

Adobe Leadership in Creativity, Digital Documents and Customer Experience Management Categories Drives Next Era of Growth
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Company Raises Q4 FY2019 Digital Media Net New ARR Target

Adobe (Nasdaq:ADBE) today will host a financial analyst meeting with investors and financial analysts at its Adobe MAX conference, where Adobe's executive team will unveil the company's strategy to expand its leadership in the creative, digital documents and customer experience management categories to drive sustainable, long-term top and bottom line growth in 2020 and beyond. As part of its presentation, Adobe will provide data showing that its total addressable market is expected to reach approximately \$128 billion by 2022.

"Our strategy to unleash creativity, accelerate document productivity and power digital businesses is driving our growth and represents a \$128 billion opportunity in 2022," said Shantanu Narayen, president and CEO, Adobe. "Our expanding universe of customers, strong global brand, market-leading products and continued innovation position us for a stellar 2020."

Creative Cloud: Unleashing Creativity

At its core, Adobe's Creative Cloud strategy is about unleashing creativity for all, which is driving an increase in Creative Cloud total addressable market for 2022 to approximately \$31 billion across creative professionals, communicators and consumers. Creative Cloud's growth will be driven by:

- Continuously releasing innovative new applications that accelerate productivity and collaboration for individuals, small businesses and enterprises across all surfaces;
- Expanding to new audiences, including consumers and communicators, with new products like Photoshop on iPad, Fresco and Photoshop Camera;
- Growing customer loyalty and retention by engaging its global creative community through live events like MAX as well as through its online properties, including Behance, which now boasts 18 million members; and
- Pushing category and technology boundaries by leveraging its Adobe Sensei AI and Machine Learning framework and embracing new emerging media types like 3D and augmented reality.

Adobe Document Cloud: Accelerating Document Productivity

Adobe continues to benefit from the paper-to-digital transformation. With trillions of PDFs created every year and approximately two billion Adobe mobile and reader users, the total addressable market for Adobe Document Cloud is expected to grow to \$13 billion by 2022. Adobe is accelerating document productivity with a Document Cloud strategy focused on:

- Delivering the best PDF viewing experience everywhere by revolutionizing the mobile and online reader experience;
- Expanding Acrobat document capabilities—including editing, collaborating, scanning and signing—to help accelerate business productivity;
- Making PDF frictionless for mobile and web by providing users with simple, one-click experiences to access Adobe's powerful PDF tools online; and
- Unleashing the PDF ecosystem to embed services through a rich set of APIs, enabling a new model of delivery and monetization.

Adobe Experience Cloud: Powering Digital Businesses

With every business, government and educational institution going through its own digital transformation, Adobe's Customer Experience Management (CXM) opportunity continues to grow. The total addressable market for Adobe Experience Cloud is expected to increase to \$84 billion by 2022, driven by increased demand for data and insights, content and personalization, commerce, customer journey management and advertising.

As Adobe continues to power digital businesses across all sectors, its Digital Experience strategy is focused on:

- Building on established relationships with Chief Marketing Officers and Chief Digital Officers to drive CXM adoption across the enterprise;
- Becoming mission critical to the Chief Information Officer with the Adobe Experience Platform, a purpose-built platform to unite customer data in real time to power digital businesses;
- Extending its offering and go-to-market from B2C to B2B and B2E as all customers now expect the same high-quality experience from companies;
- Building scale in the mid-market segment through its acquisitions of Magento and Marketo; and
- Evangelizing Adobe's own Data-Driven Operating Model (DDOM) as a transformation playbook for its customers.

Adobe Raises Q4 Digital Media Net New ARR Target

Based on strong quarter-to-date performance, Adobe indicated it is raising its Q4 fiscal year 2019 Digital Media net new annualized recurring revenue (ARR) target to approximately \$475 million, an increase of \$25 million above its prior target. Adobe is also affirming it is on track to achieve Q4 revenue of \$2.97 billion, and its Q4 earnings per share targets of approximately \$1.68 on a GAAP-basis, and approximately \$2.25 on a non-GAAP basis. The company indicated it expects to meet other financial metrics it targeted for the quarter.

Adobe Provides Preliminary FY2020 Financial Targets

At today's financial analyst meeting, Adobe is providing preliminary growth targets for its fiscal year 2020, which are summarized in the table below.

Total Adobe revenue ¹	~\$13.15 billion	
Digital Media segment revenue	~19 percent year-over-year growth	
Digital Media annualized recurring revenue (ARR)	~\$1.55 billion of net new ARR	
Digital Experience segment revenue	~16 percent year-over-year growth	
Digital Experience subscription revenue ²	~18 percent year-over-year growth	
Digital Experience subscription bookings ³	>20 percent year-over-year growth	
Earnings Per Share	GAAP: ~\$7.40	Non-GAAP: ~\$9.75

¹Revenue targets were set based on Oct. 2019 foreign exchange (FX) rates, which for current planning purposes are assumed to be constant during fiscal year 2020

²Includes revenue from SaaS, managed service and term offerings for Adobe Analytics Cloud, Adobe Marketing Cloud, and Adobe Experience Platform; all revenue for Adobe Advertising Cloud; and all technology revenue for Adobe Commerce Cloud

³Includes annualized subscription value of SaaS, managed service and term offerings under contract for Adobe Experience Cloud and excludes Adobe Advertising Cloud

Adobe expects to report its Q4 fiscal year 2019 financial results on Dec. 12, 2019. A reconciliation between GAAP and non-GAAP earnings per share targets is provided later in this press release.

Adobe to Webcast Financial Analyst Meeting

Adobe will webcast its meeting with financial analysts and investors in attendance at Adobe MAX beginning at 5 p.m. Eastern Time today. People can access the webcast and slides from this event from the Adobe Investor Relations webpage at <http://www.adobe.com/ADBE>. The live video webcast will last approximately three hours and will be archived on Adobe's website for approximately 45 days. There will be no phone dial-in capability.

Forward-Looking Statements Disclosure

This press release contains forward-looking statements, including those related to business momentum and strategy, market expansion, customer adoption, revenue, earnings, annualized recurring revenue, bookings, GAAP and non-GAAP earnings per share and share count, all of which involve risks and uncertainties that could cause actual results to differ materially. Factors that might cause or contribute to such differences include, but are not limited to: failure to compete effectively, failure to develop, acquire, market and offer products and services that meet customer requirements, introduction of new technology, information security

and privacy, potential interruptions or delays in hosted services provided by us or third parties, risks associated with cyber-attacks, complex sales cycles, risks related to the timing and revenue recognition from our subscription offerings, fluctuations in subscription renewal rates, failure to realize the anticipated benefits of past or futures acquisitions, failure to effectively manage critical strategic third-party business relationships, changes in accounting principles and tax regulations, uncertainty with the financial markets and economic conditions in the countries where we operate, and other various risks associate with being a multinational corporation.

For a discussion of these and other risks and uncertainties, please refer to Adobe's Annual Report on Form 10-K for our fiscal year 2018, and Adobe's Quarterly Reports on Form 10-Q issued in fiscal year 2019.

Adobe assumes no obligation to, and does not currently intend to, update these forward-looking statements.

About Adobe

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Reconciliation of GAAP to Non-GAAP Financial Targets

The following table shows Adobe's preliminary fiscal year 2020 GAAP earnings per share target reconciled to the preliminary non-GAAP financial target included in this document.

	<u>Fiscal Year 2020</u>
Diluted net income per share:	
GAAP diluted net income per share	\$ 7.40
Stock-based and deferred compensation expense	1.99
Amortization of purchased intangibles	0.74
Income tax adjustments	(0.38)
Non-GAAP diluted net income per share	<u>\$ 9.75</u>
Shares used to compute diluted net income per share	<u>486.0</u>

The following table shows Adobe's fourth quarter fiscal year 2019 GAAP earnings per share target reconciled to the non-GAAP financial target included in this document.

	<u>Fourth Quarter Fiscal 2019</u>
Diluted net income per share:	
GAAP diluted net income per share	\$ 1.68
Stock-based and deferred compensation expense	0.44
Amortization of purchased intangibles	0.20
Income tax adjustments	(0.07)
Non-GAAP diluted net income per share	<u>\$ 2.25</u>
Shares used to compute diluted net income per share	<u>490.0</u>

Use of Non-GAAP Financial Information

Adobe continues to provide all information required in accordance with GAAP, but believes evaluating its ongoing operating results may not be as useful if an investor is limited to reviewing only GAAP financial measures. Adobe uses non-GAAP financial information to evaluate its ongoing operations and for internal planning and forecasting purposes. Adobe's management does not itself, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial

information prepared in accordance with GAAP. Adobe presents such non-GAAP financial measures in reporting its financial results to provide investors with an additional tool to evaluate Adobe's operating results. Adobe believes these non-GAAP financial measures are useful because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. This allows institutional investors, the analyst community and others to better understand and evaluate our operating results and future prospects in the same manner as management.

Adobe's management believes it is useful for itself and investors to review, as applicable, both GAAP information that may include items such as stock-based and deferred compensation expenses, restructuring and other charges, amortization of purchased intangibles and certain activity in connection with technology license arrangements, investment gains and losses and the related tax impact of all of these items, income tax adjustments, the income tax effect of the non-GAAP pre-tax adjustments from the provision for income taxes, and the non-GAAP measures that exclude such information in order to assess the performance of Adobe's business and for planning and forecasting in subsequent periods. Whenever Adobe uses such a non-GAAP financial measure, it provides a reconciliation of the non-GAAP financial measure to the most closely applicable GAAP financial measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure as detailed above.

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