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ADBE.OQ - Q1 2024 Adobe Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESNTATION

Operator

Good day, and welcome to the Q1 FY 2024 Adobe Earnings Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Jonathan Vaas, Vice President of Investor Relations. Please go ahead.

Jonathan Vaas - *Adobe Inc. - VP of IR*

Good afternoon, and thank you for joining us. With me on the call today are Shantanu Narayen, Adobe's Chair and CEO; David Wadhwanı, 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 2024 financial results. You can find our press release as well as PDFs of our prepared remarks and financial results on Adobe's Investor Relations website.

The information discussed on this call, including our financial targets and product plans, is as of today, March 14, and contains forward-looking statements that involve risks, uncertainty and assumptions. Actual results may differ materially from those set forth in these statements. For more information on those risks, please review today's earnings release and Adobe's SEC filings.

On this call, we will discuss GAAP and non-GAAP financial measures. Our reported results include GAAP growth rates as well as constant currency rates. During this presentation, Adobe's executives will refer to constant currency growth rates, unless otherwise stated. Non-GAAP reconciliations are available in our earnings release and on Adobe's Investor Relations website.

MARCH 14, 2024 / 9:00PM, ADBE.OQ - Q1 2024 Adobe Inc Earnings Call

Adobe Summit is just around the corner in Las Vegas at The Venetian Convention & Expo Center, beginning on Tuesday, March 26. Following the day 1 keynote, we will host an Investor Meeting at 2:00 p.m. Pacific Time. The event will be webcast live and the replay will be available on Adobe's IR website. More details about Summit are available at summit.adobe.com. I will now turn the call over to Shantanu.

Shantanu Narayen - Adobe Inc. - Chairman & CEO

Thanks, Jonathan. Good afternoon, and thank you for joining us. Adobe had a strong first quarter. 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. Our performance reflects the essential role that Adobe products play in driving the global digital economy. We're delivering on our strategy to unleash creativity for all, accelerate document productivity, and power digital businesses.

Adobe Creative Cloud, Document Cloud, and Experience Cloud are more critical than ever to the success of creators, communicators, students, entrepreneurs, and businesses of all sizes, with AI serving as an accelerant for all. We're a leader in delivering generative AI across all our clouds. We're taking a highly differentiated approach across data, models, and interfaces. Our proprietary data is built on decades of deep domain expertise across creative, documents and customer experience management.

We leverage large language models as well as have invested in building and delivering our proprietary models in the creative, document, and marketing domains. Our IP-friendly approach is a differentiator for creators and enterprises. In addition, we have innovated by delivering generative AI directly in products with releases in Adobe Photoshop, Illustrator, and Express across both desktop and mobile. AI Assistant in Acrobat and Reader unlocks the tremendous value of the trillions of PDFs around the world. We're bringing generative AI to Adobe Experience Cloud and will demonstrate our AI Assistant for customer experience management at Adobe Summit.

Every student, communicator, creative professional, and marketer is now focused on leveraging generative AI to imagine, ideate, create and deliver content and applications across a plethora of channels. Adobe is uniquely positioned through the combination of Express, Firefly, Creative Cloud, Acrobat, and Experience Cloud to deliver on this immense market opportunity.

The success we are already seeing with our GenStudio offering in the enterprise is validation of our leadership, and we expect that success to translate into other segments as we roll out these solutions throughout the year. We're driving strong usage, value and demand for our AI solutions across all customer segments. We're successfully monetizing our innovations with particular strength in Q1 in the enterprise segment across our Digital Media and Digital Experience businesses. This strength is reflected in our strong RPO growth of 16% year-over-year.

We're pleased with a strong Q1. We have a phenomenal product roadmap that we're executing against to bring AI innovation across our global customer base, and we are just getting started. I'll now turn it over to David to discuss the momentum in our Digital Media business.

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

Thanks, Shantanu. Hello, everyone. In Q1, we achieved net new Digital Media ARR of \$432 million and revenue of \$3.82 billion, which grew 13% year-over-year. The world's information, whether it's an enterprise legal contract, a small business invoice, or a personal school form, lives in trillions of PDFs. We were thrilled to announce Acrobat AI Assistant, a massive leap forward on our journey to bring intelligence to PDFs. With AI Assistant, we're combining the power of generative AI with our unique understanding of the PDF file format to transform the way people interact with and instantly extract additional value from their most important documents.

Enabled by a proprietary attribution engine, AI Assistant is deeply integrated into Reader and Acrobat workflows. It instantly generates summaries and insights from long documents, answers questions through a conversational interface, and provides an on-ramp for generating e-mails, reports and presentations. AI Assistant is governed by secure data protocols so that customers can use the capabilities with confidence. We're pleased with the initial response to the English language beta and look forward to usage ramping across our customer base as we release other languages later in the year. We will monetize this functionality through a monthly add-on offering to the hundreds of millions of Reader users as well as the Acrobat installed base across individuals, teams, and enterprises.

In Q1, we achieved Document Cloud revenue of \$750 million, growing 18% year-over-year. 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. Other business highlights include: Acrobat Web continues to be an incredible source of customer acquisition with monthly active users up over 70% year-over-year and surpassing 100 million users in Q1. Acrobat extensions for Microsoft Edge and Google Chrome and our Acrobat mobile offerings continue to accelerate free-to-paid conversion. Increased viral adoption through link sharing and stakeholder collaboration drove over 300% year-over-year growth in the number of PDF files sent. Key enterprise customer wins include Berkshire Hathaway, Merck Sharp & Dohme, Northrop Grumman, Porsche, and the U.S. Navy.

On Creative Cloud, creativity is the currency of differentiation in our digital-first world. Every creator and business is focused on building their brand and engaging with their audiences through standout content. Creative Cloud remains the solution of choice for the world's creators, whether their medium is design, photography, video, illustration or 3D.

Adobe Express is inspiring millions of users of all skill levels to design more quickly and easily than ever before. In the year since we announced and released Adobe Firefly, our creative generative AI model, we have aggressively integrated this functionality into both our Creative Cloud flagship applications, and more recently, Adobe Express, delighting millions of users who have generated over 6.5 billion assets to date.

In addition to creating proprietary foundation models, Firefly includes a web-based interface for ideation and rapid prototyping, which has seen tremendous adoption. We also recently introduced Firefly services, an AI platform which enables every enterprise to embed and extend our technology into their creative production and marketing workflows. Firefly services is currently powered by our commercially safe models and includes the ability for enterprises to create their own custom models by providing their proprietary data sets as well as to embed this functionality through APIs into their e-mail, media placement, social, and web creation process.

Early adopters like IBM are putting Firefly at the center of their content creation processes. IBM used Adobe Firefly to generate 200 campaign assets and over 1,000 marketing variations in moments rather than months. The campaign drove 26x higher engagement than its benchmark and reached more key audiences.

In Q1, we achieved \$3.07 billion in revenue, which grew 12% year-over-year. Net new Creative Cloud ARR was \$289 million. Other business highlights include: The launch of the new Adobe Express mobile app beta brings the magic of Adobe Firefly AI models directly into mobile workflows. The first-of-its-kind integration with TikTok's creative assistant makes the creation and optimization of social media content quicker, easier and more effective than ever before. Express Web usage continues to ramp nicely, with total exports more than doubling year-over-year. And overall Express adoption is expected to accelerate even further, given the positive reception we're seeing from the mobile beta.

Generative Fill and Photoshop continues to empower creators to create in new ways and accelerate image editing workflows. Q1 saw the highest adoption of Firefly-powered tools in Photoshop since the release of Generative Fill in May 2023, with customers adopting these features across desktop, web and most recently, iPad, which added Generative Fill and Generative Expand in December. The beta release of AI-powered Enhanced Speech and new audio workflows drove Premier beta usage to record highs. Adobe video tools were the go-to choice at Sundance Film Festival with over 80% of this year's entrants using Adobe software.

The introduction of Behance Pro, a new offering to serve the rapidly growing Behance community, empowers members to build their brand and find opportunities and for businesses to hire talented creators through the Behance platform. The unveiling of new research like the preview of our music generation models and editing tools last month and our video auto-dubbing models earlier today have inspired our Creative Cloud and Express customers.

The introduction of Firefly Services for enterprises drove notable wins in the quarter, including Accenture, IPG, and Starbucks. Other key enterprise wins include AECOM, Capital Group, Dentsu, IBM, Nintendo, and RR Donnelley. Given the size of opportunity we see with generative AI, we continue to focus on driving innovation, adoption and usage of our AI solutions. In Q1, we saw strength across both clouds, with record new commercial subscriptions in Creative Cloud for Q1 and strong product-led growth in Document Cloud. You can expect to see the product advances in Express with Firefly on mobile, Firefly Services and AI Assistant in Acrobat drive ARR acceleration in the second half of the year.

We're excited about our product roadmap. The 6.5 billion assets generated to date include images, vectors, designs, and text effects. And we can't wait to share the work we're doing on audio, video and 3D through research sneaks and product announcements in the coming months.

I'll now pass it to Anil.

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

Thanks, David. Hello, everyone. 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. Companies are prioritizing digital investments to improve marketing agility and customer engagement while driving growth and profitability. 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.

Our Adobe Experience Cloud applications span the entire customer funnel from acquisition to monetization to retention. As a global leader in the Digital Experience Platforms category, Adobe offers businesses a single view of their customers' data across every channel, allowing them to create precise segments and deliver personalized experiences, regardless of when and where a customer interacts with their brand.

Over the last 5 years, our organic innovations in Adobe Experience Platform, Real-time CDP, Journey Optimizer and Customer Journey Analytics have made us the leading platform for Customer Experience Management, given the scale of the profiles, campaigns, and interactions we process, which now exceed 500 trillion segment evaluations per month. Today, rollout of personalization at scale has been limited by the number of content variations you can create and the number of journeys you can deploy. We believe harnessing generative AI will be the next accelerant with Creative Cloud, Firefly Services and GenStudio providing a comprehensive solution for the content supply chain and Generative Experience Model automating the creation of personalized journeys.

Adobe GenStudio is a generative AI-first application that allows marketers to quickly plan, create, store, deliver, and measure marketing content in a single intuitive offering. With state-of-the-art generative AI powered by Firefly Services, marketers can create on-brand content with unprecedented scale and agility to deliver personalized experiences. Adobe GenStudio natively integrates with multiple Adobe applications across Creative Cloud and Experience Cloud, including Express, Firefly, Workfront, Experience Manager, Customer Journey Analytics and Journey Optimizer. It can be used by brands and their agency partners to unlock new levels of creativity and efficiency in marketing campaigns.

Business highlights include: Momentum with Adobe Experience Platform and native applications with the combined annualized book of business surpassing \$800 million in the quarter. Demand for Adobe Experience Manager, Workfront and GenStudio to address the enterprise content supply chain. Global agencies, including Accenture Song, Havas, IPG, Omnicom, and Publicis have standardized on Adobe as their technology platform of choice for their own workflows and to optimize creative collaboration with the world's leading brands.

Strength in Adobe Journey Optimizer on Adobe Campaign as companies look to deliver more personalized experiences across channels and surfaces. Adobe was recognized as a leader in the Gartner Magic Quadrant for Digital Experience Platforms for the seventh consecutive year, as well as the Forrester Wave for Digital Experience Platforms. Adobe Experience Manager assets was also named a leader for the fourth consecutive time in the Forrester Wave for Digital Asset Management. Key customer wins include Carl Zeiss, Comcast, Home Depot, NASCAR, Nestle, PayPal, Rogers Communications, Santander Group, Starbucks, and Walgreens.

Later this month, we are excited to host Adobe Summit, the world's largest digital experience conference in Las Vegas, where we will be joined by thousands of customers, partners, and developers from around the world. We look forward to showcasing a number of product innovations, including a new Generative Experience Model, advances in Adobe GenStudio, a new AI Assistant in Adobe Experience Platform, new capabilities in RT-CDP for first-party data activation and expanded Firefly Services offerings.

We will articulate our vision and playbook for brands to achieve a new level of personalization at scale in the era of generative AI. We look forward to sharing our exciting product roadmap and hearing from our customers on how Adobe is helping them transform their business. We were off to a fast start in Q1 and look forward to continuing the momentum and leadership in Q2 and beyond.

I will now pass it to Dan.

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

Today I will start by summarizing Adobe's performance in Q1 fiscal 2024, highlighting growth drivers across our businesses, and I'll finish with financial targets. In Q1, Adobe delivered another quarter of double-digit top-line growth with robust margins that result from product leadership, strong execution and financial discipline.

The pace of our product innovation across Document Cloud, Creative Cloud and Experience Cloud is leading to customers making large multi-year commitments to Adobe, and you see the result of those customer investments in our RPO performance, which accelerated to 16% year-over-year growth. 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.

GAAP EPS came in lower due to the billion-dollar payment resulting from the termination of the Figma transaction. Absent the Termination Payment, our cash flows from operations would have been \$1 billion more, and GAAP EPS would have been \$2.19 higher. The Termination Payment impacts both Q1 GAAP EPS and our full-year fiscal 2024 GAAP EPS.

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. Q1 Document Cloud growth drivers included: Demand for Acrobat subscriptions across all customer segments and geographies; continued growth of Acrobat Web, demonstrating the success of our flagship products across multiple surfaces; growing monthly active users in our Acrobat Reader funnel, driving free-to-paid conversion; new user acquisition resulting from our Microsoft Edge and Google Chrome partnerships; strength in our Teams business with upselling our new Acrobat offering, which includes integrated Sign capabilities; and strong demand from businesses of all sizes, demonstrating the mission criticality of our document solutions.

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.

Overall, CC pricing actions performed as expected in the quarter. Q1 net new Creative ARR grew more than 20% year over year, excluding the impact of pricing actions associated with both Acrobat CC and All Apps in the year-ago quarter, and Creative Cloud in Q1 FY24. Q1 Creative growth drivers included: New subscription growth, including strong adoption of Creative Cloud All Apps across geographies and customer segments; strong single app customer demand in Creative categories such as imaging and photography, and continued growth of Stock and Frame.io; we again saw strength in emerging markets, which we continue to believe is a massive growth opportunity; and outstanding performance of Creative Cloud in the enterprise, including early traction of Firefly Services.

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.

Q1 was a tremendous start to the year for our Experience Cloud business, with growth drivers including: Success closing transformational deals across geographies and verticals with large enterprises that are choosing Adobe to be their end-to-end Customer Experience Management Platform; continued momentum with AEP and native applications, with the annualized book of business growing more than 60% year-over-year; strong customer adoption of our Content, Campaign and Workfront solutions; and continued strength with customer retention and expansion across our

products. Customer Experience Management remains an enterprise imperative, and as a leader in the category we see a robust pipeline as we look into Q2 and beyond.

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. The Q1 GAAP tax rate came in higher than targeted due to the Figma Termination Payment. 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.

In summary, fiscal 2024 is off to a strong start. By combining the power of product innovation and executional excellence, Adobe is driving consistent, profitable growth. We're delivering on our product roadmap, and we have the right strategy to monetize these innovations into the back half of the year and beyond. Adobe is incredibly well positioned to capitalize on the secular trends that will shape the next decade.

Shantanu, back to you.

Shantanu Narayen - Adobe Inc. - Chairman & CEO

Thanks, Dan. We are the leader in 3 large and growing categories and have delivered groundbreaking innovation across Creative Cloud, Document Cloud and Experience Cloud. We believe that AI augments human ingenuity and expands our addressable market opportunity. I'm proud of the pace and the responsible manner in which we have embraced and delivered generative AI capabilities across our product portfolio.

As a result of our strategy and execution, we are confident in our ability to attract new users and deliver value to existing customers to drive growth and profitability. I'd like to thank our 30,000 employees for their continued dedication and unwavering focus on innovation and execution. It is particularly exciting to be named to Glassdoor's Best Places to Work, Fortune's Most Admired Companies and the JUST 100. Thank you, and we will now take questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question comes from the line of Kirk Materne with Evercore ISI.

Kirk Materne - *Evercore ISI Institutional Equities, Research Division - Senior MD & Fundamental Research Analyst*

I guess maybe this is for David or Dan. Obviously, you guys called out that new Creative ARR was up more than 20% year-over-year when you exclude the pricing increases, which infers a pretty major pricing headwind that we're seeing right now. Can you all just try to parse out how that's going to play out over the year?

I know, David, you mentioned ARR will go up in the back half of the year, but that -- it's just tough, I think, to reconcile what's going on in the business on a normalized basis. And when we might see that sort of translate more into the metrics that everybody follows?

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

Yes, I'll start and others can go ahead and add on. 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. As we look specifically at Creative Cloud, I just want to sort of make sure everyone takes a step back and looks at our strategy to accelerate the business, because I think the growth drivers here are very clear.

We are focused on expanding access to users with things like Express on mobile. We want to introduce new offers across the business with things like AI Assistant and also existing capabilities for Firefly coming into our core Firefly, our core Photoshop and Illustrator and flagship applications. We want to access new budget pools with the introduction of Firefly services and GenStudio as we talked about.

And the early signs, as you point out, in Q1 results are really suggesting that those growth drivers are taking hold, as you talked about, normalizing for FY '22 through the FY '24 pricing actions, we grew the CC business about 20% year-over-year. Other key things to look at is that we set another record for new commercial subscriptions in Q1 and the business growth remained stable at -- if you look back at revenue, 12%, if you look forward at ARR, 12%. So the stability and the diversity of the business is strong.

And as we enter the back half of the year, we have capabilities for Creative Cloud pricing with Firefly that have already started rolling out late last year as we talked about, and will be incrementally rolling out throughout the year. We're ramping Firefly services and Express in enterprise as we talked about. We saw a very good beginning of that rollout at the -- toward the end of Q1. We also expect to see the second half ramping with Express mobile and AI Assistant coming through. So we have a lot of the back-end capabilities set up so that we can start monetizing these new features, which are still largely in beta starting in Q3 and beyond.

And as it relates to pricing, it's what we've talked about in the past. We had 2 pretty significant pricing actions that benefited FY '23, the first one being the Acrobat price increases that we had put out with the new value that we had introduced with Sign capabilities and also a CC price increase that we introduced in FY '22 that was rolling into FY '23. Both of those are rolling off as we have now introduced the new pricing for CC with Firefly. And overall, the roll-off of the prior pricing is more significant than the new pricing that we've introduced.

Operator

And we will take our next question from Brent Thill with Jefferies.

Brent John Thill - *Jefferies LLC, Research Division - Equity Analyst*

Shantanu, the magnitude of the beat this quarter, it was roughly half the absolute beat you've had in past quarters and then the guide obviously lower for next quarter. I think everyone is asking, is this some type of AI headwind? Is this macro? Is this execution? Can you just comment on -- and maybe it's none of these things, but can you just comment on what you think you're seeing in the current quarter?

Shantanu Narayen - Adobe Inc. - Chairman & CEO

Yes, happy to, Brent. 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. So from our perspective, it's playing out.

Maybe the other color, Brent, that I would provide is given the desktop products are still in beta, and there, we look at value, and there, we look at utilization. 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.

I think where there's tremendous interest and where, if you look at it from an AI monetization, the 2 places that we're monetizing extremely in line with our expectations, the first is as it relates to the Creative Cloud pricing that we've rolled out. And as you know, the generative packs are included for the most part in how people now buy Creative Cloud, that's rolling out as expected.

And the second place where we are monetizing it is in the entire enterprise as it relates to Content and GenStudio. And I'm really happy about how that's monetizing it. And that's a combination, Brent, of when we go into an enterprise for creation, whether we provide Creative Cloud or a combination of Express, what we are doing with asset management and AEM, Workflow as well as Firefly services to enable people to do custom models as well as APIs. We're seeing way more monetization earlier, but again, very much in line with expected.

So again, I look at the quarter and I feel really good, both about the product delivery as well as the way monetization's turning out. I mean, it's clear, I guess, a little bit from sort of what we've seen that expectations were perhaps a little higher, both in terms of what we would guide for Q2. But I'm really optimistic about what we have done.

Operator

Your next question comes from the line of Brad Zelnick with Deutsche Bank.

Brad Alan Zelnick - Deutsche Bank AG, Research Division - MD of Software Equity Research & Senior US Software Research Analyst

My question's for Dan. You're not raising the full year guide, and I appreciate it's still early in the year, but I think we're all hoping you can at least affirm it for us. But you also -- you pushed out the enforcement of generative credit limits for some products beyond April that were originally expected sooner. What's the thinking behind this decision? And what are you seeing thus far in terms of credit consumption and purchasing patterns of those credit packs?

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

Yes. Thanks, Brad. I'll jump in on the first part, then toss it over to David for the second. So we're not updating the targets. The targets we provided for the full year, they're as of the December call. What we did share on the call was the material change that we saw in Q1 as a result of the Figma Termination Payment. We talked about the GAAP EPS impact. It rolls through Q1 and it'll certainly have an effect for the full year. And it's \$2.19 as a result of the \$1 billion payment. And I think with that, I think you have everything you need relative to where we set our targets, but we're not going to be updating them on this call.

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

Yes, and I'm happy to add a little bit. Yes, in terms of the timing of the -- when we start enforcing credits, don't read anything into that other than right now we are still very much in acquisition mode. We want to bring a lot of users in. We want to get them using the products as much as possible. We want them coming back and using it.

One thing I do want to state, because I know there's a lot of energy around how do these credits play out over time. In the last few weeks, we've done a couple of sneaks that could also be instructive. Last month, we snuck music composition where you can take any music track, you can give it a music type like hip-hop or orchestral or whatever, and it will transform that initial track into this new type of music.

Just this morning, we snuck our ability to do auto-dubbing and lip-syncing where you give it a video of someone talking in, say, English and then you can translate it automatically to French or Spanish or Portuguese or whatever. As you can imagine, those actions will not take 1 credit. Those actions will be much more significant in terms of what they cost. So right now, look, the primary point is about proliferation and usage.

We're going to be bringing in a lot more new capabilities throughout the tools that will drive more usage, and we're going to be bringing in more expensive capabilities as well. And as we've talked about, you should start to see that ramp through the year, and we feel very comfortable with the adoption we're seeing. Just 1 last thing to call out. As we mentioned on the call, highest number of users using generative AI in Q1 ever, so we're very excited about the trajectory.

Shantanu Narayen - Adobe Inc. - Chairman & CEO

And maybe just to add a little bit more of how we are thinking about it as it relates to the monetization of AI, I think we're in early stages as it relates to experimentation. So we're looking at both what the value utilization is as well as experimentation. The value utilization is actually really positive for us.

I think as it relates to the monetization and the experimentation, we have the generative packs, as you know, in Creative Cloud. I think you will see us more and more have that as part of the normal pricing and look at pricing, because that's the way in which we want to continue to see people use it.

I think in Acrobat, as you've seen, we are not actually using the generative packs. We're going to be using more of an AI Assistant model, which is a monthly model. As it relates to the enterprise, we have both the ability to do custom models, which depends on how much content that they are creating as well as an API and metering. We've rolled that out and we started to sell that as part of our GenStudio solution.

So I think it's fair to say, and I certainly monitor what everybody else in the industry is saying, the good news about this is the interface integration that we've done in all our apps and the utilization and I think the experimentation will enable us to determine how we best attract the largest number of customers that we can who are new to Creative Cloud.

We've talked about that as it relates to Firefly attracting new customers. Certainly, I think the number of Q1 commercial subscriptions was another record. So we're absolutely doing everything that we intended to experiment as we roll these out, Brad, so I wanted to accentuate that as well.

Operator

Your next question comes from the line of Michael Turrin with Wells Fargo Securities.

Michael James Turrin - Wells Fargo Securities, LLC, Research Division - Senior Equity Analyst

David, couldn't help but notice you led off your prepared remarks section with the Document Cloud. Can you speak to the enthusiasm you're seeing on the Document side? And when we think about the mix of Digital Media growth for the year, should we expect it will continue to trend towards

that Document side? Or is more the second half where some of the creative enhancements start to layer on more meaningfully, we could start to see that shift back a bit?

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

Yes, happy to talk about that. We were very and continue to be very happy with the performance of Document Cloud. If you really look at trying to understand sort of how that plays out, Document Cloud is -- the growth is a combination of both our go-to-market efforts and our product innovation. On the go-to-market effort side, think about the fact that Reader continues to be a top of funnel for us, and we continue to see Reader monthly active user growth. So the potential of people we can convert over to paid subscribers continues to grow.

We also talked about the fact that Acrobat Web has been a major contributor to our growth. So we're seeing 70% year-over-year growth in terms of web MAU and we crossed 100 million monthly active users for the first time on the Web side. And of course, we're doing a lot of work with product-led growth to drive the Journey users to some of that value that drives conversion. So that's all we're doing on the go-to-market side.

On the side of product innovation, our strategy over the last couple of years, has been to make PDF the starting point of a workflow, right? And so that's why we integrated Sign directly into that so that people could use their PDFs and start a transaction for their business, and that continues to grow very nicely and it's a great selling point for an integrated service.

We also introduced link sharing a few years ago for commenting and reviewing with groups and teams. We saw that link sharing grow 300% year-over-year, so that's a huge point of value, but it's also a huge point of viral growth. That's also what -- when someone receives that, it's another opportunity for us to bring them into the value of the broader offering.

And you can expect to see that with AI Assistant as well. So obviously, everyone is looking at AI Assistant in Acrobat. I certainly hope all of you are using it. It should make your lives more effective. Not just for insight, we think that there's a lot of opportunity for monetization of insight for AI Assistant on our core base of Acrobat users but also, for the first time, doing consumption-based value. So the hundreds of millions of monthly active users of Reader will also be able to get access to AI Assistant and purchase an add-on pack there, too. So it's a really broad base to look at how we monetize that.

But it's also the start of the ability to take your conversation and generate e-mails and presentations and continue that process. So the combination of all of that is a really potent combination of go-to-market efforts and product innovation. So we are -- we continue to be bullish about this.

To the second part of your question, we are -- as we've said multiple times on the call, we are very excited about all the innovation that's coming out, that's just starting to ramp in terms of monetization and/or still in beta on the Creative Cloud side. We expect that to come out in Q3 and we'll start our monetization there. So we continue to feel very confident about the second half acceleration of Creative Cloud.

Operator

Your next question comes from the line of Saket Kalia with Barclays.

Saket Kalia - Barclays Bank PLC, Research Division - Senior Analyst

Maybe for both David and Shantanu. Clearly, a lot of news around video creation using generative AI during the quarter, of course, with the announcement of Sora. Maybe the question for you folks is can we just talk a little bit about how you think about the market impact that generative AI can have in the video editing market and how maybe Firefly can participate in that trend?

Shantanu Narayen - Adobe Inc. - Chairman & CEO

Sure, Saket. I mean, I'll start and then David can add. I mean, firstly, I think the advances, whether it's in OpenAI or our own models that certainly, David and I have the pleasure of looking at, on a weekly basis, the advances are amazing because you have to -- when you're thinking about video, solve some other fundamental problems like physics, right? I mean, if you have somebody walking on a street, how do you make sure that they don't go through a building or go through the floor.

And so I think some of those video advancements that we have seen within Adobe have really addressed some of those hard problems. A big picture, though, video, I think, will be even more of an accelerant for editing applications. I mean, I think this notion that the next Oppenheimer will be done using a text-to-video prompt is just not going to happen for decades.

And so I think, actually, more so in video, there's going to be an accelerant for people saying, "How do I get an on-ramp as it relates to using text-to-video and then edit that using our applications." And so I think I'm really particularly excited about what we can do with Premier as well as with After Effects as it relates to video.

So net-net, I would say, Saket, the technology is impressive. We have our models. We have integrated it into our interfaces. We're also partnering. I had a really great conversation with Jensen recently about what we can do as they are investing in video. Certainly, he would love to partner with us, and we're looking together to see how we can push the envelope on video as well using their models, whether it's Edify or NeMo.

And so I think really early days. We're seeing a whole bunch. I hope -- and David mentioned this, look at some of the lip-sync stuff that we've done as well, which allows you to auto-dub and translate into languages, so we intentionally released a little bit of that demo. So really great advances, but net-net, video is going to be even more of a need for editing applications in order to truly take advantage of generative AI.

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

Yes, and maybe I'll just add a few things. First of all, as Shantanu mentioned, the research in the industry and certainly with Sora is very impressive and exciting. It's also very consistent with the models that we're developing. So we think that there's -- there will be, as there was with video -- sorry, imaging, there will be multiple models that come out including the Adobe model later this year, and we should start to see a lot of innovation there like we've seen in imaging.

We've already started to sneak a couple of things, as Shantanu talked about, but you will see text-to-video capabilities from us later this year. But you'll also see it with transparency around the training data that we have. You'll see it with more toolability and controllability. You'll see it integrated into our tools as well.

Now all of that said, I do want to be very clear with what Shantanu said, which is that we see the proliferation of video models to be a very good thing for Adobe. We're going to work with OpenAI around Sora. You're going to see us obviously developing our own model. You're going to see others develop their model. All of that creates a tailwind because the more people generate video clips, the more they need to edit that content, right? So whether it's Premier or After Effects or Express, they have to assemble those clips. They have to color correct those clips. They have to tone-match. They have to enable transitions.

So we're excited about what we're building, but we're just as excited about the partnerships that we see with OpenAI and others coming down this path. And if you take a step back, you should expect to see more from us in the weeks ahead with imaging and vector, design, text effects, in the months ahead with audio and video and 3D. We're very excited about what all of this means, not just for the models, but for our APIs and our tools.

Operator

Your next question comes from the line of Alex Zukin with Wolfe Research.

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. Can you reiterate, not update but reiterate, the guide that you gave in December for Digital Media ARR in net new specifically for this year? And maybe puts and takes around how we should think about, to the question earlier, the second half versus first half tailwind headwind around pricing?

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

Yes. So we take our guide seriously. Q1 played out as expected. It was ahead of where we were last year. Our Q2 guide is ahead of where the guide was in Q2. We're talking about acceleration into the back half of the year. If I didn't feel like our full year guide was achievable, we would have a different conversation.

We're confident in the targets that we put out there, ability to meet them. If there's an opportunity to do better, we certainly will. So we feel good about where we sit in the first half. And as we look forward into the second half, the momentum we see from an innovation standpoint, integrating into our products, what we see going from beta to GA, we feel good about the momentum into the second half.

Operator

And your next question comes from the line of Karl Keirstead with UBS.

Karl Emil Keirstead - *UBS Investment Bank, Research Division - Analyst*

Dan, maybe I'll continue with this subject that Alex was getting at. So I think what's tough about modeling ARR of late is it's very difficult to see the impact of the price actions. It feels like a black box to us. So I'm wondering if you could help us get aligned for the second half and offer some qualitative color on the extent to which the prior period price actions roll off. Is that more of a 3Q or 4Q phenomenon? Is there any way you could help size that impact, just to feel good about David's earlier comment about that roll-off being a big part of the second half ARR acceleration?

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

Yes. So there were 2 pricing actions that we had taken in 2022. In May of 2022, we pushed forward a pricing action. And then October of 2022, we pushed forward the Doc Cloud line optimization where we integrated Sign. The 1-year anniversary of those pricing actions from May of 2022 and October of 2023 -- or I'm sorry, October of 2022 will be behind us on the 1-year anniversary. So you will still see some Q3 impact from pricing actions in the year ago period.

Q4 will be a clean look for the company, at least 2 months in Q4 will be a clean look. The actions that we're taking right now from both a pricing and a product standpoint, on the Creative side, will be more apparent in the back half of the year into the end of the year.

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

I think the other way I would look at it honestly -- sorry, go ahead.

Karl Emil Keirstead - *UBS Investment Bank, Research Division - Analyst*

Go ahead, David or Shantanu...

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. We're ahead in Q1. We're giving you all the reasons why we think there's more product coming and more monetization coming in the rest of the year, and that's what gives us the confidence associated with the targets.

I guess there's this question of every quarter, do we reiterate targets, do we update targets, what does that mean. And the way we've always thought of it is if there was a way, if we didn't have confidence, we would give you that. We have confidence associated with the numbers. But we're not in the business of every quarter looking at every number.

And let's go down one other number, which was the GAAP EPS. Certainly, there's an impact, as you know, in the GAAP EPS associated with what we did as it related to the Figma sort of transaction and therefore, the impact to GAAP EPS in Q1. So I think from my perspective, the quarter and the year is playing out just as we did. And I feel more confident now than I did when we gave you our annual targets. I'll leave it at that.

Operator

And we will take our next question from the line of Jay Vleeschhouwer with Griffin Securities.

Jay Vleeschhouwer - *Griffin Securities, Inc., Research Division - MD of Software Research*

With respect to Firefly, it's obvious that you are significantly ramping up your investments there, at least judging by the number of relevant open positions you're looking to fill for Firefly development, many of which are seemingly fairly senior. Could you comment on your pipeline of being able to bring in the requisite amount of developmental capacity to support everything you're doing with Firefly and everything else that David, in particular, talked about?

And relatedly on go-to-market, in the last few months, you've been opening up the aperture for sales positions globally. Could you comment on what the thinking is behind that, and again, whether the population is there for you to bring in to meet your sales head count needs?

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

Yes. Let me take the first one, and Anil can answer the question on sales. As it relates to the momentum we're seeing with Firefly, I think there are multiple layers of it. One is obviously, we're seeing the quality of the models. We're seeing a differentiated approach as it relates to the training data, as it approaches contribution of assets from our community and how we compensate those folks. And so that's not just an Adobe perspective, but it's playing out, obviously, in the enterprises as they look at what are the models that they can consider using for production workflows.

We're the only one with the full suite of capabilities that they can do. It's a really unique position to be in. But it's also being noticed by the research community, right? And as the community starts looking at places, if I'm a PhD that wants to go work in a particular environment, I start to ask myself the question of which environment do I want to pick. And a lot of people want to do AI in a responsible way. And that has been a very, very good opportunity for us to bring in amazing talent.

So we are investing. We do believe that we have the best -- one of the best, if not the best, research labs around imaging, around video, around audio, around 3D, and we're going to continue to attract that talent very quickly. We've already talked about we have the broadest set of creative models for imaging, for vector, for design, for audio, for 3D, for video, for fonts and text effects. And so this gives us a broad surface area to bring people in. And that momentum that starts with people coming in has been great.

The second part of this, too, is managing access to GPUs while maintaining our margins. We've been able to sort of manage our cost structure in a way that brings in the talent and gives them the necessary GPUs to do their best work.

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

And regarding the sales positions in enterprises. In enterprise, we're in a strong position because what we -- this area of customer experience management, it remains a clear imperative for enterprise customers. Everybody is investing in this personalization, at scale and current supply chain. These help drive both growth and profitability.

So when you look at these areas, these, from an enterprise perspective, these are a must-have. This is not a need-to-have. And that's helping us really attract the right kind of talent. We just onboarded, this week, a VP of Sales who had prior experience, a lot of experience in Cisco and Salesforce, et cetera. So that's an example of we're really bringing on some excellent enterprise sales talent.

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

And I don't know if, Jay, you were asking for building your model or if you were looking for a job. But if you're interested in any of these positions, let us know.

Jay Vleeschhouwer - *Griffin Securities, Inc., Research Division - MD of Software Research*

More the former.

Jonathan Vaas - *Adobe Inc. - VP of IR*

Operator, we're coming up on the hour. Let's try to squeeze in 2 more questions.

Operator

We will take our next question from Kash Rangan with Goldman Sachs.

Kasthuri Gopalan Rangan - *Goldman Sachs Group, Inc., Research Division - Head of Software Coverage*

It looks like there's more trust in AI and Excel models than what you're actually saying qualitatively on this call. I just wanted to give you an opportunity to debunk this hypothesis that is going around that AI, it is generating videos and pictures, but the next step is, it's going to do the actual editing and put out Premier Pro use or whatnot. So that is probably the existential threat that people are debating.

So I wanted you -- to see if we could take a shot at why that scenario is very unlikely, that right now it's about generation of images, that your tools pick up where the generation stops and you do the processing, right? So help us understand why this can coexist with AI. That's a philosophical question.

And Dan, one for you. Besides the net new ARR that you've already reported on Creative and DM, what are the other indicators such as new business bookings that you don't quantify necessarily, that you qualitatively saw in Q1 that makes you feel good about the year?

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

Great. So maybe I'll take your first part. Dan, obviously, can take the second. So as it relates to generative content, I'm going to sort of break it up into 2 parts. One is around the tooling and how you create the content and the second is around automation associated with the content. I think if you take a step back, before we even get into either one of those, there is no question that there is a huge appetite because of personalization at scale. They need to engage users. The need to build your personal brand online, that content is going to explode in terms of the amount of content being created.

And it's going to explode because of 1 of 2 things. The first is around the ability to create audio clips, video clips, images, vectors. These are things that get users started. It's great for ideation. You'll see, in a few weeks, some of the incredible work the team has been doing around ideation on firefly.com. And once those things are created, they do flow into our tools for the production work and process. We're clearly seeing a huge benefit from that because the more content that creates -- gets created, the more editing that's required and that's what's driving more commercial CC subscribers this quarter than any other Q1 before, so that's the foundation of it.

The second part of this, though, from an editing perspective is the controllability of -- and the editability of, not just pixels and vectors and time lines, but also the editability of the latent space itself. The latent space being the core capability -- core model capabilities that actually generate the output.

We have a lot of research that we've already started releasing. The first of which was Style Match. And you'll start to see more and more of that actually coming out at Summit and beyond. But we are, in my mind, very, very clearly, the leader in terms of creating models that can also be tooled on top of. So that combination of the models getting better and the controllability of those models, we are in a remarkable position for that, so we benefit from that.

The second part, Kash, is around automation. So as people are generating more content, you clearly need to be able to automate that content and how it's created. And that's really where Firefly services come in. First, it's built on the strength of our Firefly models, say, for commercial use, integrate it into our tools, but it also adds the ability to have custom models to control what kind of information or brand and content it's trained on for both brand styles and product replica.

And it's also part of an ecosystem of API services, not just generate something, which is a core part of it, like text to image or Generative Fill or Generative Expand, but also process. So once you generate some images through APIs and automation, you want to be able to remove the background. You want to be able to blur the depth. You want auto-tone. You want to apply actions to that image.

And then the last is you want to be able to assemble that for delivery. Firefly services don't just generate something but you have that entire ecosystem. And then you can embed that using low-code, no-code environments into your flows, and we are already embedding it into GenStudio and all of the capabilities that we're shipping.

So I think the core part of this is that as more of this content creates, you need more toolability, the best models are going to be the models that are safe to use and have control built-in from the ground up. And I think we have the best controls of anyone in the industry. And they need to be able to be done in an automated fashion that can embed into your workflow. So I think all 3 of those vectors point to benefits for Adobe.

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

And then as we think about the forward-looking, a couple of points I would turn to. You just think about cash flow in Q1. Strength of our cash flow, once you normalize for the \$1 billion termination payment, that's up 28% year-over-year. When you think about RPO, 3-point acceleration sequentially. And when I break that up on deferred revenue, unbilled backlog, you saw that acceleration in each of those subcomponents, which, as you look through that acceleration, the near term underscores the strength of the business, and it underscores the longer-term strength we have around the momentum of the business.

When I think about individual product commentary, we talked about it a lot on this call. You see record commercial subscriptions in the Creative business in Q1. You see engagement going up on the products. Usage of Firefly capabilities in Photoshop was at an all-time high in Q1, Express exports more than doubling with the introduction of Express mobile in beta now, going to GA in the coming months, AI Assistant, Acrobat, same pack pattern. You can see that momentum as we look into the back half of the year.

And from an enterprise standpoint, the performance in the business was really, really superb in Q1, strongest Q1 ever in the enterprise. So there's a lot of fundamental components that we're seeing around performance of the business that give us confidence as we look into the back half of the year.

Operator

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

Keith Weiss - Morgan Stanley, Research Division - Equity Analyst

I appreciate you squeezing me in. I'm going to take one last crack at this. Shantanu and team, like, we definitely hear your confidence in the business, but obviously, the stock market reaction's reflecting investors are worried about something. And the 2 things that worry investors more so than anything is uncertainty, number one; 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.

Like which products are expected to go GA? Are we including stuff like Document Intelligence? Is there new monetization avenues that we're putting into the back half? Or is there just some mechanism within sort of the Creative Cloud pricing that's going to turn on in the back half of the year? Like, any further specification in there, I think, would help sort of close the gap between your confidence and sort of the lack of confidence exhibited by the after-hour reaction.

Shantanu Narayen - Adobe Inc. - Chairman & CEO

And let me tackle that, Keith, and maybe I'll just tackle it by taking a couple of the other questions as well, summarizing that and ending with your question associated with the financial results. I think the first question that I hear across many folks is, hey, with the advent of AI and the increase in the number of models that people are seeing, whether they be image models or video models, does that mean that the number of seats, both for Adobe and in the world, do they increase? Or do they decrease?

To me, there's no question in my mind that when you talk about the models and interfaces that people will use to do creative content, that the number of interfaces will increase. So Adobe has to go leverage that massive opportunity. But big picture, models will only cause more opportunity for interfaces. And I think we're uniquely qualified to engage in that, so that's the first one.

Second one I would say is that does Adobe innovate? And when we do that, do we only leverage the Adobe model? Or is there a way in which we can leverage every other model that exists out there? Much like we did with plug-ins, with all of our Creative applications, any other model that's out there, we will certainly provide ways to integrate that into our applications, so anybody who's using our application benefits not just from our model creation but from any other model creation that's out there.

The way we first started to execute against that is in the enterprise, because for us, the enterprise and the ability to create custom models so people can tweak their models to be able to do things within Photoshop that are specific to a retailer or a financial service was where we focused. But long term certainly, as I've said with our partnerships, we will have the ability for Adobe, in our interfaces, to leverage any other model that's out there, which again further expands our opportunity.

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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. All of the product roadmaps, we knew, whether it was Acrobat, whether it was Express, whether it was Firefly, whether it was Creative Cloud or whether it's GenStudio that brings all of these together, we knew the product roadmap, which we're executing against in the first half of the year, a lot of that was beta, and in the second half of the year, a lot of that's monetization.

It's playing out as expected. If anything, I would say the excitement around that, and in particular, the enterprise is faster than expected. And so I think our ability to monetize it, just -- not just through new seats, but also through these new Firefly services is expanded as it relates to what we are doing.

And then as it relates to your question around financial results and the go-forward execution, we gave a Q1 target, we beat the Q1 target. And that gives us confidence that the financial target that we gave at the beginning of the year, we're ahead of that. And that's how I'll play it out. You're right, you have to model it. 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. And so that's the way I would answer that question. We have to go execute against the opportunity that we have. I look forward to those who are at Summit. I'm sure we'll have a little bit more conversation, but Q1 was a strong start. It was a strong start against product execution. It was a strong start against the financial metrics that we outlined. And we're going to go do it again, Keith. So that's how I'd answer your question. But thank you all for joining. And with that, I'll hand it back to Jonathan.

Jonathan Vaas - Adobe Inc. - VP of IR

All right. Thanks, everybody. I look forward to speaking with many of you soon. And this concludes the call. We look forward to seeing you at Summit.

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