.

Our Experience Cloud product innovation, global customer base and vibrant partner ecosystem are driving our continued success. We are executing across our entire go-to-market motion and continue to receive strong industry recognition. This quarter, Adobe was named a leader in three industry analyst reports focused on core customer experience management segments, including Gartner's Magic Quadrant for Digital Experience Platforms, the inaugural IDC MarketScape for CDPs for Front Office and the Forrester Wave for Digital Asset Management. Dan, over to you.

## Daniel Durn {BIO 17483115 <GO>}

Thanks, Anil. Today, I'll start by summarizing Adobe's performance in Q1 Fiscal 2022. Highlighting growth drivers across our businesses and I'll finish with targets for Q2. Adobe's strong financial results demonstrate the company's ability to execute in a challenging macroeconomic and geopolitical environment.

Across our business, we are attracting new customers, signing up transformational deals, growing a recurring book of business and seeing emerging businesses ramp, and in some cases, reach escape velocity. We are witnessing the digitization of everything and Adobe's products offer customers access to a digital future, underpinning how they live and work. Our investment in products, marketing and a data-driven operating model are continuing to drive Adobe's growth.

In Q1, Adobe achieved record revenue of $4.26 billion, which represents 9% year-over-year growth or 17% on an adjusted basis. Business and financial highlights included GAAP diluted earnings per share of $2.66 and non-GAAP diluted earnings per share of $3.37. Digital Media revenue of $3.11 billion. Net new Digital Media ARR of $418 million, Digital Experience revenue of $1.06 billion, cash flows from operations of $1.77 billion. RPO was $13.83 billion exiting the quarter and repurchasing approximately 3.8 million shares of our stock during the quarter.

In our Digital Media segment, we achieved 9% year-over-year revenue growth in Q1 or 17% on an adjusted basis. We exited the quarter with $12.57 billion of Digital Media ARR. Global demand for digital content continues to explode, and with the strength of Adobe's product innovation and our data driven operating model, our net new digital media ARR in Q1 grew on a year-over-year basis after factoring out the additional week in the year-ago period. We achieved creative revenue of $2.55 billion, which represents 7% year-over-year growth or 16% on an adjusted basis. We added $315 million of net new Creative ARR in the quarter.

First quarter Creative growth drivers included strong Creative engagement and retention across individual and SMB segments. New customer demand across large organizations, small and medium businesses, driving growth in our Creative Cloud for teams offering, which was the highest Q1 on record.

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Sustained growth of subscription licensing for individual flagship applications such as Photoshop, Illustrator and Premiere, as well as strength in our Adobe Stock business, and Enterprise adoption of new collaboration capabilities including Frame.io, as well as our 3D and immersive applications. We're also pleased by the adoption we see in some of our newer initiatives such as Creative Cloud Express, Substance as well as Acrobat, Photoshop and Illustrator on the web. We are driving strong usage growth and have already attracted millions of monthly active users to our cloud-native offerings. We expect these businesses to be drivers of future ARR and revenue growth.

Adobe achieved Document Cloud revenue of $562 million, which represents 17% year-over-year growth, or 26% on an adjusted basis. We added $103 million of net new Document Cloud ARR in the quarter, surpassing $2 billion and ending ARR growing at 29% year-over-year. Document Cloud continues to be our fastest-growing business, demonstrating that our strategy of accelerating document productivity is working and reflecting, how Acrobat and PDF are essential to the way people work in a digital-first world.

First quarter Document Cloud growth drivers included customer demand for Acrobat subscriptions, the strongest Q1 on record, new licensing and renewal for Acrobat for teams offering in the SMB segment, both on Adobe.com and through our reseller channel. Momentum in Adobe Sign with strong year-over-year growth of signed transactions within Acrobat, strong demand for our PDF solutions on mobile and continued momentum with our frictionless onboarding of new customers through Acrobat Web with ARR growing approximately 90% year-over-year.

Turning toward Digital Experience segment. In Q1, we achieved revenue of $1.06 billion, which represents 13% year-over-year growth or 20% on an adjusted basis. Digital experience subscription revenue was $932 million, representing 15% year-over-year growth or 22% on an adjusted basis. When we look at the quarterly sequential revenue growth, we continue to see acceleration as our strategy of delivering personalization at scale is resonating with enterprise customers. First quarter Digital Experience growth drivers included; new logo acquisition across our solutions, strong customer retention as a result of investments we've made in product innovation, greater value realization and customer experience. Larger deal sizes in our Workfront business, traction upselling customers to new cloud-native solutions and momentum with our content and commerce, customer data platform and customer journey analytics offerings.

In Q1, we continued to increase investments in initiatives that will drive long-term revenue growth, including ramping headcount across R&D and sales capacity. Travel and facilities remained at lower levels in Q1, but we're increasing facilities utilization and travel in Q2 as we resume in-person meetings with customers and partners.

Adobe's effective tax rate in Q1 was 18% on a GAAP basis and 18.5% on a non-GAAP basis. The tax rate came in higher than expected, primarily due to less-than-expected tax benefits associated with stock-based compensation. Our trade DSO was 36 days, which compares to 38 days in the year ago quarter and 42 days last quarter. RPO grew by 19% year-over-year to $13.83 billion exiting Q1, benefiting from enterprise bookings. Our ending cash and short-term investment position exiting Q1 was $4.70 billion and cash



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flows from operations in Q1 were $1.77 billion. We repurchased approximately 3.8 million shares in Q1, at a cost of $2.1 billion, included in this purchase was the partial settlement of an accelerated share repurchase entered into during Q1 to repurchase shares at an aggregate cost of $2.4 billion.

The final number of shares to be repurchased under the ASR will be based on a discount to the volume-weighted average price of common stock during the term of the agreement with the final settlement and delivery of incremental shares to Adobe scheduled to occur in early Q3. These share repurchases are part of the previously announced program, under which we currently have $10.7 billion remaining of our $15 billion authorization that was granted in December 2020, and goes through 2024. Before we get to our Q2 targets, I want to discuss the impact of the devastating situation in Ukraine. Earlier this month, Adobe announced a cessation of all new sales in Russia and Belarus.

In addition, we've made the decision to reduce our Digital Media ARR balance by $75 million, which represents all ARR for existing business in these two countries. While we will extend subscriptions automatically in Ukraine during this period and continue to provide Digital Media services. We reduced ARR by an additional $12 million, which represents our entire Ukraine business.

This results in a total ARR reduction of $87 million and an expected revenue impact of $75 million for Fiscal 2022. The impact toward digital experience business is de minimis. For Q2, we are targeting total Adobe revenue of approximately $4.34 billion, net new digital media ARR of approximately $440 million, Digital Media segment revenue growth of approximately 13% year-over-year, or 14% in constant currency, Digital Experience segment revenue growth of approximately 15% year-over-year or 16% in constant currency, Digital Experience subscription revenue growth of approximately 17% year-over-year or 18% in constant currency, tax rate of approximately 20% on a GAAP basis and 18.5% on a non-GAAP basis, GAAP earnings per share of approximately $2.44 and non-GAAP earnings per share of approximately $3.30.

As a result of the lower-than-expected deductions from stock-based compensation, our effective tax rate for fiscal 2022 is now targeted to be 19.5% on a GAAP basis and 18.5% on a non-GAAP basis. As we look towards the back half of the year, we expect quarterly sequential revenue and EPS growth in Q3 and Q4. In Digital Media, we expect strong second half ARR performance across Document Cloud and Creative Cloud, including continued strength of emerging businesses like Acrobat Web, Frame.io, Substance and Creative Cloud Express.

In addition, we expect ARR contributions to increase sequentially in Q3 and Q4 from a new offering and pricing structure, which starts late in Q2. We expect Digital Experience bookings to show continued momentum in the second half with a traditional strong Q4 finish. We will continue to invest in product innovation, sales capacity, marketing awareness and demand generation given our immense market opportunity. As the world reopens, we expect to increase our travel and facilities expenses.

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In summary, I'm pleased that Adobe delivered another record quarter in Q1, with sustained growth and world-class profitability. Adobe continues to show its resilience through unprecedented circumstances that all companies face today. And I'm confident we will emerge stronger. We're on track for another year of strong financial performance.

Shantanu, back to you.

## Shantanu Narayen {BIO 3332391 <GO>}

Thanks, Dan. This is a transformative time at Adobe. We're engaging with hundreds of millions of customers globally from individuals to the largest enterprises launching new applications for new audiences and bringing our flagship category applications to new surfaces and platforms, while increasing collaboration capabilities across our solutions.

Adobe has a winning strategy applied to an exceptional opportunity. We are a leader in the digital economy with Adobe Creative Cloud, Document Cloud and Experience Cloud, which combined have a total addressable market of $205 billion. Few companies can consistently deliver technology innovation, successful transformation across new categories and business models, and a broad ever-growing base of customers and partners.

I'd like to thank our 26,000 employees for their continued dedication and unwavering focus on delivering customer innovation and inventing the future of digital experiences.

Thank you. We will now take questions. Operator?

# Questions And Answers

## Operator

(Question And Answer)

Thank you. (Operator Instructions) We'll take our first question from Brent Thill with Jefferies. Please go ahead.

## Q - Brent Thill {BIO 1556691 <GO>}

Good afternoon. Curious if you could shed any more color on the new pricing structure and what that means. And Shantanu, beyond Ukraine, is there anything else you're seeing in the broader economy that's different than you've seen historically? Thank you.

## A - Shantanu Narayen {BIO 3332391 <GO>}

So Brent, as it relates to what we have seen first in terms of the macroeconomic situation, we actually continue to see strength. We were pleased with the strong Q1. Certainly, I think the last few weeks of the quarter, you saw some impact in Europe, specifically as it related to what happened in terms of the terrible situation in Ukraine. But I think we continue to see growth around the world.

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I think on the first one, as you know, and then I'll have David also add some color, the last major comprehensive overall that we had for our pricing was in 2017. And you've seen, since then, the number of different initiatives that we have and offerings that we've introduced, whether it was the 3D offerings, what we've done on the Web, what we've done in Mobile, what we've done around Creative Cloud Express. So I think it was time to take a very comprehensive look, which David has done. And I think directionally, what I would say is that we want to continue to attract hundreds of millions to the platform, but we also want to get value for the tremendous innovation that we've provided.

David, maybe you can add a little bit more.

## A - David Wadhwani {BIO 16728396 <GO>}

Yes, happy to. So as Shantanu mentioned, the last pricing update and adjustment we made was in 2017. Since then, we've added a lot to our existing offerings. We've added new applications. We've extended broadly across multiple services. We've doubled down on collaboration. We've added millions of stock assets and thousands of fonts.

And we've also introduced new offerings. Obviously, Acrobat across web and mobile has been growing for the last few years. And you heard us talk -- last year or two, you heard us talk about that in the prepared remarks. But also CCX is now in market across web and mobile. And the early success we're seeing with these new offerings across web and mobile and across Acrobat and CCX has really been the catalyst for these pricing adjustments that we're looking at doing.

They let us introduce the right value with the right onboarding experience and the right pricing to attract millions of new subscribers. And they provide us the opportunity to rightsize the value where engagement and usage is highest in our core existing customer base. The impact of this, we think, for Q2 will be fairly minimal because it takes time to roll this out globally, and it takes time for customers to go through their renewal cycles where their prices change. But we expect it to have a more significant impact and build-out in Q3 and Q4.

## Q - Brent Thill {BIO 1556691 <GO>}

Thank you.

## Operator

Thank you. We'll take our next question from Alex Zukin with Wolfe Research.

## Q - Aleksandr Zukin {BIO 20498821 <GO>}

Hey, guys. So maybe to think -- to ask Brent -- to ask the question a different way, if you think about Adobe has been around for a long time through many business cycles. As we -- as you look at the pipeline of activity for the back half of the year and you think about the -- where -- how investors should think about in a more recessionary inflationary environment, can you just give us some color around how you think about the pipeline development, how you think about any changes with respect to the shape of the year and seasonality?

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And then maybe just a financial question. I think there's just a better understanding of how the mechanics of the NRR are shaping up for Q2. Are you taking that -- is the $440 million, is that guide inclusive of the impact of the Russia-Ukraine adjustment? Is it taken out of the prior year? Just a little bit more context would be helpful. Thank you, guys.

## A - Shantanu Narayen {BIO 3332391 <GO>}

Sure, Alex. There were multiple questions in that so let me -- maybe first, to your point, which I agree with, when you think about the rhythm of the business and maybe the seasonal cadence, clearly, that's been impacted by whether it's the external events as it relates to the pandemic or more recently the war in Ukraine. But big picture, as we look at what's happening in terms of customer adoption, what's happening in terms of the excitement, there's no question that digital is a tailwind and will continue to be a tailwind.

And our perspective is that what happened was the pandemic actually put a spotlight on the importance of everything we're doing, whether it's customer engagement, whether it's content or document productivity. And so as you think about what happens seasonally, certainly, I think we would continue to see strength in Q3 and Q4. Dan referred to that in terms of the second half momentum that we would see. But even Q1, we had a strong start. So from our perspective, some of the seasonal cadence might have changed, but the secular trends in terms of up and to the right, we actually don't see any impact associated with it.

I think your second question as it related to what happens specifically on Russia and Belarus and Ukraine, since the Digital Media ARR, the book of business, we made the decision to reduce it. And so I think what you'll see on the data sheet is what our exiting Q1 ARR is, and then another number which just takes out all of the existing book of business for those three countries. You see the impact on revenue certainly in Q2, Q3 and Q4 because what it means is that the revenue that we would have been able to collect. But again, in the grand scheme of things, as you can see, it's fairly small as it relates to the business.

So I think our targets, $440 million specifically, as you said, yes, it's impacted by the ARR business in those countries. But overall, business is strong and we feel optimistic. I think in many ways, the message really is that the new growth initiatives that both Dan and David talked to, they're starting to really show traction. And so, we expect to see strength in the second half of the year and certainly beyond that.

## Q - Aleksandr Zukin {BIO 20498821 <GO>}

Got it. Thank you, guys.

## Operator

Thank you. We'll take our next question from Saket Kalia from Barclays.

## Q - Saket Kalia {BIO 16417197 <GO>}

Okay, great. Hey, thanks for taking my question here. David, maybe for you. Great to see the Creative Cloud Express launch recently. I guess the question for you is, how do you feel the product differentiates from some of the competition out there? And maybe without going too deep, how do you plan on investing in that product specifically to continue your lead?

## A - David Wadhwani {BIO 16728396 <GO>}

Yes, thanks for the question. We're very excited about the launch of CCX. But just to up-level for a minute, and as a reminder for everyone on the call, we've been talking about the communicator segment for years, both as it relates to non-pros and as it relates to the creator economy. We've talked about in the past that our mobile and desktop apps have hundreds of millions of registrations, which is clearly going beyond our Creative Pro base.

And we've built a significant business. In fact, we believe that we're the largest provider of creative tools in the world when measured by revenue across all of our segments, pros, communicators and consumers. The introduction of Creative Cloud Express though represents a lot of our learning over the last few years, starting with the business model. It's a freemium business model. It's predominantly web and mobile so it's zero friction for onboarding customers, and users are seeing success in minutes, not hours.

In addition to that, we have an unprecedented library that we bring to Creative Cloud Express. We have 175 million stock images and videos. We have 20,000 fonts, largest font library online available, and thousands of templates that have been really carefully crafted and designed by some of the best creatives in the world. And this is important because at the end of the day, if you're going to be a content-first creation tool, the content you mix together is a fundamental differentiator in terms of what you're creating and what you're producing. And we feel very, very good and confident about our ability to continue to expand this library and just make sure that what people are mixing to create their output is world-class.

But of course, we also have the power of Adobe. If you look at what we're starting to do, and this gives you a hint of where we're going with our quick actions across Photoshop Quick Actions, Premier Quick Actions, Acrobat Quick Actions that have started to make their way into Creative Cloud Express, we feel really good about the pipeline of innovation we can bring from our decades of leadership in across all of our segments directly into Creative Cloud Express.

And then, of course, we are looking for ways to accelerate. We acquired a company called ContentCal that we've announced will be the foundation of rich content publishing and scheduling for Creative Cloud Express users. And then lastly, the work we've been doing over the last many years around the data-driven operating model that Dan talked about in his opening has been invaluable here. So we're finding and we're onboarding new users that would not have typically interacted with Adobe through their intent-based search.

And the result is a little bit of what we alluded to. We've seen great traffic. We're seeing millions of monthly active users just a few months into the launch. We have an NPS over 60 at this point in the product, so we're really bullish on the start of where we are. And if you look at the long pipeline of Adobe-only innovation, maybe to your question, we're super excited about that.



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And the last thing I'll say here is that don't forget the opportunity here is to drive millions of new users into our franchise. But the opportunity is also to drive high engagement and usage within our core CC base and take what has already been a very, very strong retention curve there and continue to drive engagement and retention of our CC users as well.

## Q - Saket Kalia {BIO 16417197 <GO>}

Very helpful. Thanks, guys.

## Operator

Thank you. We'll take our next question from Sterling Auty with JPMorgan.

## Q - Sterling Auty {BIO 2070271 <GO>}

Yes. Thanks. Hi, guys. Just maybe for clarification. With the changes, there's no update to the annual guidance. You typically don't, but I think investors want to understand how the impact on the negative side from the changes to ARR for Russia and Ukraine impact that annual guide versus the positive uplift that you'll get from the pricing structure? Thanks.

## A - Shantanu Narayen {BIO 3332391 <GO>}

Yes. Sterling, I mean, I think color-wise, it's really still early in the year, but I feel great about the way we've been navigating all of the external issues that have come. And it was a strong Q1. As we prepared for this call, we felt it was important to share with you the impact that we know of things, whether it's the revenue or ARR for Russia, what's happening on EPS as it relates to the tax rate as well as to provide some more of the growth drivers.

But I net it out by saying, while we are not updating the annual targets, as you pointed out, we're really optimistic on the significant number of growth drivers that we have. And we'll share more throughout the year, because we still are all navigating what is a considerably unpredictable situation. Our strong Q1, however, and the things that we control, we feel excellent about.

## Q - Sterling Auty {BIO 2070271 <GO>}

Understood. Thank you.

## Operator

Thank you. We'll take our next question from Jay Vleeschhouwer with Griffin Securities.

## Q - Jay Vleeschhouwer {BIO 1498201 <GO>}

Thank you. Good evening. Shantanu, referring back to the analyst meeting three months ago, you and David used the term product-led growth. And I was wondering if you could elaborate on that because arguably, when you think about the company over the last 30 years or more, you've always, in effect, been product-led growth. So how are you thinking about that differently now in terms of a concept or various executables for that?

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And then for Dan, could you talk about how you're thinking about your headcount growth relative to your expense growth for the year? You onboarded over 500 employees during the quarter. You finished Q1 with a record number of open recs. How are you thinking about filling those divisions, either to compensate for the increase in attrition you had in fiscal '21 versus normal organic growth that you otherwise would have done anyway?

## A - Shantanu Narayen {BIO 3332391 <GO>}

Yes. Jay, when I think about the transformative things that we've done in the company, certainly the move to subscriptions, the entrance into digital marketing, what we've done with data-driven operating model to drive the sort of financial cadence of the business, they absolutely bubble to the top. But I would say those actually dwarf in comparison to the excitement that I feel about what product-led growth can continue to do.

When you have hundreds of millions or billions of people using your software, a good example of what we've done is the constant innovation that we're delivering on the Document Cloud side. And I think David referred to some of the statistics, whether it's sort of doubling what we see with web traffic and really being aware of the intent-based approach that people want when they come on the web to accomplish document actions, what we are doing in mobile and doubling it. And I think product-led growth just relates to ensuring that all of our product teams have information at their fingertips as to how people are really using it, so that we can rapidly iterate in terms of what customers want and delight them.

And I think on the Creative Cloud, to add to what David said to Saket as well, what that means with Creative Cloud Express is, as you have these millions of users, we're constantly understanding where the search traffic is, how do you improve it. And it's just a new way of liberating all of the product teams to focus on what's truly important and truly needle-moving as far as customer interest and customer sentiment. And it's something that David has pioneered, so I'll have David add a little bit more. But I think the impact on how we serve customers, the NPS and being able to continue to recruit and retain is significant.

## A - David Wadhwani {BIO 16728396 <GO>}

Yes. I think Shantanu covered most of it. Just a couple of things to add. As you correctly point out, we joke internally that actually John and Chuck created product-led growth with distributing the free reader and then sort of upselling people from there to the Acrobat offering. And so we've, throughout our history, had this idea and sense of how you drive utilization and usage and engagement and then drive that to convert to users.

I think what we are -- where we are right now is an exciting inflection point where, as Shantanu mentioned, we're seeing a lot more activity and engagement on web, we're seeing a lot more activity and engagement on mobile. And that lets us have better and more seamless onboarding. So we can use everything we've learned around DDOM to drive better intent-based search and reach audiences that frankly we weren't able to reach before, because the onboarding experience, the actions to success and then what we do beyond that is in minutes, not hours.

## A - Shantanu Narayen {BIO 3332391 <GO>}



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Maybe one last thing before Dan comments. I think both Dan and David talked about retention and engagement during the quarter. And to give you a little bit more, Jay, color in terms of that, we look at churn rates, we look at reseller renewal, we look at 90-day cohort retentions. And in all of those, I think as a result of the activity that we're doing on the product teams to help improve, we're seeing improvement and getting to rates on all three of those that are better than they've ever been even prior to the pandemic. So I think that's, again, another example of what gives us confidence in our offerings and our innovation going forward.

## A - Daniel Durn {BIO 17483115 <GO>}

And then, Jay, just to come to your second question, we talked about the business performing well. When we talk about digital content and data increasingly driving economic growth going forward in a world where everything is going digital, that means we have an immense market opportunity in front of us, greater than $200 billion in 2024 and significantly larger than that as we look forward. So our long-term growth opportunity at Adobe is not opportunity constrained.

And so when we think about our leadership and product positions, they're built on the back of a very strong innovation engine at the company. So we're going to orient towards growth. We're going to continue to invest in R&D and the sales muscle to scale our businesses over time and continue that leadership in the markets that we participate in. But we're going to do what we've always done along the way is do it in a disciplined way, so we're marrying the investments we make with the opportunities as they materialize and grow in a very profitable way. And so you can see the company's history in terms of strong profitable growth, and I'd expect our track record on that to continue over the long run.

## Q - Jay Vleeschhouwer {BIO 1498201 <GO>}

Thank you.

## Operator

Thank you. We'll take our next question from Keith Weiss with Morgan Stanley.

## Q - Keith Weiss {BIO 6993337 <GO>}

Excellent. Thank you, guys, for taking the question. I actually had a couple of clarifications I was hoping to ask you guys about. Shantanu, earlier in the call, you made some comments about perhaps seeing a little bit of weakness in Europe at the end of the quarter. Can you -- digging on that a little bit, like where in the business did you see that weakness? And did that persist into Q2 or was it just kind of more temperamental? So that was number one.

Number two, on the -- I know we're not giving full year guidance, but when we think about the operating margin outperformance in Q1, is the commentary that, that's going to be given back later in the year, or is it just like sort of the ramp-up gets pushed out so the savings kind of like accrue throughout the full year? And then clarification number three, when you guys gave the original $1.9 billion net new ARR addition guidance for FY '22, did

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you guys already contemplate these price increases? So was the -- or the price changes? Were the price changes already in that $1.9 billion guide? So that's my three clarifications.

## A - Shantanu Narayen {BIO 3332391 <GO>}

Sure. So Keith, maybe I'll answer the last question first and then talk about it, which is, as we were entering the year and what we talked at the FA meeting, if you actually -- I think we also got a couple of questions as it relates to what we were going to do on pricing, and we alluded to the fact that we're constantly looking at it.

And so while it was something that we were working on, we actually just pretty recently finished the entire effort. So we didn't have it finalized, but we always thought that it was time with the new offerings to actually look at the pricing structure as well. And so the definite amount and the materiality of that, we will know as we go through the process. But directionally, we knew that we were going to be looking at pricing more exhaustively.

I think in terms of the clarification of what we saw, when the war broke out for the last couple of weeks, that impact was not just felt in Russia and Belarus and Ukraine. You see a little bit of that traffic across the region. So that's really all I was alluding to. And we saw strength, and that strength continued in the U.S. right through the quarter. And so not unsurprisingly, we saw a little impact. So that's all I was referring to as it related to the European situation.

And did you have a third question, Keith?

## Q - Keith Weiss {BIO 6993337 <GO>}

Yes, the third one was on operating margins.

## A - Daniel Durn {BIO 17483115 <GO>}

Yes. Your third question on operating margin. So let me break it up into three time periods. Let's talk about Q1 briefly. Let's talk about FY '22 and then beyond. So as we think about Q1, clearly, Omicron was a context around that quarter, so our investments in things like travel, facilities weren't as robust as originally contemplated, and you saw a little bit of uplift from a margin structure standpoint in Q1. When we take a step back, we talked about the growth profile and the leadership of our product positions, continuing to invest to scale our businesses and a lot of those investments being R&D and sales-oriented, we'll continue to do that.

And the targets that we set in FA Day a few months ago implied in those -- in that framework is an operating margin for the year. And so I think you'll see that unfold throughout the rest of the year. And then longer term, we talked about the significant opportunities facing the company and our ability to capture that with our leadership position as the world goes increasingly digital. And as we grow and scale this business, you'll see the benefits of that over time layer into the operating margin as we continue to do it in a strong, profitable and disciplined way.

## Q - Keith Weiss {BIO 6993337 <GO>}

Excellent. Thank you so much, guys.

## Operator

Thank you. We'll take our next question from Tyler Radke with Citi.

## Q - Tyler Radke {BIO 20483599 <GO>}

Yes. Thanks very much for taking the question. Just going back to the price increase and pricing changes. Obviously, I'm sure you'll be sharing a lot more specifics as we go forward. But philosophically, just how are you thinking about the pricing changes at the high end versus the kind of entry-level Creative products? And particularly, just curious how you're evaluating those pricing changes in the context of the competitive landscape. Thank you.

## A - Shantanu Narayen {BIO 3332391 <GO>}

So I think philosophically, the way we are looking at it, I'll repeat what I said earlier, which is we haven't done a comprehensive look at that in multiple years. And directionally, I think the significant value that we've added has to do with people, whether you're in businesses or whether you're a user of the entire apps. I mean, we continue to add new apps to the -- what's called the CC All Apps platform. And directionally, we're just saying that is the area where we have to look at all of the increased value that we have.

This is not driven in any way, shape or form by any competitive response, so let me be categorical about that. This is raised by -- we continue to attract billions of people to the platform in terms of the interest. And with all of the new offerings that we have, again as David said, across web, across mobile, across the browsers, we just want to make sure that as we continue to expand the offerings, we're looking at the pricing in a good way. So the value that we've added to whether you're in Teams with collaboration or whether you're businesses, continues to be a motivator for us to look at the prices as well on all the new apps that we've added. So hopefully, that gives you color.

Let me also back up and say, this is, for us, all really about customers and delighting customers. But because we had an earnings call, we said as this gets rolled out, we at least want to give you some heads up because otherwise, some of you would say, why didn't you at least allude to it? As David said, this doesn't have an impact in Q2 really, it's a pretty small impact. But that was the rationale and thinking associated with it. And we will certainly roll this out with customers first, and then we will share with you more of what the impact is. But that's the way we look at how we move the business going forward.

## Q - Tyler Radke {BIO 20483599 <GO>}

Great. And if I could sneak in a follow-up just on the Digital Experience side. Obviously, pretty strong growth here in Q4 and in the first part of the year, above 20% on an adjusted basis. I guess, was there any kind of one-time factors that drove that outperformance? And as we think about the guide for the next quarter and the deceleration implied, just anything to call out there? Thank you.



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## A - Anil Chakravarthy {BIO 16628903 <GO>}

Thanks for the question. We are pleased with the momentum we have seen in the Digital Experience business with 22% growth and subscription on an adjusted basis. The market opportunity is huge, over $100 billion of TAM. The pandemic obviously put a spotlight on it in terms of the urgency. We're seeing it continue to grow in terms of customer demand, customer interest at the Board level and at the C-level.

We're in a really strong market position with what we've built with the Adobe Experience Platform and the native apps like Customer Journey Analytics and CDP that we've built with that. So overall, we feel really excited about the path forward. And we just had the Summit Conference last week, excellent pipeline building event as well as a chance to showcase our product innovation. So we expect this to continue through the year in terms of our momentum.

## Q - Tyler Radke {BIO 20483599 <GO>}

Thank you.

## Operator

Thank you. We'll take our next question from Keith Bachman with BMO.

## Q - Keith Bachman {BIO 15411993 <GO>}

Hi. Thank you. I'm going to follow lead with a couple of clarifications. Dan, could you comment on what the inorganic contribution was this quarter and where it manifests? So for instance, Frame.io, what was the contribution there? Secondly, when you think about -- I just want to clarify on the ARR write-off, so to speak. The comment was that you're ceasing all new incremental business. But are you going to continue to get ARR payments in Russia -- or from Russia and Belarus from existing business that might actually contribute to ARR? A little bit confused on that one.

And then in the spirit of Keith Weiss, I'm actually going to ask a third clarification. Shantanu, in the past, you've said that in the Creative side, new subscribers was the most significant contributor to growth. And I just wanted to try to understand, given more competition perhaps in the lower end of the market, is that still true? Thank you.

## A - Shantanu Narayen {BIO 3332391 <GO>}

I'll answer the first -- the third one first, Keith, as Dan does, which is if you look at the growth, the unit growth is being driven by single apps, which is new subscribers and driving to it. So that trend, in terms of continuing to drive single unit, is definitely part of how we think about it.

I'll answer maybe one part of also how you have to think about it, which is when you think about Russia and Belarus, we have the ARR, which is the book of business but there's no way to really get payments. And with all of the sanctions that's there, what we have factored is that book of business, because we are not going to be getting payments from

Russia, that is the impact that Dan alluded to, which is the $75 million for the rest of the year. So in addition to seizing new payment -- in addition to stopping new sales, what you have to realize is for a service that exists as a SaaS-based service, you're unable to collect payments. And so we've reflected that impact as well in the particular geographies.

## A - Daniel Durn {BIO 17483115 <GO>}

Yes. And just coming back to your last piece, Keith, on Frame. Now that it's part of the business, we're not going to be breaking this out. We talked about the momentum in the business, it's great. The team is doing really well. The number of deals, the average deal size, business has a lot of momentum around it. And we talked about the great collaboration technology that exists there. But now that it's a part of the business, we won't be breaking it out explicitly.

## Q - Keith Bachman {BIO 15411993 <GO>}

Okay. Thank you. I'll (inaudible) the floor.

## Operator

Thank you. We'll take our next question from Kash Rangan with Goldman Sachs.

## Q - Kasthuri Rangan {BIO 2022907 <GO>}

Hey, thank you very much. Congrats on the quarter. The numbers look quite good for Q1. So Shantanu, I'm curious, the shifting seasonality, generally, when you find a more seasonal second half, that's generally a sign of maturity in the market or macro factors or just product transition factors. But when I look at your second half, you do have relatively easier comps for DM ARR, right? And then you have the pricing optimization.

So if we net it all out, how do you feel about the business in the second half relative to going into the first quarter, granted that we have all these macroeconomic concerns? But net of the positives against -- net of the negatives against the positives, how do you feel today versus three months back about the rest of the fiscal year?

## A - Shantanu Narayen {BIO 3332391 <GO>}

Thanks, Kash. I mean, to net it out, I definitely feel more positive about business moving forward than I ever have because just if you take a step back and look at all of -- first look at Q1, we had a strong Q1. We clearly beat our targets in what is perhaps the most unpredictable situations that exist in the world. So we feel really good about Q1. We feel really good about the new initiatives that both in Document Cloud and Creative Cloud and in Experience Cloud that David and Anil spoke to.

I did allude to the fact that when you think about the seasonal cadence and the rhythm of the business, certainly, some of that's impacted. And perhaps the thing that you're alluding to, Kash, was in Q2 of last year, there was sort of a catch-up as "small and medium businesses" came on -- come back online. And so you have to just factor what that is in. But both in terms of the revenue growth in DME for Q3 and Q4 as it relates to getting more similar to Q1 as well as the ARR, we're optimistic about the second half.



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The only reason we didn't talk about Q2 is because we actually gave specific guidance and targets for Q2. So don't take that as anything as opposed to we've given you targets for Q2 and we are trying to give you color on what happens in Q3 and Q4. So hopefully, that helps, Kash.

And on the DX side, since there have been fewer questions on the DX side, I mean, what we have done, Summit was really exciting. The amount of new announcements that we've done there. Every person that I talked to in the C-suite continues to want to really focus on digital transformation and customer experience management. I'm excited. I'm back on the road again. It feels great. We have employees back in the office and facilities. People want to meet and digital engagement is top of mind.

So across all three of our businesses, we didn't talk about the Document business. $100 million in ARR for the quarter, $2 billion book of business, really good adoption of our new functionality, whether it's on the web as well as a unifying sign with Acrobat, which was a big movement that we're trying to do. So I think all of those are positive.

I think the one impact that, again, maybe Dan can just touch on is certainly, it doesn't impact our core business, but the EPS, you just have to factor some of the revenue and other considerations that happened. But for the functional part of the business, I feel really good.

## A - Daniel Durn {BIO 17483115 <GO>}

Yes. So Shantanu did a good job talking about the fundamentals of the business. The other piece are the transient effects. And I would point to two of them. So for the war in Ukraine, we derisked the profile around the situation. That's the prudent thing to do to be conservative in situations like this. So that's what you see in the $87 million reduction in ARR as well as the $75 million reduction from a revenue standpoint, Q2 through Q4.

So if I take that revenue and I flow it through the P&L, that's going to be about a $0.04 a share headwind per quarter for the balance of the year, Q2 through Q4. From a tax standpoint, we talked about an 18.5% non-GAAP tax rate. That's a 1.5 point change versus where we were at FA Day. If I were to roll that through the P&L, that's about $0.06 a share per quarter throughout the year. We were able to overcome that in Q1. And then when I look at the share repurchase activity, clearly, the company took advantage of the current environment. And that's going to create about a $0.02 a share benefit each quarter this year versus where we were at FA Day.

And so when I net all of that out on a go-forward basis, you've got about an $0.08 per share headwind in each quarter. And again, like we said in Q1, we were able to overcome that headwind in Q1 and deliver above the expectations that we had set, and we're going to continue to orient towards growth. We're going to invest to lead, but if there's opportunities to do it in a disciplined way and overcome it on a go-forward basis, we'll take it a quarter at a time and let you know what we see.

## Q - Kasthuri Rangan {BIO 2022907 <GO>}

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Thank you, Dan. And Shantanu, just one final follow-up. The clear -- I know that you want to talk about the Document Cloud and the Experience Cloud, but I remember fall of 2011, you've made a very bold transition to Creative Cloud subscription. You, in fact, outlined that you have a target of 4 million subscribers in fiscal '15, which seemed quite visionary back then, right? So as you look at the inflection point going -- the company is going through, what are your aspirations for Creative Cloud Express if you were to measure it in subscribers or how big of a business would you like it to be? What would be your similar prognostication as you look into the next few years? And that's it for me.

## A - Shantanu Narayen {BIO 3332391 <GO>}

Kash, at the FA meeting, we talked about what the overall addressable market opportunity is. But I really feel like we can get billions of users to use our product. And then they will be the spectrum of people who will be paying us on a subscription business as well as others who will perhaps take advantage of some of the freemium offerings that we have.

We are starting to see that kind of adoption with the Document Cloud certainly, right, where you have 0.5 billion people who've used our -- a reader in other products. But I think in terms of Creative Cloud Express, my hope and my aspiration is that every single person who has a story to tell uses some part of the Creative Cloud Express. We're off to a great start there, Kash. I think on the differentiation, as David said, we have the platform. We have every single piece of technology that we need to deliver a great compelling experience. And now we're also world-class at making sure that we capture search-based intent. So we want to anticipate what people want to do with Creative, but I would be disappointed if that doesn't just continue to be a huge growth area in terms of new users to our platform.

## A - Jonathan Vaas {BIO 21700508 <GO>}

Operator, we're a little past the top of the hour. We'll squeeze in one more question and then wrap up. Thank you.

## Operator

Thank you. We'll take our next question from Michael Turrin with Wells Fargo Securities.

## Q - Michael Turrin {BIO 20079094 <GO>}

Hey, there. Good afternoon. Appreciate you squeezing me on. We've been expecting a return to normal expense profile. Q1 operating margins were actually flat relative to last year. Anything else you can add just around the Q1 margin results? And as we think through the puts and takes between that return to a more normalized expense profile and some of the product and pricing efforts you've mentioned ahead this year, any way to think through if price uplift can help offset some of that expense normalization you're expecting? Thank you.

## A - Daniel Durn {BIO 17483115 <GO>}

Yes, sure. So if I were to look at where we landed in Q1, and we talked about not fully investing from a travel and facilities standpoint because of the Omicron environment. And as I look forward to the Q2 guide and the operating margin that is implicit in that guide,

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and I were to break it out into some several buckets. There's going to be an influence from the transient effects of the Russia situation. We're going to do increased hiring to invest for future growth. We get full quarter impact from a merit standpoint instead of a one-month impact. And then we will start to see the reopening expenses start to layer back in. Those are the four buckets that bridge you from Q1 to Q2. And I would say each of those four buckets is roughly equally weighted. And so I think that's what gets you to a more normalized run rate as we look into Q2 and the back half of the year.

## A - Shantanu Narayen {BIO 3332391 <GO>}

And since that was the last question, I wanted to, again, thank you all for joining us today. We're pleased with the performance. We think we had a really strong start to the fiscal year across all three of our businesses, the Creative Cloud, Document Cloud and Experience Cloud.

And more than that, I think our ability to continue to delight customers and deliver on the innovative road map gives us a lot of confidence associated with the new initiatives taking stock and contributing to the future growth at Adobe. The spotlight, I believe, on digital will just continue. And as we get back to more normalcy, I think that will only all go well for both Adobe and our customers. And the successful Summit that we just organized, I think, is another indicator of the interest that exists in our solutions.

So thank you for joining us today, and we look forward to sharing more as we go through the year. Thank you.

## A - Jonathan Vaas {BIO 21700508 <GO>}

This concludes the call. Thanks, everyone.

## Operator

That does conclude today's conference. We thank you all for your participation. You may now disconnect.

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