**Summarization Q1 2024 Adobe Inc Earnings Call**

**CORPORATE PARTICIPANTS**

Anil S. Chakravarthy Adobe Inc. - President of Digital Experience Business  
Daniel J. Durn Adobe Inc. - CFO and Executive VP of Finance, Technology Services & Operations  
David Wadhwani Adobe Inc. - President of Digital Media Business  
Jonathan Vaas Adobe Inc. - VP of IR  
Shantanu Narayen Adobe Inc. - Chairman & CEO

**CONFERENCE CALL PARTICIPANTS**

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Saket Kalia Barclays Bank PLC, Research Division - Senior Analyst

**FINANCIAL TABLE**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Reported Value | Multiplier | Currency | Granular Concept | Umbrella Concept | Sentence |
| 5.18 | billion | $ | revenue | sales | We achieved $5.18 billion in revenue in Q1, representing 12% year-over-year growth |
| 1.36 4.48 |  | $ $ | GAAP earnings per share non-GAAP earnings per share |  | GAAP earnings per share for the quarter was $1.36 and non-GAAP earnings per share was $4.48, representing 18% year-over-year growth |
| 432 3.82 | million billion | $ $ | Media ARR revenue | sales | In Q1, we achieved net new Digital Media ARR of $432 million and revenue of $3.82 billion, which grew 13% year-over-year |
| 750 | million | $ | revenue | sales | In Q1, we achieved Document Cloud revenue of $750 million, growing 18% year-over-year |
| 143 | million | $ | ARR ARR | sales | We added $143 million of net new Document Cloud ARR, which was a Q1 record, with year-over-year ending ARR growth of 23% in constant currency |
| 3.07 | billion | $ | revenue | sales | In Q1, we achieved $3.07 billion in revenue, which grew 12% year-over-year |
| 289 | million | $ | Cloud ARR | sales | Net new Creative Cloud ARR was $289 million |
| 6.5 | billion |  |  |  | The 6.5 billion assets generated to date include images, vectors, designs, and text effects |
| 1.29 | billion | $ | revenue | sales | Experience Cloud business had a great first quarter, achieving $1.29 billion in revenue and was our strongest Q1 on record for new business |
| 1.16 | billion | $ | Subscription revenue | sales | Subscription revenue was $1.16 billion, representing 12% year-over-year growth |
| 222.1 | billion | $ | spending |  | Adobe's holiday shopping report, which analyzes trillions of data points, showed strong online spending during the 2023 holiday season, growing 4.9% year-over-year to $222.1 billion, a new record for e-commerce as well as mobile shopping, which surpassed desktop for the first time and drove 51.1% of online sales |
| 800 | million | $ |  |  | Business highlights include: Momentum with Adobe Experience platform and native applications with the combined annualized book of business surpassing $800 million in the quarter |
| 5.18 | billion | $ | revenue | sales | In the quarter, Adobe achieved record revenue of $5.18 billion, which represents 11% year-over-year growth, or 12% in constant currency |
| 1.36 |  | $ $ |  |  | Business and financial highlights included: GAAP diluted earnings per share of $1.36 and non-GAAP diluted earnings per share of $4.48 |
| 3.82 | billion | $ | Media revenue | sales | Digital Media revenue of $3.82 billion |
| 432 | million |  | Media ARR of $ | sales | net new Digital Media ARR of $432 million |
| 1.29 | billion | $ | Experience revenue | sales | Digital Experience revenue of $1.29 billion |
| 1.17 | billion | $ | cash flows operations |  | cash flows from operations of $1.17 billion |
| 17.58 | billion | $ |  |  | RPO of $17.58 billion exiting the quarter |
| 3.1 | million |  | shares |  | and repurchasing approximately 3.1 million shares of our stock during the quarter |
| 1 2.19 | billion | $ $ | cash flows | cash & cash equivalents | Absent the Termination Payment, our cash flows from operations would have been $1 billion more, and GAAP EPS would have been $2.19 higher |
| 3.82 | billion | $ | Q1 revenue | sales | In our Digital Media segment, we achieved Q1 revenue of $3.82 billion, which represents 12% year-over-year growth, or 13% in constant currency |
| 15.76 | billion | $ | ARR | sales | We exited the quarter with $15.76 billion of Digital Media ARR, up 14% year-over-year in constant currency |
| 750 | million | $ | Cloud revenue of | sales | Adobe achieved Document Cloud revenue of $750 million, which represents 18% year-over-year growth as reported and in constant currency |
| 143 | million | $ | ARR | sales | We added $143 million of net new Document Cloud ARR in the quarter |
| 3.07 | billion | $ | Creative revenue | sales | We achieved Creative revenue of $3.07 billion, which represents 11% year-over-year growth, or 12% in constant currency |
| 289 | million | $ | ARR ARR | sales | We added $289 million of net new Creative ARR in the quarter, with ending ARR growing 12% year over year in constant currency |
| 1.29 | billion | $ | revenue | sales | Turning to our Digital Experience segment, in Q1 we achieved revenue of $1.29 billion, which represents 10% year-over-year growth as reported and in constant currency |
| 1.16 | billion | $ | Experience subscription revenue | sales | Digital Experience subscription revenue was $1.16 billion, growing 12% year over year as reported and in constant currency |
| 36 | % |  | tax rate |  | Turning to the income statement and balance sheet, Adobe's effective tax rate in Q1 was 36% on a GAAP basis and 18.5% on a non-GAAP basis |
| 17.58 | billion | $ |  |  | RPO exiting the quarter was a record $17.58 billion, growing 16% year-over-year, as reported and in constant currency |
| 6.82 1.17 | billion billion | $ $ |  |  | Our ending cash and short-term investment position exiting Q1 was $6.82 billion, and cash flows from operations in the quarter were $1.17 billion |
| 2 15 | billion billion | $ $ |  |  | In Q1 we entered into a $2 billion share repurchase agreement, which effectively exhausted our prior $15 billion authority |
| 25 | billion | $ |  |  | As a result of our strong trajectory of growth and profitability, we are announcing a new $25 billion share repurchase program, which demonstrates Adobe's continued commitment to returning capital to our shareholders |
| 5.25 5.30 | billion billion | $ $ | revenue | sales | In light of the momentum across our business and factoring in the macroeconomic environment, for Q2 we are targeting: total Adobe revenue of $5.25 billion to $5.30 billion |
| 440 | million | $ | ARR | sales | Digital Media net new ARR of approximately $440 million |
| 3.87 3.90 | billion billion | $ $ | revenue | sales | Digital Media segment revenue of $3.87 billion to $3.90 billion |
| 1.31 1.33 | billion billion | $ $ | revenue | sales | Digital Experience segment revenue of $1.31 billion to $1.33 billion |
| 1.165 1.185 | billion billion | $ $ | Experience subscription revenue | sales | Digital Experience subscription revenue of $1.165 billion to $1.185 billion |
| 18.5 | % |  | tax rate non-GAAP basis |  | tax rate of approximately 18.5% on a GAAP and non-GAAP basis |
| 3.35 3.40 |  | $ $ | GAAP earnings per share |  | GAAP earnings per share of $3.35 to $3.40 |
| 4.35 4.40 |  | $ $ | non-GAAP earnings per share |  | and non-GAAP earnings per share of $4.35 to $4.40 |

**PRESENTATION**

### Anil S. Chakravarthy Adobe Inc. - President of Digital Experience Business

* Experience Cloud business had a great first quarter, achieving $1.29 billion in revenue and was our strongest Q1 on record for new business
* Subscription revenue was $1.16 billion, representing 12% year-over-year growth
* Adobe's holiday shopping report, which analyzes trillions of data points, showed strong online spending during the 2023 holiday season, growing 4.9% year-over-year to $222.1 billion, a new record for e-commerce as well as mobile shopping, which surpassed desktop for the first time and drove 51.1% of online sales
* Business highlights include: Momentum with Adobe Experience platform and native applications with the combined annualized book of business surpassing $800 million in the quarter

### Daniel J. Durn Adobe Inc. - CFO and Executive VP of Finance, Technology Services & Operations

* In the quarter, Adobe achieved record revenue of $5.18 billion, which represents 11% year-over-year growth, or 12% in constant currency
* Business and financial highlights included: GAAP diluted earnings per share of $1.36 and non-GAAP diluted earnings per share of $4.48
* Digital Media revenue of $3.82 billion
* net new Digital Media ARR of $432 million
* Digital Experience revenue of $1.29 billion
* cash flows from operations of $1.17 billion
* RPO of $17.58 billion exiting the quarter
* and repurchasing approximately 3.1 million shares of our stock during the quarter
* Absent the Termination Payment, our cash flows from operations would have been $1 billion more, and GAAP EPS would have been $2.19 higher
* In our Digital Media segment, we achieved Q1 revenue of $3.82 billion, which represents 12% year-over-year growth, or 13% in constant currency
* We exited the quarter with $15.76 billion of Digital Media ARR, up 14% year-over-year in constant currency
* Adobe achieved Document Cloud revenue of $750 million, which represents 18% year-over-year growth as reported and in constant currency
* We added $143 million of net new Document Cloud ARR in the quarter
* We achieved Creative revenue of $3.07 billion, which represents 11% year-over-year growth, or 12% in constant currency
* We added $289 million of net new Creative ARR in the quarter, with ending ARR growing 12% year over year in constant currency
* Turning to our Digital Experience segment, in Q1 we achieved revenue of $1.29 billion, which represents 10% year-over-year growth as reported and in constant currency
* Digital Experience subscription revenue was $1.16 billion, growing 12% year over year as reported and in constant currency
* Turning to the income statement and balance sheet, Adobe's effective tax rate in Q1 was 36% on a GAAP basis and 18.5% on a non-GAAP basis
* RPO exiting the quarter was a record $17.58 billion, growing 16% year-over-year, as reported and in constant currency
* Our ending cash and short-term investment position exiting Q1 was $6.82 billion, and cash flows from operations in the quarter were $1.17 billion
* In Q1 we entered into a $2 billion share repurchase agreement, which effectively exhausted our prior $15 billion authority
* As a result of our strong trajectory of growth and profitability, we are announcing a new $25 billion share repurchase program, which demonstrates Adobe's continued commitment to returning capital to our shareholders
* In light of the momentum across our business and factoring in the macroeconomic environment, for Q2 we are targeting: total Adobe revenue of $5.25 billion to $5.30 billion
* Digital Media net new ARR of approximately $440 million
* Digital Media segment revenue of $3.87 billion to $3.90 billion
* Digital Experience segment revenue of $1.31 billion to $1.33 billion
* Digital Experience subscription revenue of $1.165 billion to $1.185 billion
* tax rate of approximately 18.5% on a GAAP and non-GAAP basis
* GAAP earnings per share of $3.35 to $3.40
* and non-GAAP earnings per share of $4.35 to $4.40

### David Wadhwani Adobe Inc. - President of Digital Media Business

* In Q1, we achieved net new Digital Media ARR of $432 million and revenue of $3.82 billion, which grew 13% year-over-year
* In Q1, we achieved Document Cloud revenue of $750 million, growing 18% year-over-year
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* In Q1, we achieved $3.07 billion in revenue, which grew 12% year-over-year
* Net new Creative Cloud ARR was $289 million
* The 6.5 billion assets generated to date include images, vectors, designs, and text effects

### Shantanu Narayen Adobe Inc. - Chairman & CEO

* We achieved $5.18 billion in revenue in Q1, representing 12% year-over-year growth
* GAAP earnings per share for the quarter was $1.36 and non-GAAP earnings per share was $4.48, representing 18% year-over-year growth

**QUESTIONS AND ANSWERS**

### Aleksandr J. Zukin Wolfe Research, LLC - MD & Head of the Software Group

* And I just -- mine is going to be more of a clarifying question, because it's clear that from a number of comments, whether it's outperforming Digital Media ARR in the quarter to accelerating Creative ARR in the second half to maybe doing better than $1.9 billion in the full year for Digital Media ARR, my question is very simple

### Daniel J. Durn Adobe Inc. - CFO and Executive VP of Finance, Technology Services & Operations

* And it's $2.19 as a result of the $1 billion payment

### Daniel J. Durn Adobe Inc. - CFO and Executive VP of Finance, Technology Services & Operations

* Strength of our cash flow, once you normalize for the $1 billion termination payment, that's up 28% year-over-year

### David Wadhwani Adobe Inc. - President of Digital Media Business

* First of all, we do -- as we looked at the book of the business, it is a strong start to the year with Q1 coming in at a high watermark with $432 million across the entire business

### Keith Weiss Morgan Stanley, Research Division - Equity Analyst

* and number two is back half ramps, right? And so I think what investors would really love to hear is Dan Durn actually say you still expect to do $1.9 billion in net new Digital Media ARR and get some certainty there, and then also have a little bit more certainty or a little bit more explanation of what are the building blocks of that second half ramp

### Shantanu Narayen Adobe Inc. - Chairman & CEO

* And again, I'll reiterate that as it relates to us taking our targets pretty seriously, I mean, when we guided to $1.9 billion for the year, I mean, we had factored in both, as David mentioned, what was likely to happen in the pricing and how that rolls off as well as the product roadmap and when AI Assistant and Acrobat would be available, when Express, which is now in beta, would be available, so I think it factored in all of those
* I mean, I guess if you're looking at it from accomplishment, we look at it and say, "Hey, we did $410 million, I think, last year
* We did $432 million." If we look at the guide, we're on track as it relates to the $1.9 billion and to hopefully exceed that guidance
* And so I think we gave you some numbers on the 6.5 billion generations that we're seeing the, really, positive feedback that we're getting in Acrobat that continue to give us optimism associated with how that is

### Shantanu Narayen Adobe Inc. - Chairman & CEO

* Well, the way I would look at it in terms of the rhythm of the numbers and how you've seen sort of what transpired in 2023 and how we look at 2024 and the path to $1.9 billion and beyond, the way I would look at it is we're ahead in Q1

### Shantanu Narayen Adobe Inc. - Chairman & CEO

* I think as we play out the year, when we gave our targets for the $1.9 billion in ARR and the $410 million in Digital Media ARR for Q1, it factored in both our product roadmap and how things would evolve in the year
* You can look at last year's model and look at last year's model and say, "Hey, they got to $1.913 billion
* If they're ahead, does that fundamentally change Adobe's thesis on why we get to $1.9 billion and beyond?" And in my mind, it doesn't