

Adobe Inc. Consolidated Cash Flow Statement

Years Ended November 29, 2024, December 1, 2023, and December 2, 2022

Cash Flow Item	2024	2023	2022
OPERATING ACTIVITIES			
Net Income	\$5.56b	\$5.43b	\$4.76b
Adjustments to reconcile net income:			
Depreciation, Amortization & Accretion	\$857m	\$872m	\$856m
Stock-Based Compensation	\$1.83b	\$1.72b	\$1.44b
Reduction of Operating Lease Right-of-Use Assets	\$77m	\$72m	\$83m
Lease-Related Asset Impairments	\$78m	\$0m	\$0m
Deferred Income Taxes	\$(468)m	\$(426)m	\$328m
Unrealized Losses (Gains) on Investments, Net	\$(35)m	\$(10)m	\$29m
Other Non-Cash Items	\$10m	\$3m	\$10m
Changes in Operating Assets and Liabilities:			
Trade Receivables, Net	\$143m	\$(159)m	\$(198)m
Prepaid Expenses and Other Assets	\$(616)m	\$(818)m	\$(94)m
Trade Payables	\$44m	\$(49)m	\$66m
Accrued Expenses and Other Liabilities	\$196m	\$146m	\$7m
Income Taxes Payable	\$68m	\$(11)m	\$19m
Deferred Revenue	\$309m	\$536m	\$536m
Net Cash Provided by Operating Activities	\$8.06b	\$7.30b	\$7.84b
INVESTING ACTIVITIES			
Purchases of Short-Term Investments	\$(59)m	\$0m	\$(909)m
Maturities of Short-Term Investments	\$486m	\$965m	\$683m
Proceeds from Sales of Short-Term Investments	\$11m	\$223m	\$270m
Acquisitions, Net of Cash Acquired	\$0m	\$0m	\$(126)m
Purchases of Property and Equipment	\$(183)m	\$(360)m	\$(442)m
Purchases of Long-Term Investments, Intangibles and Other Assets	\$(108)m	\$(53)m	\$(46)m
Proceeds from Sales of Long-Term Investments and Other Assets	\$2m	\$1m	\$0m
Net Cash Provided by (Used for) Investing Activities	\$149m	\$776m	\$(570)m
FINANCING ACTIVITIES			
Repurchases of Common Stock	\$(9.50b)	\$(4.40b)	\$(6.55b)
Proceeds from Re-issuance of Treasury Stock	\$361m	\$314m	\$278m
Taxes Paid Related to Net Share Settlement of Equity Awards	\$(677)m	\$(589)m	\$(518)m
Proceeds from Issuance of Debt	\$1.997b	\$0m	\$0m

Cash Flow Item	2024	2023	2022
Repayment of Debt	\$0m	\$(500)m	\$0m
Other Financing Activities, Net	\$95m	\$(7)m	\$(35)m
Net Cash Used for Financing Activities	\$(7.72b)	\$(5.18b)	\$(6.83b)
FOREIGN EXCHANGE IMPACT			
Effect of Foreign Currency Exchange Rates on Cash	\$(9)m	\$9m	\$(51)m
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$472m	\$2.91b	\$392m
Cash and Cash Equivalents at Beginning of Year	\$7.14b	\$4.24b	\$3.84b
Cash and Cash Equivalents at End of Year	\$7.61b	\$7.14b	\$4.24b
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash Paid for Income Taxes, Net of Refunds	\$1.73b	\$1.85b	\$778m
Cash Paid for Interest	\$143m	\$106m	\$103m

Operating Cash Flow Analysis - 3 Key Points:

1. Exceptional Cash Generation Consistency

Adobe's operating cash flow demonstrates remarkable stability and growth trajectory across the three-year period. The company generated \$8.06b in 2024 (up 10% from 2023), \$7.30b in 2023, and \$7.84b in 2022. This consistency reflects the strength of Adobe's subscription-based business model, which provides predictable recurring revenue streams. Even with the impact of the \$1b Figma termination fee in 2024, the company still achieved its highest operating cash flow, showcasing the underlying business resilience and operational efficiency.

2. Strong Non-Cash Adjustments Drive Cash Conversion

The substantial non-cash adjustments, particularly stock-based compensation (\$1.83b in 2024, \$1.72b in 2023, \$1.44b in 2022), highlight Adobe's effective use of equity compensation to attract and retain talent while preserving cash. The consistent depreciation and amortization expenses (averaging \$862m annually) reflect ongoing investments in technology and infrastructure. These non-cash items, combined with effective working capital management, result in operating cash flows that significantly exceed net income, demonstrating superior cash conversion efficiency.

3. Positive Working Capital Management Impact

Adobe's working capital dynamics show effective cash management, with deferred revenue being a key cash flow driver (\$309m in 2024, \$536m in both 2023 and 2022). This represents cash collected upfront from customers for future services, providing Adobe with a natural financing mechanism. The company's

ability to manage receivables effectively (positive \$143m impact in 2024) and maintain strong customer prepayments demonstrates the power of its subscription model in generating cash ahead of service delivery.

Key Highlights:

Operating Cash Flow Excellence

- **Consistent Strong Performance:** Operating cash flow remained robust across all three years, ranging from \$7.30b to \$8.06b
- **2024 Growth:** 10% increase in operating cash flow to \$8.06b despite the \$1b Figma termination fee impact
- **High Conversion:** Strong net income to operating cash flow conversion, demonstrating efficient working capital management

Strategic Capital Allocation

- **Aggressive Share Buybacks:** Returned \$20.45b to shareholders through stock repurchases over three years
 - 2024: \$9.50b (largest year)
 - 2023: \$4.40b
 - 2022: \$6.55b
- **Debt Financing:** Raised \$2.0b in new debt in 2024 to optimize capital structure

Investment Activities

- **Capital Discipline:** Maintained steady capital expenditures averaging \$328m annually
- **Investment Management:** Active management of short-term investment portfolio with net positive cash flows in 2023-2024

Financial Strength Indicators

- **Strong Cash Position:** Ended 2024 with \$7.61b in cash and cash equivalents
- **Self-Funding Growth:** Operating cash flow more than covers capital expenditures and investments
- **Shareholder Returns:** Prioritized returning excess cash to shareholders while maintaining strong balance sheet

Business Model Resilience

- **Subscription Revenue Impact:** Recurring revenue model provides predictable cash generation

- **Margin Expansion:** Efficient cost structure contributing to strong cash flow margins
- **Geographic Diversification:** Global operations with natural hedging against currency fluctuations

This cash flow profile demonstrates Adobe's mature, cash-generative business model with disciplined capital allocation focused on shareholder returns while maintaining investment in growth opportunities.