UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

____

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended February 28, 2025
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from_________to_________

Commission File Number: 0-15175

ADOBE INC.

(Exact name of registrant as specified in its charter)

____

Delaware	**77-0019522**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

345 Park Avenue, San Jose, California 95110-2704
(Address of principal executive offices and zip code)

(408) 536-6000
(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	ADBE	NASDAQ

____

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of March 21, 2025, 426.2 million shares of the registrant’s common stock, $0.0001 par value per share, were issued and outstanding.

ADOBE INC.
FORM 10-Q

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PART I—FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ADOBE INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except par value)

	February 28, 2025 (Unaudited)	November 29, 2024 (*)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,758	$ 7,613
Short-term investments	677	273
Trade receivables, net of allowances for doubtful accounts of $15 and $14, respectively	1,973	2,072
Prepaid expenses and other current assets	1,447	1,274
Total current assets	10,855	11,232
Property and equipment, net	1,893	1,936
Operating lease right-of-use assets, net	266	281
Goodwill	12,777	12,788
Other intangibles, net	706	782
Deferred income taxes	1,820	1,657
Other assets	1,638	1,554
Total assets	$ 29,955	$ 30,230
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade payables	$ 326	$ 361
Accrued expenses and other current liabilities	1,951	2,336
Debt	—	1,499
Deferred revenue	6,347	6,131
Income taxes payable	465	119
Operating lease liabilities	74	75
Total current liabilities	9,163	10,521
Long-term liabilities:		
Debt	6,155	4,129
Deferred revenue	143	128
Income taxes payable	567	548
Operating lease liabilities	334	353
Other liabilities	498	446
Total liabilities	16,860	16,125
Stockholders' equity:		
Preferred stock, $0.0001 par value; 2 shares authorized; none issued	—	—
Common stock, $0.0001 par value; 900 shares authorized; 601 shares issued; 435 and 441 shares outstanding, respectively	—	—
Additional paid-in capital	13,894	13,419
Retained earnings	40,186	38,470
Accumulated other comprehensive income (loss)	(158)	(201)
Treasury stock, at cost (166 and 160 shares, respectively)	(40,827)	(37,583)
Total stockholders' equity	13,095	14,105
Total liabilities and stockholders' equity	$ 29,955	$ 30,230

(*) The condensed consolidated balance sheet as of November 29, 2024 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See accompanying notes to condensed consolidated financial statements.

ADOBE INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share data)

(Unaudited)

	Three Months Ended	
	February 28, 2025	**March 1, 2024**
Revenue:		
Subscription	$ 5,483	$ 4,916
Product	95	119
Services and other	136	147
Total revenue	5,714	5,182
Cost of revenue:		
Subscription	490	455
Product	6	5
Services and other	126	130
Total cost of revenue	622	590
Gross profit	5,092	4,592
Operating expenses:		
Research and development	1,026	939
Sales and marketing	1,495	1,352
General and administrative	367	352
Acquisition termination fee	—	1,000
Amortization of intangibles	41	42
Total operating expenses	2,929	3,685
Operating income	2,163	907
Non-operating income (expense):		
Interest expense	(62)	(27)
Investment gains (losses), net	6	18
Other income (expense), net	75	70
Total non-operating income (expense), net	19	61
Income before income taxes	2,182	968
Provision for income taxes	371	348
Net income	$ 1,811	$ 620
Basic net income per share	$ 4.15	$ 1.37
Shares used to compute basic net income per share	436	453
Diluted net income per share	$ 4.14	$ 1.36
Shares used to compute diluted net income per share	438	456

See accompanying notes to condensed consolidated financial statements.

ADOBE INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Three Months Ended	
	February 28, 2025	March 1, 2024
	Increase/(Decrease)	
Net income	$ 1,811	$ 620
Other comprehensive income (loss), net of taxes:		
Available-for-sale securities:		
Unrealized gains / losses on available-for-sale securities	1	4
Derivatives designated as hedging instruments:		
Unrealized gains / losses on derivative instruments	94	3
Reclassification adjustment for realized gains / losses on derivative instruments	(20)	4
Net increase (decrease) from derivatives designated as hedging instruments	74	7
Foreign currency translation adjustments	(32)	(3)
Other comprehensive income (loss), net of taxes	43	8
Total comprehensive income, net of taxes	$ 1,854	$ 628

See accompanying notes to condensed consolidated financial statements.

ADOBE INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In millions)

(Unaudited)

	Three Months Ended February 28, 2025							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balances at November 29, 2024	601	$ —	$ 13,419	$ 38,470	$ (201)	(160)	$ (37,583)	$ 14,105
Net income	—	—	—	1,811	—	—	—	1,811
Other comprehensive income (loss), net of taxes	—	—	—	—	43	—	—	43
Re-issuance of treasury stock under stock compensation plans	—	—	—	(95)	—	1	32	(63)
Repurchases of common stock	—	—	—	—	—	(7)	(3,277)	(3,277)
Stock-based compensation	—	—	475	—	—	—	—	475
Value of shares in deferred compensation plan	—	—	—	—	—	—	1	1
Balances at February 28, 2025	601	$ —	$ 13,894	$ 40,186	$ (158)	(166)	$ (40,827)	$ 13,095

	Three Months Ended March 1, 2024							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balances at December 1, 2023	601	$ —	$ 11,586	$ 33,346	$ (285)	(146)	$ (28,129)	$ 16,518
Net income	—	—	—	620	—	—	—	620
Other comprehensive income (loss), net of taxes	—	—	—	—	8	—	—	8
Re-issuance of treasury stock under stock compensation plans	—	—	—	(157)	—	1	32	(125)
Repurchases of common stock	—	—	—	—	—	(3)	(2,013)	(2,013)
Stock-based compensation	—	—	451	—	—	—	—	451
Value of shares in deferred compensation plan	—	—	—	—	—	—	1	1
Balances at March 1, 2024	601	$ —	$ 12,037	$ 33,809	$ (277)	(148)	$ (30,109)	$ 15,460

See accompanying notes to condensed consolidated financial statements.

ADOBE INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Three Months Ended	
	February 28, 2025	March 1, 2024
Cash flows from operating activities:		
Net income	$ 1,811	$ 620
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	217	212
Stock-based compensation	475	451
Deferred income taxes	(169)	(116)
Other non-cash items	17	6
Changes in operating assets and liabilities, net of acquired assets and assumed liabilities:		
Trade receivables, net	97	166
Prepaid expenses and other assets	(156)	(173)
Trade payables	(28)	(12)
Accrued expenses and other liabilities	(378)	(332)
Income taxes payable	365	192
Deferred revenue	231	160
Net cash provided by operating activities	2,482	1,174
Cash flows from investing activities:		
Purchases of short-term investments	(533)	—
Maturities of short-term investments	130	135
Proceeds from sales of short-term investments	2	4
Purchases of property and equipment	(26)	(37)
Purchases of long-term investments, intangibles and other assets	(59)	(38)
Proceeds from sale of long-term investments and other assets	2	2
Net cash provided by (used for) investing activities	(484)	66
Cash flows from financing activities:		
Repurchases of common stock	(3,250)	(2,000)
Proceeds from re-issuance of treasury stock	96	97
Taxes paid related to net share settlement of equity awards	(159)	(222)
Proceeds from issuance of debt	1,997	—
Repayment of debt	(1,500)	—
Other financing activities, net	(25)	(3)
Net cash used for financing activities	(2,841)	(2,128)
Effect of foreign currency exchange rates on cash and cash equivalents	(12)	1
Net change in cash and cash equivalents	(855)	(887)
Cash and cash equivalents at beginning of period	7,613	7,141
Cash and cash equivalents at end of period	$ 6,758	$ 6,254
Supplemental disclosures:		
Cash paid for income taxes, net of refunds	$ 182	$ 205
Cash paid for interest	$ 48	$ 47

See accompanying notes to condensed consolidated financial statements.

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

We have prepared the accompanying unaudited condensed consolidated financial statements pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). Pursuant to these rules and regulations, we have condensed or omitted certain information and footnote disclosures we normally include in our annual consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). In management's opinion, we have made all adjustments (consisting only of normal, recurring adjustments, except as otherwise indicated) necessary to fairly present our financial position, results of operations and cash flows. Our interim period operating results do not necessarily indicate the results that may be expected for any other interim period or for the full fiscal year. These financial statements and accompanying notes should be read in conjunction with the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the fiscal year ended November 29, 2024 on file with the SEC (our "Annual Report").

Use of Estimates

In preparing the condensed consolidated financial statements and related disclosures in conformity with GAAP and pursuant to the rules and regulations of the SEC, we must make estimates and judgments that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results may differ materially from these estimates.

Reclassifications

Certain prior year amounts, which are not material, have been reclassified to conform to current year presentation in the notes to condensed consolidated financial statements.

Significant Accounting Policies

There have been no material changes to our significant accounting policies as compared to the significant accounting policies described in our Annual Report.

Recent Accounting Pronouncements Not Yet Effective

In November 2023, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2023-07, Segment Reporting, which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. The updated standard is effective for our annual periods beginning in fiscal 2025 and interim periods beginning in the first quarter of fiscal 2026. Early adoption is permitted. We are currently evaluating the impact that the updated standard will have on our financial statement disclosures.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes, which prescribes standardized categories and disaggregation of information in the reconciliation of provision for income taxes, requires disclosure of disaggregated income taxes paid, and modifies other income tax-related disclosure requirements. The updated standard is effective for us beginning with our fiscal year 2026 annual reporting period. Early adoption is permitted. We are currently evaluating the impact that the updated standard will have on our financial statement disclosures.

In November 2024, the FASB issued ASU No. 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures, which requires additional disclosure of certain costs and expenses within the notes to the financial statements. The updated standard is effective for our annual periods beginning in fiscal 2028 and interim periods beginning in the first quarter of fiscal 2029. Early adoption is permitted. We are currently evaluating the impact that the updated standard will have on our financial statement disclosures.

There have been no other recent accounting pronouncements or changes in accounting pronouncements during the three months ended February 28, 2025, as compared to the recent accounting pronouncements described in our Annual Report, that are of significance or potential significance to us.

NOTE 2. REVENUE

Segment Information

Our segment results for the three months ended February 28, 2025 and March 1, 2024 were as follows:

(dollars in millions)	Digital Media	Digital Experience	Publishing and Advertising	Total
Three months ended February 28, 2025				
Revenue	$ 4,227	$ 1,414	$ 73	$ 5,714
Cost of revenue	199	402	21	622
Gross profit	$ 4,028	$ 1,012	$ 52	$ 5,092
Gross profit as a percentage of revenue	95 %	72 %	71 %	89 %
Three months ended March 1, 2024				
Revenue	$ 3,816	$ 1,289	$ 77	$ 5,182
Cost of revenue	171	397	22	590
Gross profit	$ 3,645	$ 892	$ 55	$ 4,592
Gross profit as a percentage of revenue	96 %	69 %	71 %	89 %

Revenue by geographic area for the three months ended February 28, 2025 and March 1, 2024 were as follows:

(in millions)	2025	2024
Americas	$ 3,405	$ 3,110
EMEA	1,502	1,319
APAC	807	753
Total	$ 5,714	$ 5,182

Subscription revenue by segment for the three months ended February 28, 2025 and March 1, 2024 were as follows:

(in millions)	2025	2024
Digital Media	$ 4,159	$ 3,725
Digital Experience	1,297	1,164
Publishing and Advertising	27	27
Total subscription revenue	$ 5,483	$ 4,916

Digital Media and Digital Experience subscription revenue by customer group for the three months ended February 28, 2025 and March 1, 2024 were as follows:

(in millions)	2025	2024
Creative and Marketing Professionals	$ 3,922	$ 3,550
Business Professionals and Consumers	1,534	1,339
Total Digital Media and Digital Experience subscription revenue	$ 5,456	$ 4,889

Contract Balances

A receivable is recorded when an unconditional right to invoice and receive payment exists, such that only the passage of time is required before payment of consideration is due. Included in trade receivables on the condensed consolidated balance sheets are unbilled receivable balances which have not yet been invoiced, and are typically related to license revenue or services which are delivered prior to invoicing. As of February 28, 2025, the balance of trade receivables, net of allowances for doubtful accounts, was $1.97 billion, inclusive of unbilled receivables of $78 million. As of November 29, 2024, the balance of trade receivables, net of allowances for doubtful accounts, was $2.07 billion, inclusive of unbilled receivables of $66 million.

We maintain an allowance for doubtful accounts which reflects our best estimate of potentially uncollectible trade receivables and is based on both specific and general reserves. We maintain general reserves on a collective basis by considering factors such as historical experience, credit-worthiness, the age of the trade receivable balances, current economic conditions and a reasonable and supportable forecast of future economic conditions. The allowance for doubtful accounts was $15 million and $14 million as of February 28, 2025 and November 29, 2024, respectively.

A contract asset is recognized when a conditional right to consideration exists and transfer of control has occurred. Contract assets are included in prepaid expenses and other current assets for the current portion and other assets for the long-term portion on the condensed consolidated balance sheets. We regularly review contract asset balances for impairment, considering factors such as historical experience, credit-worthiness, age of the balance, current economic conditions and a reasonable and supportable forecast of future economic conditions. Contract asset impairments were not material for the three months ended February 28, 2025. Contract assets were $218 million and $248 million as of February 28, 2025 and November 29, 2024, respectively.

Deferred revenue primarily consists of billings or payments received in advance of revenue recognition from subscription services, including non-cancellable and non-refundable committed funds and refundable customer deposits. Deferred revenue is recognized as revenue when transfer of control to customers has occurred. As of February 28, 2025, the balance of deferred revenue was $6.49 billion, which includes $65 million of refundable customer deposits. Arrangements with some of our enterprise customers with non-cancellable and non-refundable committed funds provide options to either renew monthly on-premise term-based licenses or use some or all funds to purchase other Adobe products or services. Non-cancellable and non-refundable committed funds related to these agreements comprised approximately 4% of the total deferred revenue.

As of November 29, 2024, the balance of deferred revenue was $6.26 billion. During the three months ended February 28, 2025, approximately $2.88 billion of revenue, respectively, was recognized that was included in the balance of deferred revenue as of November 29, 2024.

Transaction price allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue and unbilled amounts that will be recognized as revenue in future periods. As of February 28, 2025, remaining performance obligations were approximately $19.69 billion. Non-cancellable and non-refundable funds related to some of our enterprise customer agreements referred to above comprised approximately 4% of the total remaining performance obligations. Approximately 67% of the remaining performance obligations, excluding the aforementioned enterprise customer agreements, are expected to be recognized over the next 12 months with the remainder recognized thereafter.

Incremental costs of obtaining a contract with a customer are capitalized if we expect the benefit of those costs to be longer than one year and primarily relate to sales commissions paid to our sales force personnel. Capitalized contract acquisition costs are included in prepaid expenses and other current assets for the current portion and other assets for the long-term portion on the condensed consolidated balance sheets. Capitalized contract acquisition costs were $715 million and $717 million as of February 28, 2025 and November 29, 2024, respectively.

We record refund liabilities for amounts that may be subject to future refunds, which include sales returns reserves and customer rebates and credits. Refund liabilities are included in accrued expenses and other current liabilities on the condensed consolidated balance sheets. Refund liabilities were $117 million and $141 million as of February 28, 2025 and November 29, 2024, respectively.

NOTE 3. CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash equivalents consist of highly liquid marketable securities with remaining maturities of three months or less at the date of purchase. We classify our investments in marketable debt securities as “available-for-sale.” We carry these investments at fair value, based on quoted market prices or other readily available market information. Unrealized gains and unrealized non-credit-related losses of marketable debt securities are included in accumulated other comprehensive income, net of taxes, in our condensed consolidated balance sheets. Unrealized credit-related losses are recorded to other income (expense), net in our condensed consolidated statements of income with a corresponding allowance for credit-related losses in our condensed consolidated balance sheets. Gains and losses are determined using the specific identification method and recognized when realized in our condensed consolidated statements of income.

Cash, cash equivalents and short-term investments consisted of the following as of February 28, 2025:

(in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Current assets:				
Cash	$ 795	$ —	$ —	$ 795
Cash equivalents:				
Corporate debt securities	181	—	—	181
Money market funds	5,700	—	—	5,700
Time deposits	57	—	—	57
U.S. Treasury securities	25	—	—	25
Total cash equivalents	5,963	—	—	5,963
Total cash and cash equivalents	6,758	—	—	6,758
Short-term fixed income securities:				
Asset-backed securities	2	—	—	2
Corporate debt securities	481	—	—	481
U.S. agency securities	7	—	—	7
U.S. Treasury securities	187	—	—	187
Total short-term investments	677	—	—	677
Total cash, cash equivalents and short-term investments	$ 7,435	$ —	$ —	$ 7,435

Cash, cash equivalents and short-term investments consisted of the following as of November 29, 2024:

(in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Current assets:				
Cash	$ 787	$ —	$ —	$ 787
Cash equivalents:				
Corporate debt securities	41	—	—	41
Money market funds	6,726	—	—	6,726
Time deposits	57	—	—	57
U.S. Treasury securities	2	—	—	2
Total cash equivalents	6,826	—	—	6,826
Total cash and cash equivalents	7,613	—	—	7,613
Short-term fixed income securities:				
Asset-backed securities	4	—	—	4
Corporate debt securities	120	—	—	120
U.S. agency securities	11	—	—	11
U.S. Treasury securities	139	—	(1)	138
Total short-term investments	274	—	(1)	273
Total cash, cash equivalents and short-term investments	$ 7,887	$ —	$ (1)	$ 7,886

See Note 4 for further information regarding the fair value of our financial instruments.

The following table summarizes the estimated fair value of short-term fixed income debt securities classified as short-term investments based on stated effective maturities as of February 28, 2025:

(in millions)	Estimated Fair Value
Due within one year	$ 675
Due between one and two years	2
Total	$ 677

We review our debt securities classified as short-term investments on a regular basis for impairment. For debt securities in unrealized loss positions, we determine whether any portion of the decline in fair value below the amortized cost basis is due to credit-related factors if we neither intend to sell nor anticipate that it is more likely than not that we will be required to sell prior to recovery of the amortized cost basis. We consider factors such as the extent to which the market value has been less than the cost, any noted failure of the issuer to make scheduled payments, changes to the rating of the security and other relevant credit-related factors in determining whether or not a credit loss exists. During the three months ended February 28, 2025 and March 1, 2024, we did not recognize an allowance for credit-related losses on any of our investments.

NOTE 4. FAIR VALUE MEASUREMENTS

Assets and Liabilities Measured and Recorded at Fair Value on a Recurring Basis

The fair value of our financial assets and liabilities at February 28, 2025 was determined using the following inputs:

(in millions)	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents:				
Corporate debt securities	$ 181	$ —	$ 181	$ —
Money market funds	5,700	5,700	—	—
Time deposits	57	57	—	—
U.S. Treasury securities	25	—	25	—
Short-term investments:				
Asset-backed securities	2	—	2	—
Corporate debt securities	481	—	481	—
U.S. agency securities	7	—	7	—
U.S. Treasury securities	187	—	187	—
Prepaid expenses and other current assets:				
Foreign currency derivatives	159	—	159	—
Interest rate swap derivatives	1	—	1	—
Other assets:				
Deferred compensation plan assets	301	301	—	—
Foreign currency derivatives	32	—	32	—
Interest rate swap derivatives	35	—	35	—
Total assets	$ 7,168	$ 6,058	$ 1,110	$ —
Liabilities:				
Accrued expenses and other current liabilities:				
Foreign currency derivatives	$ 17	$ —	$ 17	$ —
Other liabilities:				
Foreign currency derivatives	2	—	2	—
Total liabilities	$ 19	$ —	$ 19	$ —

The fair value of our financial assets and liabilities at November 29, 2024 was determined using the following inputs:

(in millions)	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents:				
Corporate debt securities	$ 41	$ —	$ 41	$ —
Money market funds	6,726	6,726	—	—
Time deposits	57	57	—	—
U.S. Treasury securities	2	—	2	—
Short-term investments:				
Asset-backed securities	4	—	4	—
Corporate debt securities	120	—	120	—
U.S. agency securities	11	—	11	—
U.S. Treasury securities	138	—	138	—
Prepaid expenses and other current assets:				
Foreign currency derivatives	105	—	105	—
Other assets:				
Deferred compensation plan assets	283	283	—	—
Foreign currency derivatives	24	—	24	—
Total assets	$ 7,511	$ 7,066	$ 445	$ —
Liabilities:				
Accrued expenses and other current liabilities:				
Foreign currency derivatives	$ 9	$ —	$ 9	$ —
Other liabilities:				
Foreign currency derivatives	2	—	2	—
Total liabilities	$ 11	$ —	$ 11	$ —

See Note 3 for further information regarding the fair value of our financial instruments.

Our fixed income available-for-sale debt securities consist of high quality, investment grade securities from diverse issuers with a weighted average credit rating of AA. We value these securities based on pricing from independent pricing vendors who use matrix pricing valuation techniques including market approach methodologies that model information generated by market transactions involving identical or comparable assets, as well as discounted cash flow methodologies. Inputs include quoted prices in active markets for identical assets or inputs other than quoted prices that are observable either directly or indirectly in determining fair value, including benchmark yields, issuer spreads off benchmark yields, interest rates and U.S. Treasury or swap curves. We therefore categorize all of our fixed income available-for-sale securities as Level 2. We perform routine procedures such as comparing prices obtained from multiple independent sources to ensure that appropriate fair values are recorded.

The fair values of our money market funds, time deposits and deferred compensation plan assets, which consist of money market and other mutual funds, are based on quoted prices in active markets at the measurement date.

Our over-the-counter foreign currency and interest rate swap derivatives are valued using pricing models and discounted cash flow methodologies based on observable foreign exchange and interest rate data at the measurement date.

Our other current financial assets and current financial liabilities have fair values that approximate their carrying values.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The fair value of our senior notes was $6.07 billion as of February 28, 2025, excluding the associated interest rate swaps, based on observable market prices in less active markets and categorized as Level 2. *See Note 13 for further details regarding our debt.*

NOTE 5. DERIVATIVE FINANCIAL INSTRUMENTS

We may use derivatives to partially offset our business exposure to foreign currency and interest rate risk on expected future cash flows and certain existing assets and liabilities. We do not use any of our derivative instruments for trading purposes.

We enter into master netting arrangements to mitigate credit risk in derivative transactions by permitting net settlement of transactions with the same counterparty. We do not offset fair value amounts recognized for derivative instruments under master netting arrangements. We also enter into collateral security agreements with certain of our counterparties to exchange cash collateral when the net fair value of certain derivative instruments fluctuates from contractually established thresholds. Collateral posted is included in prepaid expenses and other current assets and collateral received is included in accrued expenses and other current liabilities on our condensed consolidated balance sheets.

Cash Flow Hedges

In countries outside the United States, we transact business in U.S. Dollars and in various other currencies. We may use foreign exchange forward contracts and option contracts to hedge a portion of our forecasted foreign currency denominated revenue and expenses. These foreign exchange contracts, carried at fair value, have maturities of up to 24 months. As of February 28, 2025 and November 29, 2024, total notional amounts of outstanding cash flow hedges were $5.37 billion and $5.51 billion, respectively, hedging exposures denominated in Euros, Japanese Yen, British Pounds, Australian Dollars, Indian Rupees and Canadian Dollars.

As of February 28, 2025, we had net derivative gains on our foreign currency cash flow hedges expected to be recognized within the next 36 months, of which $129 million of net gains are expected to be recognized into revenue within the next 12 months.

Fair Value Hedges

During the three months ended February 28, 2025, we entered into interest rate swaps related to certain of our senior notes. The interest rate swaps effectively convert the fixed interest rates on the notes to floating interest rates based on the Secured Overnight Financing Rate Overnight Index Swap Rate (“SOFR OIS”). Under the terms of the swaps, we will pay quarterly interest at the daily compounded SOFR OIS plus a fixed number of basis points on the $1.20 billion notional amount through the respective par call dates for the notes. In exchange, we will receive the fixed rate interest on the notes from the swap counterparties on a semi-annual basis. *See Note 13 for further details regarding our debt.*

The interest rate swaps are designated as fair value hedges. We record changes in fair value on the swaps associated with the hedged risk in interest expense in our condensed consolidated statements of income with a corresponding offset to the value of the senior notes being hedged.

Non-Designated Hedges

Our derivatives not designated as hedging instruments consist of foreign currency forward contracts that we primarily use to hedge monetary assets and liabilities denominated in non-functional currencies. As of February 28, 2025, total notional amounts of outstanding contracts were $313 million, primarily hedging exposures denominated in Australian Dollars, Indian Rupees, Japanese Yen, and Euros. As of November 29, 2024, total notional amounts of outstanding foreign currency forward contracts hedging monetary assets and liabilities were $381 million, primarily hedging exposures denominated in Indian Rupees, Australian Dollars, British Pounds and Euros.

Fair value asset derivatives are included in prepaid expenses and other current assets for the current portion and other assets for the long-term portion, and fair value liability derivatives are included in accrued expenses and other current liabilities for the current portion and other liabilities for the long-term portion on our condensed consolidated balance sheets. The fair value of derivative instruments as of February 28, 2025 and November 29, 2024 were as follows:

(in millions)	2025		2024	
	Fair Value Asset Derivatives	Fair Value Liability Derivatives	Fair Value Asset Derivatives	Fair Value Liability Derivatives
Derivatives designated as hedging instruments:				
Foreign exchange contracts	$ 189	$ 18	$ 128	$ 10
Interest rate swaps	36	—	—	—
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	2	1	1	1
Total derivatives	$ 227	$ 19	$ 129	$ 11

Gains and losses on derivative instruments, net of tax, recognized in our condensed consolidated statements of comprehensive income for the three months ended February 28, 2025 were primarily associated with our foreign exchange contracts, for which we recognized $94 million of net gains. Gains and losses on derivative instruments, net of tax, for the three months ended March 1, 2024 were immaterial.

For the three months ended February 28, 2025 and March 1, 2024, the effects of derivative instruments on our condensed consolidated statements of income were immaterial.

NOTE 6. GOODWILL AND OTHER INTANGIBLES

Goodwill as of February 28, 2025 and November 29, 2024 was $12.78 billion and $12.79 billion, respectively.

Other intangible assets subject to amortization as of February 28, 2025 and November 29, 2024 were as follows:

(in millions)	2025			2024		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Customer contracts and relationships	$ 1,202	$ (771)	$ 431	$ 1,203	$ (742)	$ 461
Purchased technology	877	(747)	130	877	(704)	173
Trademarks	372	(268)	104	372	(258)	114
Other	50	(9)	41	42	(8)	34
Other intangibles, net	$ 2,501	$ (1,795)	$ 706	$ 2,494	$ (1,712)	$ 782

Amortization expense related to other intangibles was $84 million and $84 million for the three months ended February 28, 2025 and March 1, 2024, respectively. Of these amounts, $43 million and $42 million were included in cost of revenue for the three months ended February 28, 2025 and March 1, 2024, respectively.

As of February 28, 2025, the estimated aggregate amortization expense in future periods was as follows:

(in millions) Fiscal Year	Other Intangibles
Remainder of 2025	$ 227
2026	160
2027	118
2028	72
2029	68
Thereafter	61
Total expected amortization expense	$ 706

NOTE 7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities as of February 28, 2025 and November 29, 2024 consisted of the following:

(in millions)	2025	2024
Accrued compensation costs	$ 803	$ 1,221
Accrued corporate marketing	161	176
Derivative collateral liabilities	151	168
Sales and use taxes	123	121
Refund liabilities	117	141
Accrued hosting fees	127	79
Other	469	430
Accrued expenses and other current liabilities	$ 1,951	$ 2,336

Other primarily includes general business accruals, royalties payable and accrued interest expense.

NOTE 8. STOCK-BASED COMPENSATION

Restricted Stock Units

Restricted stock unit activity for the three months ended February 28, 2025 was as follows:

	Number of Shares (in millions)	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in millions)
Beginning outstanding balance	7.0	$ 473.28	
Awarded	3.3	$ 437.39	
Released	(0.9)	$ 466.68	
Forfeited	(0.1)	$ 469.13	
Ending outstanding balance	9.3	$ 461.21	$ 4,055
Expected to vest	8.5	$ 460.75	$ 3,711

The total fair value of restricted stock units vested during the three months ended February 28, 2025 was $388 million.

Performance Shares

In the first quarter of fiscal 2025, the Executive Compensation Committee of our Board of Directors (the "ECC") approved the 2025 Performance Share Program, the terms of which are similar to the 2024 Performance Share Program that is still outstanding. For information regarding our outstanding Performance Share Programs, including the terms, see "Note 12. Stock-Based Compensation" of our Annual Report on Form 10-K for the fiscal year ended November 29, 2024.

As of February 28, 2025, performance shares awarded under our 2025, 2024 and 2023 Performance Share Programs remained outstanding and unvested.

Performance share activity for the three months ended February 28, 2025 was as follows:

	Number of Shares (in millions)	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in millions)
Beginning outstanding balance	0.5	$ 537.00	
Awarded	0.3	$ 448.63	
Released	(0.1)	$ 505.05	
Forfeited	(0.1)	$ 538.03	
Ending outstanding balance	0.6	$ 502.13	$ 271
Expected to vest	0.6	$ 502.23	$ 243

Under our Performance Share Programs, participants generally have the ability to receive up to 200% of the target number of shares originally granted. Shares released during the three months ended February 28, 2025 resulted from overall payout at 79% of target for the 2022 Performance Share Program, as certified by the ECC in the first quarter of fiscal 2025.

The total fair value of performance shares vested during the three months ended February 28, 2025 was $49 million.

Employee Stock Purchase Plan Shares

Employees purchased 0.3 million shares at an average price of $305.04 and 0.3 million shares at an average price of $299.89 for the three months ended February 28, 2025 and March 1, 2024, respectively. The intrinsic value of shares purchased during the three months ended February 28, 2025 and March 1, 2024 was $44 million and $96 million, respectively. The intrinsic value is calculated as the difference between the market value on the date of purchase and the purchase price of the shares.

Compensation Costs

As of February 28, 2025, there was $4.09 billion of unrecognized compensation cost, adjusted for estimated forfeitures, related to unvested stock-based awards and purchase rights which will be recognized over a weighted average period of 2.46 years. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures.

Total stock-based compensation costs included in our condensed consolidated statements of income for the three months ended February 28, 2025 and March 1, 2024 were as follows:

(in millions)	2025	2024
Cost of revenue	$ 30	$ 29
Research and development	247	229
Sales and marketing	137	129
General and administrative	61	64
Total	$ 475	$ 451

NOTE 9. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income (loss) and activity, net of related taxes, were as follows:

(in millions)	November 29, 2024	Increase / Decrease	Reclassification Adjustments	February 28, 2025
Net unrealized gains / losses on available-for-sale securities	$ (1)	$ 1	$ — [1]	$ —
Net unrealized gains / losses on derivative instruments designated as hedging instruments	80	94	(20) [2]	154
Cumulative foreign currency translation adjustments	(280)	(32)	—	(312)
Total accumulated other comprehensive income (loss), net of taxes	$ (201)	$ 63	$ (20)	$ (158)

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(1) Reclassification adjustments for gains / losses on available-for-sale securities are classified in other income (expense), net.

(2) Reclassification adjustments for gains / losses on foreign currency hedges are classified in revenue or operating expenses, depending on the nature of the underlying transaction, and reclassification adjustments for gains / losses on Treasury lock hedges are classified in interest expense.

Taxes related to each component of other comprehensive income (loss) for the three months ended February 28, 2025 and March 1, 2024 were immaterial.

NOTE 10. STOCK REPURCHASE PROGRAM

To facilitate our stock repurchase program, designed to return value to our stockholders and minimize dilution from stock issuances, we may repurchase our shares in the open market or enter into structured repurchase agreements with third parties. In March 2024, our Board of Directors granted authority to repurchase up to $25 billion in our common stock through March 14, 2028.

Share repurchase activity for the three months ended February 28, 2025 and March 1, 2024 was as follows:

(in millions)	Number of Shares Delivered	Amount Paid
Three months ended February 28, 2025		
ASRs [1]	5.9	$ 2,750
Open market repurchases	1.1	500
Total	7.0	$ 3,250
Three months ended March 1, 2024		
ASRs	2.5	$ 2,000
Other structured stock repurchases	0.6	— [2]
Total	3.1	$ 2,000

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(1) Shares delivered during the three months ended February 28, 2025, include the initial delivery of shares under a $2.75 billion accelerated share repurchase agreement ("ASR") entered into in December 2024, which remained outstanding as of February 28, 2025. Subsequent to February 28, 2025, the outstanding ASR was settled which resulted in total repurchases of 6.3 million shares.

(2) During the three months ended March 1, 2024, we received the final delivery of shares under a structured stock repurchase agreement entered into in fiscal 2023.

Prepayments for stock repurchases are classified as treasury stock, a component of stockholders' equity on our condensed consolidated balance sheets, at the payment date, though only shares physically delivered to us by the end of the respective period are excluded from the computation of net income per share. As of February 28, 2025, a portion of the $2.75 billion prepayment under the ASR entered into in December 2024 was evaluated as an unsettled forward contract indexed to our own stock, classified within stockholders' equity.

Subsequent to February 28, 2025, as part of the March 2024 stock repurchase authority, we entered into an ASR with a large financial institution whereupon we provided them with a prepayment of $3.5 billion and received an initial delivery of 6.8 million shares, which represents approximately 75% of our prepayment. Upon completion of this $3.5 billion ASR, $10.9 billion remains under our March 2024 stock repurchase authority.

NOTE 11. NET INCOME PER SHARE

Basic net income per share is computed using the weighted average number of common shares outstanding for the period, excluding unvested stock-based awards and purchase rights. Diluted net income per share is based upon the weighted average common shares outstanding for the period plus dilutive potential common shares, including unvested restricted stock units, stock purchase rights and performance share awards using the treasury stock method. Performance share awards are included based on the number of shares that would be issued as if the end of the reporting period was the end of the performance period and the result was dilutive.

The following table sets forth the computation of basic and diluted net income per share for the three months ended February 28, 2025 and March 1, 2024:

(in millions, except per share data)	2025	2024
Net income	$ 1,811	$ 620
Shares used to compute basic net income per share	436.2	452.8
Dilutive potential common shares from stock plans and programs	1.4	3.5
Shares used to compute diluted net income per share	437.6	456.3
Basic net income per share	$ 4.15	$ 1.37
Diluted net income per share	$ 4.14	$ 1.36
Anti-dilutive potential common shares	2.6	0.9

NOTE 12. COMMITMENTS AND CONTINGENCIES

Indemnifications

In the ordinary course of business, we provide indemnifications of varying scope to our customers and channel partners against claims of intellectual property infringement made by third parties arising from the use of our products and from time to time, we are subject to claims by our customers under these indemnification provisions. Historically, costs related to these indemnification provisions have not been significant and we are unable to estimate the maximum potential impact of these indemnification provisions on our future results of operations.

To the extent permitted under Delaware law, we have agreements whereby we indemnify our officers and directors for certain events or occurrences while the officer or director is or was serving at our request in such capacity. The indemnification period covers all pertinent events and occurrences during the officer's or director's lifetime. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited; however, we have director and officer insurance coverage that reduces our exposure and enables us to recover a portion of any future amounts paid. We believe the estimated fair value of these indemnification agreements in excess of applicable insurance coverage is minimal.

Legal Proceedings

We are subject to legal proceedings, claims, including claims relating to intellectual property, commercial, employment and other matters, and investigations, including government investigations, that arise in the ordinary course of our business. Some of these disputes, legal proceedings and investigations may include speculative claims for substantial or indeterminate amounts of damages. We consider all claims on a quarterly basis in accordance with GAAP and based on known facts assess whether potential losses are considered reasonably possible or probable and estimable. Based upon this assessment, we then evaluate disclosure requirements and whether to accrue for such claims in our financial statements. This determination is then reviewed and discussed with the Audit Committee of the Board of Directors.

We make a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. As of February 28, 2025, accrued provisions for legal proceedings were immaterial. Unless otherwise specifically disclosed in this note, we have determined that no disclosure is required related to any claim against us because: (a) there is not a reasonable possibility that a loss exceeding amounts already recognized (if any) may be incurred with respect to such claim; (b) a reasonably possible loss or range of loss cannot be estimated; or (c) such estimate is immaterial.

All legal costs associated with litigation are expensed as incurred. Litigation is inherently unpredictable. However, we believe that we have valid defenses with respect to the legal matters pending against us. It is possible, nevertheless, that our consolidated financial position, results of operations or cash flows could be negatively affected by an unfavorable resolution of one or more of such proceedings, claims or investigations.

Since June 2022, we have been cooperating with the Federal Trade Commission (the “FTC”) staff in response to a Civil Investigative Demand seeking information regarding our disclosure and subscription cancellation practices relative to the Restore Online Shoppers’ Confidence Act (“ROSCA”). In November 2023, the FTC staff asserted that they had the authority to enter into consent negotiations to determine if a settlement regarding their investigation of these issues could be reached. On March 20, 2024, we were informed that the FTC had voted to authorize a filing of the case. The FTC then referred the case to the Department of Justice (the “DOJ”), and on June 17, 2024, the DOJ filed a civil complaint in the United States District Court for the Northern District of California, naming Adobe and certain of our employees as defendants. The complaint alleges that Adobe failed to clearly and conspicuously disclose material terms, failed to obtain express informed consent and failed to provide a simple cancellation mechanism regarding our disclosure and subscription cancellation practices in violation of ROSCA and the FTC Act. The DOJ is seeking injunctive relief, civil penalties, equitable monetary relief and other relief. On October 7, 2024, we filed a motion to dismiss the DOJ’s civil complaint, and that motion was fully briefed as of December 23, 2024. The defense or resolution of this matter could involve significant monetary costs or penalties and have a significant impact on our financial results and operations. There can be no assurance that we will be successful in negotiating a favorable settlement or in litigation. Any remedies or compliance requirements could adversely affect our ability to operate our business or have a materially adverse impact on our financial results. At this stage, we are unable to estimate a reasonably possible financial loss or range of any potential financial loss, if any, as a result of this litigation.

On October 20, 2023, a securities class action captioned Pembroke Pines Firefighters & Police Officers Pension Fund et al v. Adobe, Inc. et al, renamed as In Re Adobe Inc. Securities Litigation, Case No. 1:23-cv-09260, was filed in the U.S. District Court for the Southern District of New York (the “Securities Action”) naming Adobe and certain of our current and former officers as defendants. The Securities Action purports to be brought on behalf of purchasers of the Company’s stock between July 23, 2021 and September 22, 2022 (the “Class Period”). The complaint, which was amended on February 23, 2024, alleges that certain public statements made by Adobe during the Class Period related to competition from Figma and the adequacy of Adobe’s existing offerings to counter harms Adobe may have faced due to Figma’s growing market position were materially false and misleading. The Securities Action seeks unspecified compensatory damages, attorneys’ fees and costs, and extraordinary equitable and/or injunctive relief. We filed a motion to dismiss the Securities Action, which was fully briefed as of May 23, 2024.

On November 16, 2023, a shareholder derivative action captioned Shah v. Narayen et al, Case No. 1:23-cv-01315, was filed in the U.S. District Court for the District of Delaware (the “Shah Action”), purportedly on behalf of Adobe. On January 3, 2024, a second shareholder derivative action captioned Gervat v. Narayen et al, Case No. 1:24-cv-00006, was filed in the U.S. District Court for the District of Delaware (the “Gervat Action”), purportedly on behalf of Adobe. On January 24, 2024, the Court consolidated the Shah and Gervat Actions (together, the “Consolidated Derivative Action”). On January 18, 2024, a shareholder derivative action captioned Sbriglio v. Narayen et al., Case No. 24-cv-429458, was filed in California Superior Court (the “Sbriglio Action”), purportedly on behalf of Adobe. On January 29, 2024, a shareholder derivative action captioned Roy v. Narayen et al., No. 1:24-cv-00633, was filed in the U.S. District Court for the Southern District of New York, (the “Roy Action,” and together with the Consolidated Derivative Action and the Sbriglio Action, the “Derivative Actions”), purportedly on behalf of Adobe. The Derivative Actions are based largely on the same alleged facts and circumstances as the Securities

Action, and name certain of our current and former officers and members of our Board of Directors as defendants and Adobe as a nominal defendant. The Derivative Actions together allege claims for breach of fiduciary duty and/or aiding and abetting breach of fiduciary duties, unjust enrichment, waste of corporate assets, abuse of control, and violations of Section 10(b) (and Rule 10b-5 promulgated thereunder), Section 20(a), and/or Section 21D of the Securities Exchange Act of 1934, as amended, and seek recovery of unspecified damages, restitution, and attorney's fees and costs, as well as disgorgement of profits and certain payments and benefits, in the case of the Gervat Action, and improvements to Adobe's corporate governance and internal procedures, in the case of the Shah Action, on behalf of Adobe. The Derivative Actions are presently stayed pending the final resolution of the motion to dismiss in the Securities Action.

We dispute the allegations of wrongdoing in the Securities Action and the Derivative Actions and intend to vigorously defend ourselves in these matters. In view of the complexity and ongoing and uncertain nature of the outstanding proceedings and inquiries, at this time we are unable to estimate a reasonably possible financial loss or range of financial loss, if any, that we may incur to resolve or settle the Securities Action and the Derivative Actions.

In connection with disputes relating to the validity or alleged infringement of third-party intellectual property rights, including patent rights, we have been, are currently and may in the future be subject to claims, negotiations or complex, protracted litigation. Intellectual property disputes and litigation may be very costly and can be disruptive to our business operations by diverting the attention and energies of management and key technical personnel. Although we have successfully defended or resolved past litigation and disputes, we may not prevail in any ongoing or future litigation and disputes. Third-party intellectual property disputes could subject us to significant liabilities, require us to enter into royalty and licensing arrangements on unfavorable terms, prevent us from licensing certain of our products or offering certain of our services, subject us to injunctions restricting our sale of products or services, cause severe disruptions to our operations or the markets in which we compete, or require us to satisfy indemnification commitments with our customers including contractual provisions under various license arrangements and service agreements.

NOTE 13. DEBT

The carrying value of our borrowings as of February 28, 2025 and November 29, 2024 were as follows:

(dollars in millions)	Issuance Date	Due Date	Effective Interest Rate	2025	2024
1.90% 2025 Notes	February 2020	February 2025	2.07%	$ —	$ 500
3.25% 2025 Notes	January 2015	February 2025	3.67%	—	1,000
2.15% 2027 Notes	February 2020	February 2027	2.26%	850	850
4.85% 2027 Notes	April 2024	April 2027	5.03%	500	500
4.75% 2028 Notes	January 2025	January 2028	4.93%	800	—
4.80% 2029 Notes	April 2024	April 2029	4.93%	750	750
4.95% 2030 Notes	January 2025	January 2030	5.09%	700	—
2.30% 2030 Notes	February 2020	February 2030	2.69%	1,300	1,300
4.95% 2034 Notes	April 2024	April 2034	5.03%	750	750
5.30% 2035 Notes	January 2025	January 2035	5.40%	500	—
Total debt outstanding, at par				$ 6,150	$ 5,650
Less: Current portion of debt, at par				—	(1,500)
Fair value of interest rate swaps				36	—
Unamortized discount and debt issuance costs				(31)	(21)
Carrying value of long-term debt				$ 6,155	$ 4,129
Current portion of debt, at par				$ —	$ 1,500
Unamortized discount and debt issuance costs				—	(1)
Carrying value of current debt				$ —	$ 1,499

Senior Notes

In January 2025, we issued $800 million of senior notes due January 17, 2028, $700 million of senior notes due January 17, 2030 and $500 million of senior notes due January 17, 2035. Our total proceeds were approximately $1.99 billion, net of an issuance discount of $3 million and total issuance costs of $9 million.

In February 2025, $1.5 billion of senior notes became due and were repaid.

Discounts and issuance costs on our senior notes are amortized to interest expense over the terms of the respective notes using the effective interest method. Interest on the notes issued in February 2020 is payable semi-annually, in arrears, on February 1 and August 1. Interest on the notes issued in April 2024 is payable semi-annually, in arrears, on April 4 and October 4. Interest on the notes issued in January 2025 is payable semi-annually, in arrears, on January 17 and July 17.

During the three months ended February 28, 2025, we entered into interest rate swaps related to certain of our senior notes. The interest rate swaps effectively convert the fixed interest rates on the notes to floating interest rates based on the SOFR OIS. Under the terms of the swaps, we will pay quarterly interest at the daily compounded SOFR OIS plus a fixed number of basis points on the notional amount through the respective par call dates for the notes. In exchange, we will receive the fixed rate interest on the notes from the swap counterparties on a semi-annual basis. The fair value of the interest rate swaps is included in the carrying value of our debt in the condensed consolidated balance sheets. *See Note 5 for further details regarding our interest rate swap derivatives.*

Our senior notes rank equally with our other unsecured and unsubordinated indebtedness, and do not contain financial covenants. We may redeem the notes at any time, subject to a make-whole premium.

For the senior notes issued in February 2020, upon the occurrence of certain change of control triggering events, we may be required to repurchase the notes, at a price equal to 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase. In addition, these notes include covenants that limit our ability to grant liens on assets and to enter into sale and leaseback transactions, subject to significant allowances.

Revolving Credit Agreement

In June 2022, we entered into a credit agreement (the "Revolving Credit Agreement"), providing for a five-year $1.5 billion senior unsecured revolving credit facility. The Revolving Credit Agreement provides for loans to Adobe and certain of its subsidiaries that may be designated from time to time as additional borrowers. Pursuant to the terms of the Revolving Credit Agreement, we may, subject to the agreement of lenders to provide additional commitments, obtain up to an additional $500 million in commitments, for a maximum aggregate commitment of $2 billion. As of February 28, 2025, there were no outstanding borrowings under this Revolving Credit Agreement.

Commercial Paper Program

In September 2023, we established a commercial paper program under which we may issue unsecured commercial paper up to a total of $3 billion outstanding at any time, with maturities of up to 397 days from the date of issue. The net proceeds from the issuance of commercial paper are expected to be used for general corporate purposes, which may include working capital, capital expenditures, acquisitions, stock repurchases, refinancing indebtedness or any other general corporate purposes. As of February 28, 2025, there were no outstanding borrowings under the commercial paper program.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto.

In addition to historical information, this Quarterly Report on Form 10-Q contains forward-looking statements, including statements regarding product plans, future growth, market opportunities, fluctuations in foreign currency exchange rates, strategic investments, industry positioning, customer acquisition and retention, the amount of annualized recurring revenue and revenue growth. In addition, when used in this report, the words "will," "expects," "could," "would," "may," "anticipates," "intends," "plans," "believes," "seeks," "targets," "estimates," "looks for," "looks to," "continues" and similar expressions, as well as statements regarding our focus for the future, are generally intended to identify forward-looking statements. Each of the forward-looking statements we make in this report involves risks and uncertainties that could cause actual results to differ materially from these forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section titled "Risk Factors" in Part II, Item 1A of this report. The risks described herein and in other documents we file from time to time with the U.S. Securities and Exchange Commission (the "SEC"), including our Annual Report on Form 10-K for fiscal 2024, should be carefully reviewed. Undue reliance should not be placed on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document, except as required by law.

BUSINESS OVERVIEW

Adobe is a global technology company with a mission to change the world through personalized digital experiences. For over four decades, Adobe's innovations have transformed how individuals, teams, businesses, enterprises, institutions, and governments engage and interact across all types of media. Our products, services and solutions are used around the world to imagine, create, manage, deliver, measure, optimize and engage with content across surfaces and fuel digital experiences. We have a diverse user base that includes consumers, communicators, creative professionals, developers, students, small and medium businesses and enterprises. We are also empowering creators by putting the power of artificial intelligence ("AI") in their hands, and doing so in ways we believe are responsible. Our products and services help unleash creativity, accelerate document productivity and power businesses in a digital world. We have operations in the Americas; Europe, Middle East and Africa ("EMEA"); and Asia-Pacific ("APAC").

OPERATIONS OVERVIEW

For our first quarter of fiscal 2025, we experienced strong demand across our Digital Media and Digital Experience offerings, driven by customer-focused product innovation. As we execute on our long-term growth initiatives, with emphasis on delivering value through AI-powered and highly differentiated solutions to meet the needs of our diverse and expanding customer base, we have continued to experience growth in software-based subscription revenue across our portfolio of offerings.

Digital Media

Our Digital Media products, services and solutions help users create, design and publish rich content and 3D experiences, and improve productivity by transforming how they view, share and collaborate on documents and content. These offerings include our Creative Cloud flagship applications ("apps") such as Adobe Photoshop, Adobe Illustrator, Adobe Lightroom, Adobe Premiere Pro and Adobe Stock; as well as Adobe Acrobat, Adobe Express, Adobe Firefly and many more products, which are available across surfaces and platforms as desktop tools, web and mobile apps and cloud-based services. Adobe Express is our web and mobile app designed to enable a broad spectrum of users, including novice content creators and communicators, to create, edit and customize content quickly and easily with content first, task-based solutions. In addition, Adobe Firefly-powered generative AI features are available across Digital Media apps including Adobe Photoshop and Adobe Express. Our Adobe Acrobat offerings, with a set of integrated mobile apps and cloud-based document services, enable users to create, collaborate, review, approve, sign and track documents regardless of platform or application source type. These Acrobat offerings enhance the way people manage critical documents at home, in the office and across devices. Last year, we introduced Acrobat AI Assistant, a generative AI-powered product designed to deliver insights and enhance productivity through interactive document experiences, which is available as an add-on subscription to our Adobe Acrobat Pro and Standard and Adobe Acrobat Reader products. Our Digital Media customers include business professionals, consumers, creative professionals, creators and marketers.

Annualized Recurring Revenue ("ARR") is currently the key performance metric our management uses to assess the health and trajectory of our overall Digital Media segment. ARR should be viewed independently of revenue, deferred revenue and remaining performance obligations as ARR is a performance metric and is not intended to be combined with any of these items. Digital Media ARR continues to be calculated as the sum of the annual value of Digital Media subscriptions and services and the annual value of Digital Media Enterprise Term License Agreements. We adjust our reported ARR on an annual basis to reflect any exchange rate changes. Our reported ARR results in the current fiscal year are based on currency rates set at the beginning of the year and held constant throughout the year for measurement purposes. Prior year ARR balances are also revalued at the new currency rates for comparative purposes.

Digital Media ARR grew to $17.63 billion at the end of the first quarter of fiscal 2025, representing 12.6% year-over-year growth. Our success in driving growth in ARR has positively affected our revenue growth. Digital Media segment revenue grew to $4.23 billion in the first quarter of fiscal 2025, up from $3.82 billion in the first quarter of fiscal 2024, representing 11% year-over-year growth.

Digital Experience

Our Digital Experience apps and services are designed to manage customer journeys, enable personalized experiences at scale and supply intelligence for businesses of any size in any industry. Digital Experience is comprised of solutions to deliver actionable data, with products such as Adobe Analytics and Adobe Real-Time Customer Data Platform; optimize content delivery, with products such as Adobe Experience Manager, Adobe Commerce and Adobe GenStudio for Performance Marketing; and manage customer journeys, with products such as Adobe Marketo Engage and Adobe Campaign. Our differentiation and competitive advantage are strengthened by our ability to use the Adobe Experience Platform to integrate our comprehensive set of solutions and our ability to embed AI into our product portfolio, such as with our Adobe Experience Platform AI Assistant, a generative AI-powered conversational interface designed to help customers automate workflows and generate new audiences and journeys. Our Digital Experience customers include marketing professionals such as brand managers, channel marketers and campaign strategists.

Digital Experience revenue was $1.41 billion in the first quarter of fiscal 2025, up from $1.29 billion in the first quarter of fiscal 2024, representing 10% year-over-year growth. Subscription revenue grew to $1.30 billion in the first quarter of fiscal 2025, up from $1.16 billion in the first quarter of fiscal 2024, representing 11% year-over-year growth.

Customer-Focused Strategy

Our customers often are involved in workflows that integrate multiple Adobe products across both segments. By combining the creativity of our Digital Media business with the science of our Digital Experience business, such as with our Adobe GenStudio solutions, we help our customers to more efficiently and effectively make, manage, measure and monetize their content across every channel with an end-to-end workflow and feedback loop.

Spanning both our Digital Media and Digital Experience segments, we are driving continued business success through audience-specific product innovation and go-to-market strategy focused on the following two customer groups:

- Business Professionals and Consumers require all-in-one web and mobile apps with easy-to-use AI capabilities, and are increasingly benefiting from deep integration between Adobe Acrobat and Adobe Express. Revenue associated with the Business Professionals and Consumers customer group consists of Adobe Acrobat offerings and Adobe Express, all of which are part of Digital Media.

- Creative and Marketing Professionals require agile and comprehensive solutions to create high volumes of compelling content, infused with commercially safe AI capabilities; and are benefiting from investments in powerful, integrated workflows through offerings such as Adobe Firefly and Adobe GenStudio. Revenue associated with the Creative and Marketing Professionals customer group consists of Digital Experience offerings as well as Creative Cloud flagship apps such as Photoshop, Lightroom and Illustrator within Digital Media.

By viewing the Digital Media and Digital Experience segments through this additional lens, we can more effectively execute on our long-term growth strategies. Our success will be achieved though continued acquisition and retention of our customer base by delivering valuable new features and technologies to customers with our latest releases, including generative AI capabilities to enhance creativity, productivity and marketing, and expanding availability of our offerings across an increasing number of surfaces.

As part of our customer-focused strategy, we utilize a data-driven operating model and tailored go-to-market motion to raise awareness of our products and drive customer acquisition, engagement and retention. Overall, our strategy is designed to increase our revenue with existing users, continue to attract new customers, and grow our recurring and predictable revenue stream that is recognized ratably.

Macroeconomic Conditions

As a corporation with an extensive global footprint, we are subject to risks and exposures from the evolving macroeconomic environment, including the effects of increased global inflationary pressures and interest rates, fluctuations in foreign currency exchange rates, potential economic slowdowns or recessions and geopolitical pressures, including the unknown impacts of current and future trade regulations. We continuously monitor the direct and indirect impacts of these circumstances on our business and financial results.

While our revenue and earnings are relatively predictable as a result of our subscription-based business model, the broader implications of these macroeconomic events on our business, results of operations and overall financial position, particularly in the long term, remain uncertain. *See the section titled "Risk Factors" in Part II, Item IA of this report for further discussion of the possible impact of these macroeconomic issues on our business.*

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our condensed consolidated financial statements in accordance with generally accepted accounting principles in the United States ("GAAP") and pursuant to the rules and regulations of the SEC, we make assumptions, judgments and estimates that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. We evaluate our assumptions, judgments and estimates on a regular basis. We also discuss our critical accounting policies and estimates with the Audit Committee of the Board of Directors.

We believe that the assumptions, judgments and estimates involved in the accounting for revenue recognition and income taxes have the greatest potential impact on our condensed consolidated financial statements. These areas are key components of our results of operations and are based on complex rules requiring us to make judgments and estimates, and consequently, we consider these to be our critical accounting policies. Historically, our assumptions, judgments and estimates relative to our critical accounting policies have not differed materially from actual results.

There have been no significant changes in our critical accounting policies and estimates during the three months ended February 28, 2025, as compared to the critical accounting policies and estimates disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended November 29, 2024.

Recent Accounting Pronouncements

See Note 1 of our notes to condensed consolidated financial statements for information regarding recent accounting pronouncements that are of significance or potential significance to us.

RESULTS OF OPERATIONS

Financial Performance Summary

- Digital Media ARR of approximately $17.63 billion as of February 28, 2025 increased by 12.6% from $15.66 billion as of March 1, 2024 revalued using currency rates determined at the beginning of fiscal 2025.
- Digital Media revenue of $4.23 billion during the three months ended February 28, 2025 increased by $411 million, or 11%, compared to the year-ago period.
- Digital Experience revenue of $1.41 billion during the three months ended February 28, 2025 increased by $125 million, or 10%, compared to the year-ago period.
- Cost of revenue of $622 million during the three months ended February 28, 2025 increased by $32 million, or 5%, compared to the year-ago period.
- Operating expenses of $2.93 billion during the three months ended February 28, 2025 decreased by $756 million, or 21%, compared to the year-ago period, primarily due to the $1 billion Figma termination fee incurred during the first quarter of fiscal 2024.
- Net income of $1.81 billion during the three months ended February 28, 2025 increased by $1.19 billion, or 192%, compared to the year-ago period.
- Cash flows from operations of $2.48 billion during the three months ended February 28, 2025 increased by $1.31 billion, or 111%, compared to the year-ago period.
- Remaining performance obligations of $19.69 billion as of February 28, 2025 increased by 12% from $17.58 billion as of March 1, 2024.

Revenue for the Three Months Ended February 28, 2025 and March 1, 2024

(dollars in millions)	Three Months		
	2025	2024	% Change
Subscription	$ 5,483	$ 4,916	12 %
Percentage of total revenue	96 %	95 %	
Product	95	119	(20)%
Percentage of total revenue	2 %	2 %	
Services and other	136	147	(7)%
Percentage of total revenue	2 %	3 %	
Total revenue	$ 5,714	$ 5,182	10 %

Subscription

Our subscription revenue is comprised primarily of fees we charge for our subscription and hosted service offerings, and related support. We primarily recognize subscription revenue ratably over the term of agreements with our customers, beginning with commencement of service. Subscription revenue related to certain offerings, where fees are based on a number of transactions and invoicing is aligned to the pattern of performance, customer benefit and consumption, are recognized on a usage basis.

Product

Our product revenue is comprised primarily of fees related to licenses for on-premise software purchased on a perpetual basis, for a fixed period of time, or based on usage for certain of our original equipment manufacturer and royalty agreements. We primarily recognize product revenue at the point in time the software is available to the customer, provided all other revenue recognition criteria are met.

Services and Other

Our services and other revenue is comprised primarily of fees related to consulting, training, maintenance and support for certain on-premise licenses that are recognized at a point in time and our advertising offerings. We typically sell our consulting contracts on a time-and-materials or fixed-fee basis. These revenues are recognized as the services are performed for time-and-materials contracts and on a relative performance basis for fixed-fee contracts. Training revenues are recognized as the services are performed. Our maintenance and support offerings, which entitle customers, partners and developers to receive desktop product upgrades and enhancements or technical support, depending on the offering, are generally recognized ratably over the term of the arrangement. Transaction-based advertising revenue is recognized on a usage basis as we satisfy the performance obligations to our customers.

Segment Information

We have the following reportable segments: Digital Media, Digital Experience, and Publishing and Advertising. Total revenue by reportable segment for the three months ended February 28, 2025 and March 1, 2024 were as follows:

(dollars in millions)	Three Months		
	2025	2024	% Change
Digital Media	$ 4,227	$ 3,816	11 %
Percentage of total revenue	74 %	74 %	
Digital Experience	1,414	1,289	10 %
Percentage of total revenue	25 %	25 %	
Publishing and Advertising	73	77	(5)%
Percentage of total revenue	1 %	1 %	
Total revenue	$ 5,714	$ 5,182	10 %

Revenue from Digital Media increased $411 million and revenue from Digital Experience increased $125 million during the three months ended February 28, 2025 as compared to the three months ended March 1, 2024 due to subscription revenue growth across our offerings.

Subscription revenue by reportable segment for the three months ended February 28, 2025 and March 1, 2024 were as follows:

(dollars in millions)	Three Months		
	2025	2024	% Change
Digital Media	$ 4,159	$ 3,725	12 %
Digital Experience	1,297	1,164	11 %
Publishing and Advertising	27	27	— %
Total subscription revenue	$ 5,483	$ 4,916	12 %

Increases in subscription revenue for the Digital Media segment were driven by strength in Creative Cloud flagship apps and Acrobat across all routes to market and geographies. Increases in subscription revenue for the Digital Experience segment were driven by strength in Adobe Experience Platform and related apps.

Digital Media and Digital Experience subscription revenue by customer group for the three months ended February 28, 2025 and March 1, 2024 were as follows:

(dollars in millions)	Three Months		
	2025	2024	% Change
Creative and Marketing Professionals	$ 3,922	$ 3,550	10 %
Business Professionals and Consumers	1,534	1,339	15 %
Total Digital Media and Digital Experience subscription revenue	$ 5,456	$ 4,889	12 %

Increases in subscription revenue for the Creative and Marketing Professionals customer group were driven by strength in Creative Cloud flagship apps and Adobe Experience Platform and related apps. Increases in subscription revenue for the Business Professionals and Consumers customer group were driven by strength in Acrobat.

Geographical Information

(dollars in millions)	Three Months		% Change
	2025	2024	
Americas	$ 3,405	$ 3,110	9 %
Percentage of total revenue	60 %	60 %	
EMEA	1,502	1,319	14 %
Percentage of total revenue	26 %	25 %	
APAC	807	753	7 %
Percentage of total revenue	14 %	15 %	
Total revenue	$ 5,714	$ 5,182	10 %

Overall revenue during the three months ended February 28, 2025 increased in all geographic regions as compared to the three months ended March 1, 2024. Within each geographic region, the fluctuations in revenue were attributable to the factors noted in the segment information above.

Included in the overall change in revenue for the three months ended February 28, 2025 as compared to the three months ended March 1, 2024 were impacts associated with foreign currency and our foreign currency hedging program. During the three months ended February 28, 2025, the U.S. Dollar primarily strengthened against APAC and EMEA foreign currencies as compared to the year-ago period, which resulted in a net decrease in revenue in U.S. Dollar equivalents of approximately $74 million. For the three months ended February 28, 2025, we had net hedging gains from our cash flow hedging program of $26 million.

Cost of Revenue for the Three Months Ended February 28, 2025 and March 1, 2024

(dollars in millions)	Three Months		% Change
	2025	2024	
Subscription	$ 490	$ 455	8 %
Percentage of total revenue	9 %	9 %	
Product	6	5	20 %
Percentage of total revenue	*	*	
Services and other	126	130	(3)%
Percentage of total revenue	2 %	3 %	
Total cost of revenue	$ 622	$ 590	5 %

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(*) Percentage is less than 1%.

Subscription

Cost of subscription revenue consists primarily of third-party hosting services and data center costs, including expenses related to operating our network infrastructure and AI inferencing costs. Cost of subscription revenue also includes compensation costs associated with network operations, implementation, account management and technical support personnel, royalty fees, software costs and amortization of certain intangible assets.

Cost of subscription revenue increased during the three months ended February 28, 2025 as compared to the three months ended March 1, 2024 primarily due to increases in hosting services and data center costs, royalty fees, and compensation costs.

Product

Cost of product revenue is primarily comprised of third-party royalties, localization costs and costs associated with the manufacturing of our products.

Services and Other

Cost of services and other revenue is primarily comprised of compensation and contracted costs incurred to provide consulting services, training and product support, and hosting services and data center costs.

Operating Expenses for the Three Months Ended February 28, 2025 and March 1, 2024

(dollars in millions)

	Three Months		
	2025	2024	% Change
Research and development	$ 1,026	$ 939	9 %
Percentage of total revenue	18 %	18 %	
Sales and marketing	1,495	1,352	11 %
Percentage of total revenue	26 %	26 %	
General and administrative	367	352	4 %
Percentage of total revenue	6 %	7 %	
Acquisition termination fee	—	1,000	**
Percentage of total revenue	*	19 %	
Amortization of intangibles	41	42	(2)%
Percentage of total revenue	1 %	1 %	
Total operating expenses	$ 2,929	$ 3,685	(21)%

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(*) Percentage is less than 1%.
(**) Percentage is not meaningful.

Research and Development

Research and development expenses consist primarily of compensation and contracted costs associated with software development, third-party hosting services and data center costs including AI training costs, related facilities costs and expenses associated with computer equipment and software used in development activities.

Research and development expenses increased during the three months ended February 28, 2025 as compared to the three months ended March 1, 2024 primarily due to increases in compensation costs and hosting services and data center costs.

Investments in research and development, including the recruiting and hiring of software developers, are critical to remain competitive in the marketplace and are directly related to continued timely development of new and enhanced offerings and solutions. We will continue to focus on long-term opportunities available in our end markets and make significant investments in the development of our subscription and service offerings, apps and tools.

Sales and Marketing

Sales and marketing expenses consist primarily of compensation costs, amortization of contract acquisition costs, including sales commissions, travel expenses and related facilities costs for our sales, marketing, order management and global supply chain management personnel. Sales and marketing expenses also include the costs of programs aimed at increasing revenue, such as advertising, trade shows and events, public relations and other market development programs.

Sales and marketing expenses increased during the three months ended February 28, 2025 as compared to the three months ended March 1, 2024 primarily due to increases in marketing spend and compensation costs.

General and Administrative

General and administrative expenses consist primarily of compensation and contracted costs, travel expenses and related facilities costs for our finance, facilities, human resources, legal, information services and executive personnel. General and administrative expenses also include outside legal and accounting fees, provision for bad debts, expenses associated with computer equipment and software used in the administration of the business, charitable contributions and various forms of insurance.

Acquisition Termination Fee

During the three months ended March 1, 2024, we incurred a $1 billion termination fee which resulted from termination of the Figma transaction.

Non-Operating Income (Expense), Net for the Three Months Ended February 28, 2025 and March 1, 2024

(dollars in millions)	Three Months		
	2025	2024	% Change
Interest expense	$ (62)	$ (27)	130 %
Investment gains (losses), net	6	18	**
Other income (expense), net	75	70	**
Total non-operating income (expense), net	$ 19	$ 61	**

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(**) Percentage is not meaningful.

Interest Expense

Interest expense represents interest associated with our debt instruments. Interest on our senior notes is payable semi-annually, in arrears. Floating interest payments on the interest rate swaps are paid quarterly. The fixed-rate interest receivable on the swaps is received semi-annually concurrent with the senior notes interest payments.

Interest expense increased during the three months ended February 28, 2025 as compared to the three months ended March 1, 2024 due to the senior notes issued in April 2024 and January 2025. *See Notes 5 and 13 for further details regarding our interest rate swaps and debt, respectively.*

Investment Gains (Losses), Net

Investment gains (losses), net consists principally of unrealized holding gains and losses associated with our deferred compensation plan assets.

Other Income (Expense), Net

Other income (expense), net consists primarily of interest earned on cash, cash equivalents and short-term fixed income investments. Other income (expense), net also includes realized gains and losses on fixed income investments and foreign exchange gains and losses.

Provision for Income Taxes for the Three Months Ended February 28, 2025 and March 1, 2024

(dollars in millions)	Three Months		
	2025	2024	% Change
Provision for income taxes	$ 371	$ 348	7 %
Effective tax rate	17 %	36 %	

Our effective tax rate decreased by approximately 19 percentage points for the three months ended February 28, 2025, as compared to the three months ended March 1, 2024. The decrease was primarily due to the impact of the Figma acquisition termination fee incurred in the prior year, which was not deductible for financial statement purposes, and an increase in the anticipated benefit from a foreign tax asset in the current year. The decrease was partially offset by a net tax expense related to stock-based compensation recorded during the three months ended February 28, 2025 as compared to a net tax benefit related to stock-based compensation recorded during the year-ago period.

Our effective tax rate for the three months ended February 28, 2025 was lower than the U.S. federal statutory tax rate of 21% primarily due to the net tax benefits from effects of non-U.S. operations and the U.S. federal research tax credit, partially offset by state taxes.

We recognize deferred tax assets to the extent that we believe these assets are more likely than not to be realized based on evaluation of all available positive and negative evidence. On the basis of this evaluation, we continue to maintain a valuation allowance to reduce our deferred tax assets to the amount realizable. The total valuation allowance was $762 million as of February 28, 2025, primarily related to certain state credits and capital loss carryforwards.

We are a U.S.-based multinational company subject to tax in multiple domestic and foreign tax jurisdictions. The current U.S. tax law subjects the earnings of certain foreign subsidiaries to U.S. tax and generally allows an exemption from taxation for distributions from foreign subsidiaries.

In the current global tax policy environment, the domestic and foreign governing bodies continue to consider, and in some cases introduce, changes in regulations applicable to corporate multinationals such as Adobe. As regulations are issued, we account for finalized regulations in the period of enactment.

Several countries have enacted, or have committed to enact, the Organization for Economic Cooperation and Development’s 15% global minimum tax regime effective for our fiscal 2025. The currently enacted legislation is not expected to have a material impact on our provision for income taxes, however we continue to monitor developments and evaluate impacts, if any, of these provisions on our results of operations and cash flows.

Accounting for Uncertainty in Income Taxes

The gross liabilities for unrecognized tax benefits excluding interest and penalties were $657 million and $666 million as of February 28, 2025 and March 1, 2024, respectively. If the total unrecognized tax benefits as of February 28, 2025 and March 1, 2024 were recognized, $492 million and $502 million would decrease the respective effective tax rates.

As of February 28, 2025 and March 1, 2024, the combined amounts of accrued interest and penalties included in long-term income taxes payable related to tax positions taken on our tax returns were not material.

The timing of the resolution of income tax examinations is highly uncertain as are the amounts and timing of tax payments that are part of any audit settlement process. These events could cause large fluctuations in the balance sheet classification of our tax assets and liabilities. We believe that within the next 12 months, it is reasonably possible that either certain audits will conclude or statutes of limitations on certain income tax examination periods will expire, or both. Although the timing of resolution, settlement and closing of audits is not certain, it is reasonably possible that the underlying unrecognized tax benefits may decrease by up to $55 million over the next 12 months.

Our future effective tax rates may be materially affected by changes in the tax rates in jurisdictions where our income is earned, changes in jurisdictions in which our profits are determined to be earned and taxed, changes in the valuation of our deferred tax assets and liabilities, changes in or interpretation of tax rules and regulations in the jurisdictions in which we do business, or unexpected changes in business and market conditions that could reduce certain tax benefits.

In addition, tax laws in the United States as well as other countries and jurisdictions in which we conduct business are subject to change as new laws are passed and/or new interpretations are made available. These countries, governmental bodies, such as the European Commission of the European Union, and intergovernmental economic organizations, such as the Organization for Economic Cooperation and Development, have made or could make unprecedented assertions about how taxation is determined and, in some cases, have proposed or enacted new laws that are contrary to the way in which rules and regulations have historically been interpreted and applied. Changes in our operating landscape, such as changes in laws and/or interpretations of tax rules, could adversely affect our effective tax rates and/or cause us to respond by making changes to our business structure which could adversely affect our operations and financial results.

Moreover, we are subject to the examination of our income tax returns by domestic and foreign tax authorities. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes and have reserved for potential adjustments that may result from these examinations. Our policy is to record interest and penalties related to unrecognized tax benefits in income tax expense. While we believe our tax estimates are reasonable, we cannot provide assurance that the final determination of any of these examinations will not have an adverse effect on our financial position and results of operations.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Our primary source of cash is receipts from revenue. Other customary sources of cash include proceeds from maturities and sales of short-term investments and issuance of debt instruments. Our primary uses of cash are general business expenses including payroll and related benefits costs, income taxes, marketing and third-party hosting services, as well as our stock repurchase program as described below. Other customary uses of cash include purchases of short-term investments, property and equipment, payments for taxes related to net share settlement of equity awards, and repayment of debt instruments.

This data should be read in conjunction with our condensed consolidated statements of cash flows.

	As of	
(in millions)	February 28, 2025	November 29, 2024
Cash and cash equivalents	$ 6,758	$ 7,613
Short-term investments	$ 677	$ 273
Working capital	$ 1,692	$ 711
Stockholders' equity	$ 13,095	$ 14,105

A summary of our cash flows is as follows:

	Three Months Ended	
(in millions)	February 28, 2025	March 1, 2024
Net cash provided by operating activities	$ 2,482	$ 1,174
Net cash provided by (used for) investing activities	(484)	66
Net cash used for financing activities	(2,841)	(2,128)
Effect of foreign currency exchange rates on cash and cash equivalents	(12)	1
Net change in cash and cash equivalents	$ (855)	$ (887)

Cash Flows from Operating Activities

Net cash provided by operating activities of $2.48 billion for the three months ended February 28, 2025 was primarily comprised of net income adjusted for the net effect of non-cash items. Working capital sources of cash included increases in deferred revenue, offset by increases in prepaid expenses and other assets.

Cash Flows from Investing Activities

Net cash used for investing activities of $484 million for the three months ended February 28, 2025 was primarily due to purchases of short-term investments, net of proceeds from the maturities and sales of short-term investments.

Cash Flows from Financing Activities

Net cash used for financing activities of $2.84 billion for the three months ended February 28, 2025 was primarily due to payments for our common stock repurchases and repayment of our 1.90% 2025 Notes and 3.25% 2025 Notes. These uses of cash were offset in part by proceeds from the issuance of senior notes. *See the sections titled "Senior Notes" and "Stock Repurchase Program" below.*

Liquidity and Capital Resources Considerations

Our existing cash, cash equivalents and investment balances may fluctuate during fiscal 2025 due to changes in our planned cash outlay.

Cash from operations could also be affected by various risks and uncertainties, including, but not limited to, risks detailed in the section titled "Risk Factors" in titled Part II, Item 1A of this report. Based on our current business plan and revenue prospects, we believe that our existing cash, cash equivalents and investment balances, our anticipated cash flows from operations and our available revolving credit facility will be sufficient to meet our working capital, operating resource expenditure and capital expenditure requirements for the next twelve months and for the foreseeable future.

Our cash equivalent and short-term investment portfolio as of February 28, 2025 consisted of money market funds, corporate debt securities, U.S. Treasury securities, time deposits, U.S. agency securities and asset-backed securities. We use professional investment management firms to manage a large portion of our invested cash.

We expect to continue our investing activities, including short-term and long-term investments, purchases of computer and server hardware to operate our network infrastructure, sales and marketing, product support and administrative staff. Furthermore, cash reserves may be used to repurchase stock under our stock repurchase program and to strategically acquire companies, products or technologies that are complementary to our business.

Revolving Credit Agreement

We have a $1.5 billion senior unsecured revolving credit agreement (the “Revolving Credit Agreement”) with a syndicate of lenders, providing for loans to us and certain of our subsidiaries through June 30, 2027. Subject to the agreement of lenders, we may obtain up to an additional $500 million in commitments, for a maximum aggregate commitment of $2 billion. As of February 28, 2025, there were no outstanding borrowings under the Revolving Credit Agreement and the entire $1.5 billion credit line remains available for borrowing. Under the terms of our Revolving Credit Agreement, we are not prohibited from paying cash dividends unless payment would trigger an event of default or if one currently exists. We do not anticipate paying any cash dividends in the foreseeable future.

Commercial Paper Program

We have a commercial paper program under which we may issue unsecured commercial paper up to a total of $3 billion outstanding at any time, with maturities of up to 397 days from the date of issue. The net proceeds from the issuance of commercial paper are expected to be used for general corporate purposes, which may include working capital, capital expenditures, acquisitions, stock repurchases, refinancing indebtedness or any other general corporate purposes. As of February 28, 2025, there were no outstanding borrowings under the commercial paper program.

Senior Notes

In January 2025, we issued $800 million of senior notes due January 17, 2028, $700 million of senior notes due January 17, 2030 and $500 million of senior notes due January 17, 2035. In total, we have $6.15 billion of senior notes outstanding, which rank equally with our other unsecured and unsubordinated indebtedness. During the three months ended February 28, 2025, we entered into interest rate swaps for certain of our senior notes that effectively convert the fixed interest rates on the notes to floating interest rates. As of February 28, 2025, the carrying value of our senior notes was $6.16 billion, net of fair value of the interest rate swaps and unamortized discount and debt issuance costs, and our maximum commitment for interest payments was $1.27 billion for the remaining duration of our outstanding senior notes and interest rate swaps. Interest on the notes is payable semi-annually, in arrears, and interest on the swaps is payable quarterly. Our senior notes do not contain any financial covenants. *See Note 13 of our notes to condensed consolidated financial statements for further details regarding our debt.*

Contractual Obligations

Our principal commitments as of February 28, 2025 consisted of purchase obligations resulting from agreements to purchase goods and services in the ordinary course of business and obligations under operating lease arrangements. Subsequent to February 28, 2025, we executed agreements associated with certain of our long-term supplier commitments that increased our minimum purchase obligations by approximately $1.3 billion through December 2029. There have been no other material changes in our purchase obligations during the three months ended February 28, 2025.

Stock Repurchase Program

To facilitate our stock repurchase program, designed to return value to our stockholders and minimize dilution from stock issuances, we may repurchase our shares in the open market or enter into structured repurchase agreements with third parties. In March 2024, our Board of Directors granted authority to repurchase up to $25 billion in our common stock through March 14, 2028.

During the three months ended February 28, 2025, we entered into stock repurchase arrangements with a large financial institution and made payments totaling $3.25 billion to repurchase shares. Subsequent to February 28, 2025, as part of the March 2024 stock repurchase authority, we entered into an accelerated share repurchase agreement (“ASR”) with a large financial institution whereupon we provided them with a prepayment of $3.5 billion. Upon completion of this $3.5 billion ASR, $10.9 billion remains under our March 2024 stock repurchase authority.

See Note 10 of our notes to condensed consolidated financial statements for further details regarding our stock repurchase program.

Indemnifications

In the ordinary course of business, we provide indemnifications of varying scope to our customers and channel partners against claims of intellectual property infringement made by third parties arising from the use of our products and from time to time, we are subject to claims by our customers under these indemnification provisions. Historically, costs related to these indemnification provisions have not been significant and we are unable to estimate the maximum potential impact of these indemnification provisions on our future results of operations.

To the extent permitted under Delaware law, we have agreements whereby we indemnify our officers and directors for certain events or occurrences while the officer or director is or was serving at our request in such capacity. The indemnification period covers all pertinent events and occurrences during the officer's or director's lifetime. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited; however, we have director and officer insurance coverage that reduces our exposure and enables us to recover a portion of any future amounts paid.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Senior Notes

In January 2025, we entered into interest rate swaps related to certain of our senior notes that effectively convert the fixed interest rates to floating interest rates based on SOFR OIS plus a fixed number of basis points through their respective par call dates. Accordingly, our exposure to fluctuations in market interest rates is on the hedged fixed-rate debt of $1.20 billion. As of February 28, 2025, an immediate hypothetical 50 basis point increase or decrease in market interest rates would not have a significant impact on our results of operations.

There have been no other material changes in our market risk exposures for the three months ended February 28, 2025, as compared to those discussed in our Annual Report on Form 10-K for the fiscal year ended November 29, 2024.

ITEM 4. CONTROLS AND PROCEDURES

Based on their evaluation as of February 28, 2025, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective at the reasonable assurance level to ensure that the information required to be disclosed by us in this Quarterly Report on Form 10-Q was (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during the quarter ended February 28, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Adobe have been detected.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 12 of our notes to condensed consolidated financial statements for information regarding our legal proceedings.

ITEM 1A. RISK FACTORS

As previously discussed, our actual results could differ materially from our forward-looking statements. Below we discuss some of the factors that could cause these differences. The occurrence of these and many other factors described in this report, and factors that we do not presently know or that we currently believe to be immaterial, could materially and adversely affect our operations, performance and financial condition. Many factors affect more than one category and the factors are not in order of significance or probability of occurrence because they have been grouped by categories.

Risks Related to Our Ability to Grow Our Business

We may be unsuccessful at innovating in response to rapid technological or industry changes to meet customer needs, which could cause our operating results to suffer.

We operate in rapidly evolving industries and expect the pace of innovation to continue to accelerate. We must continually introduce new, and enhance existing, products, services and solutions to retain customers and attract new customers. Developing new products, services and solutions is complex, requires significant investment and operational costs and may not be profitable, and our investments in new technologies are speculative and may not yield the expected business or financial benefits. The commercial success of new or enhanced products, services and solutions depends on a number of factors, including timely and successful development; effective distribution and marketing; market acceptance; compatibility with existing and emerging standards, platforms, software delivery methods and technologies; accurately predicting and anticipating customer needs and expectations and the direction of technological change; identifying and innovating in the right technologies; and differentiation from other products, services and solutions. If we fail to anticipate or identify technological, creative or marketing trends or fail to devote appropriate resources to adapt to such trends, our business could be harmed. For example, generative artificial intelligence technologies enable users of all skill levels to create and provide new ways of marketing, creating content and interacting with documents, which could significantly disrupt industries in which we operate and our existing products, services and solutions and our business may be harmed if we fail to invest or adapt. While we have released new generative artificial intelligence products, such as Adobe Firefly, and are focused on enhancing the artificial intelligence ("AI") capabilities of our products and incorporating AI across existing products, services and solutions, there can be no assurance that our new or enhanced products and AI innovations will be successful, adopted or monetizable or that we will innovate effectively to keep pace with the rapid evolution of AI across our offerings. If we do not successfully innovate, adapt to rapid technological or industry changes and meet customer needs, our business and our financial results may be harmed.

Issues relating to the development and use of AI, including generative AI, in our offerings may result in reputational harm, liability and adverse financial results.

Social, ethical and operational issues relating to the use of AI, including generative AI, in our offerings may result in reputational harm, liability and additional costs. We are increasingly incorporating AI technologies, developed by us and by third parties, into many of our offerings. If our AI development, deployment, content labeling or governance is ineffective or inadequate, it may result in incidents that impair the public acceptance of AI solutions or cause harm to individuals, customers or society, or result in our offerings not working as intended or producing unexpected outcomes.

Jurisdictions around the world are developing and passing new regulations that apply specifically to the use of AI. For example, the EU AI Act was adopted in 2024 and will be implemented in phases through 2030, and other jurisdictions are considering similarly focused legislation. These regulations and the evolving AI regulatory environment may, among other impacts, result in inconsistencies among AI regulations and frameworks across jurisdictions, increase our compliance, governance and research and development costs, increase our exposure to claims related to our AI models and increase liability related to the use of AI by our customers or users that are beyond our control. While we have taken a responsible approach to the development and use of AI, such as in our Adobe Firefly offerings, there can be no guarantee that future AI regulations will not adversely impact us or conflict with our approach to AI, including affecting our ability to make our AI offerings available without costly changes, delaying or halting development of AI offerings, requiring us to change our AI development practices, monetization strategies and/or indemnity protections and subjecting us to additional compliance requirements, regulatory action, competitive harm, reputational harm and/or legal liability. To the extent we rely on third-party AI models in our products, services and solutions, we will face risks inherent in how those models have been developed and deployed, including situations in which the third party may lack a proper license or consent for the training data used for their model. In addition,

new competition regulations on AI development and deployment could impose new requirements on our markets that could impact our business and financial results.

Uncertainty around new and evolving AI uses may require significant, additional investment to develop models and proprietary datasets, responsible-use frameworks and new approaches and processes to attribute or compensate content creators. We have experienced, and may in the future experience, challenges accessing AI models, datasets or hardware. Developing, testing and deploying AI systems may also increase the cost of our offerings, including due to the nature of the computing costs involved in such systems. These costs could adversely impact our margins as we continue to make significant investments in AI development, add AI capabilities to our offerings and scale our AI offerings without assurance that our customers and users will adopt them. Further, as with any new offerings based on new technologies, consumer reception and monetization pathways are uncertain, our strategies may not be successful and our business and financial results could be adversely impacted. New AI offerings and technologies could modify workforce needs, result in negative publicity about AI and decrease demand for our existing products, services and solutions, all of which could adversely impact our business.

We participate in rapidly evolving and intensely competitive markets, and, if we do not compete effectively, our operating results could suffer.

The markets for our products, services and solutions are rapidly evolving and intensely competitive. We expect competition to continue to intensify. Our numerous competitors range in size from diversified global companies with significant sales and research and development resources, broad brand awareness, long operating histories or access to large customer bases to small companies whose specialized focuses may allow them to more easily and effectively deploy technical, marketing and financial resources. Our competitors may develop or acquire products, services or solutions that are similar to ours or that achieve greater or faster acceptance, may undertake more far-reaching and successful product development efforts or marketing campaigns or may adopt more aggressive pricing policies. As a result, current and potential customers may select the products, services or solutions of our competitors. Further, our future success depends on our continued ability to effectively appeal to businesses and consumers. New industry standards, evolving distribution models, limited barriers to entry, short product life cycles, customer price sensitivity, global market conditions and the frequent entry of new products or competitors may increase downward pressure on pricing and gross margins and adversely affect our renewal, upsell and cross-sell rates as well as our ability to attract new customers. In addition, we expect to face more competition as AI continues to advance and be integrated into the markets in which we compete. Our competitors or other third parties may incorporate AI into their offerings more successfully and efficiently than we do and achieve greater and faster adoption, which could impair our ability to compete effectively and adversely affect our business and financial results. Other companies have, or in the future may obtain, proprietary rights that would prevent, limit or interfere with our ability to make, use or sell our AI offerings. Further, we expect AI offerings to be highly competitive and rapidly evolving. For example, we face increasing competition from companies offering generative AI capabilities, including text-to-image, text-to-video and multi-modal offerings that compete directly with our creative offerings. If we are not able to provide products, services and solutions that compete effectively, we could experience reduced sales and our business could be adversely affected. *For additional information regarding our competition and the risks arising out of the competitive environment in which we operate, see the section titled "Competition" contained in Part I, Item 1 of our Annual Report on Form 10-K.*

If our reputation or our brands are damaged, our business and financial results may be adversely affected.

We believe our reputation and brands have been, and we expect them to continue to be, important to our business and financial results. Maintaining and enhancing our brands may require us to make substantial investments and these investments may not be successful. We have experienced, and may in the future experience, reputational harm from, among other things, the introduction of new products, features, services, or terms that do not meet customer expectations; our position on or approach to new and evolving technologies, including AI; backlash from customers, the creative community, government entities or other stakeholders that disagree with our product offering decisions or public policy, ethical or political positions; significant litigation or regulatory or government actions that negatively reflect on our business practices; data security breaches or compliance failures; and public scrutiny or negative publicity, including being the target of media and social media campaigns, criticizing our actual or perceived actions or inactions, policies, terms, agreements, handling of user privacy, data practices or content. Further, our brands may be negatively affected by uses of our products, services or solutions, particularly our AI offerings, in ways that are out of our control, such as to create or disseminate content that is deemed to be misleading, deceptive or intended to manipulate public opinion, or for illicit, objectionable or illegal ends, or by our failure to respond appropriately and in a timely manner to such uses. Such uses may result in controversy or claims related to defamation, rights of publicity, illegal content, intellectual property infringement, harmful content, misinformation and disinformation, harmful bias, misappropriation, data privacy, derivative uses of third-party AI and personal injury torts. If we fail to appropriately respond to objectionable content created using our products, services or solutions or shared on our platforms, our users may lose confidence in our brands. Entry into markets with weaker protection of brands or changes in the legal systems in countries in which we operate may also impact our ability to protect our brands. If we fail to maintain, enhance or protect our brands, or if we incur excessive expenses in our efforts to do so, our users' trust in us and purchasing decisions and our business and financial results may be adversely affected.

We may not realize the anticipated benefits of investments or acquisitions, and they may disrupt our business and divert management's attention.

Investments and acquisitions involve numerous risks and uncertainties, the occurrence of which may have an adverse effect on our business. These risks and uncertainties include:

- inability to achieve the financial and strategic goals of the investment or acquisition;
- difficulty in effectively integrating the operations, technologies, products, services, solutions, culture or personnel of the acquired business;
- disruption of our ongoing business and distraction of our management and other personnel;
- challenges to completing or failure to complete an announced investment or acquisition related to the failure to obtain regulatory approval, or the need to satisfy certain conditions precedent to closing such transaction (such as divestitures, ownership or operational restrictions or other structural or behavioral remedies) that could limit the anticipated benefits of the transaction;
- entry into markets in which we have minimal prior experience and where competitors in such markets have stronger market positions;
- inability to retain personnel, key customers, distributors, vendors and other business partners of the acquired business;
- delay in customer and distributor purchasing decisions due to uncertainty about the direction of our product and service offerings;
- incurring higher than anticipated costs to effectively integrate an acquired business, to bring an acquired company into compliance with applicable laws and regulations, additional compensation issued or assumed in connection with an acquisition, to divest products, services or solutions acquired in unsuccessful investments or acquisitions, to amortize costs for acquired intangible assets or because of our inability to take advantage of anticipated tax benefits;
- increased collection times, elevated delinquency or bad debt write-offs related to receivables of an acquired business we assume;
- difficulty in maintaining controls, procedures and policies during the transition and integration and inability to conclude that our internal controls over financial reporting are effective;
- potential identified or unknown security vulnerabilities in acquired products that expose us to additional security risks or delay our ability to integrate the product into our offerings;
- exposure to litigation or other claims in connection with, or inheritance of claims or litigation risk as a result of, an acquisition;
- incurrence of additional debt to finance an acquisition, which will increase our interest expense and leverage, and/or issuance of equity securities to finance acquisitions, which will dilute current shareholders' percentage ownership and earnings per share; and
- failure to identify significant problems, liabilities or other challenges during due diligence.

Our ability to acquire other businesses or technologies, make strategic investments or integrate acquired businesses effectively may also be impaired by adverse economic and political events, including trade tensions, and increased global scrutiny and evolving regulatory expectations relating to acquisitions and strategic investments. We may not be able to complete acquisitions or other strategic transactions to realize the anticipated benefits of such acquisitions or transactions on favorable terms, or at all, including as a result of challenges in obtaining regulatory approvals, and may incur additional costs. For example, we have experienced difficulties in obtaining regulatory approvals, resulting in the termination of a previously announced acquisition and the incurrence of additional costs. Any of these factors may adversely affect our financial condition or results of operations.

Risks Related to the Operation of Our Business

Service interruptions or failures of our or third-party information technology systems may impair the availability of our products, services and solutions, which may expose us to liability, damage our reputation and harm our future financial results.

Much of our business, including our online store at adobe.com and our cloud solutions, relies on hardware and services that are hosted, managed and controlled directly by us or third-party service providers to be available to our customers and users without disruption. We do not have redundancy for all our systems, many of our critical applications ("Apps") reside in only one of our data centers, and our disaster recovery planning may not account for all eventualities. If any critical third-party service provider of hosting or content delivery services is negatively affected or becomes unavailable to us for any reason, we may not be able to deliver the corresponding products, services or solutions to our customers and users. Failure of our systems or those of our third-party service providers could cause large, system-wide failures, disrupt our business operations and those of our customers, subject us to reputational harm, require costly and time-intensive notifications, and cause us to lose customers, users and future business. Occasionally, we migrate data among data centers and to third-party hosted environments. If a transition among data centers or to third-party service providers encounters unexpected interruptions, unforeseen complexity or unplanned disruptions despite precautions undertaken during the process, this may impair our delivery of products, services and solutions to customers and result in increased costs and liabilities, which may harm our operating results, reputation and our business.

It is also possible that hardware or software failures or errors in our systems (or those of our third-party service providers) could result in data loss or corruption, cause the information that we collect or maintain to be incomplete or contain inaccuracies that our customers regard as significant, or cause us to fail to meet committed service levels or comply with applicable notification requirements or other relevant contractual obligations to our customers. Furthermore, our ability to collect and report data may be delayed or interrupted by a number of factors, including access to the internet, the failure of our network or software systems, security breaches or significant variability in visitor traffic on customer websites. We may also find, on occasion, that we cannot deliver data and reports to our customers in near real-time due to factors such as significant spikes in customer activity on their websites or failures of our network or software (or that of a third-party service provider). If we fail to plan infrastructure capacity appropriately and expand it proportionally with the needs of our customer and user base, and we experience a rapid and significant demand on the capacity of our data centers or those of third parties, service outages or performance issues could occur, which may impact our customers. Such a strain on our infrastructure capacity may subject us to regulatory and customer notification requirements, violations of service level agreement commitments or financial liabilities and result in customer dissatisfaction or harm our business. If we supply materially inaccurate information or experience significant interruptions in our systems, our reputation could be harmed, we could lose customers and we could be found liable for damages or incur other losses.

Security incidents, improper access to or disclosure of our customers' data or other cybersecurity incidents may harm our reputation and materially and adversely affect our business.

Our products, services and solutions collect, store, manage and otherwise process third-party data, including our customers' data and our own data. Such products, services and solutions as well as our technologies, systems and networks have been subject to, and may in the future be subject to, cyberattacks, computer viruses, ransomware or other malware, fraud, worms, social engineering, denial-of-service attacks, malicious software programs, insider threats and other cybersecurity incidents that have in the past, and may in the future, result in the unauthorized access, disclosure, acquisition, use, loss or destruction of sensitive personal or business data belonging to us, our employees and our customers.

Cybersecurity incidents can be caused by human error from our workforce or that of our third-party service providers, by malicious third parties, acting alone or in groups, or by more sophisticated organizations, including nation-states and state-sponsored organizations. Such risks may be elevated in connection with geopolitical tensions, including the Russia-Ukraine war and the conflict in the Middle East. Certain unauthorized parties have in the past managed, and may in the future manage, to overcome our security measures and those of our third-party service providers to access and misuse systems and software by exploiting defects in design or manufacture, including bugs, vulnerabilities and other problems that unexpectedly compromise the security or operation of a product or system. Further, unauthorized parties may also gain physical access to our facilities and infiltrate our information systems or attempt to gain logical access to our products, services or information systems to access content and data and may result in computer viruses, worms, ransomware or other malware. Malicious third parties have in the past, and may in the future, fraudulently induce our employees or users of our products, services or solutions to disclose sensitive, personal or confidential information via illegal electronic spamming, phishing, social engineering or other tactics, and this risk is heightened in our current hybrid model working environment. Malicious actors may also engage in fraudulent or abusive activities through our products, services and solutions, including unauthorized use of accounts through stolen credentials, use of stolen credit cards or other payment vehicles, failure to pay for services accessed, or other activities that violate our terms of service. While we actively combat such fraudulent activities, we have experienced, and may in the future experience, impacts to our revenue from such activities.

Maintaining the security of our products, services and solutions is a critical issue for us and our customers. We devote significant resources to address security vulnerabilities through various methods, including, but not limited to, engineering more secure products, enhancing security and reliability features in our products and systems, regularly reviewing our service providers' security controls, and continually assessing and improving, as appropriate, our incident response process. However, it is impossible to accurately predict the extent, frequency or impact cybersecurity issues may have on us, and our security measures do not provide full effective protection from all such events. The costs to prevent, eliminate, mitigate or remediate cybersecurity or other security problems and vulnerabilities are significant and may reduce our margins. Breaches of our security measures and the accidental loss, inadvertent disclosure or unauthorized dissemination of proprietary information or sensitive, personal or confidential data about us, our employees, our customers or their end users, including the potential loss or disclosure of such information or data have in the past, and could in the future, expose us, our employees, our customers or other individuals affected to a risk of loss or misuse of this information. Further, our efforts to address these problems, including notifying affected third parties when appropriate, have in the past been, and may in the future be, unsuccessful or delayed, which could result in business interruptions, cessation of service, loss of existing or potential customers and reputational harm. Actual or perceived security vulnerabilities or incidents have resulted in, and may result in additional, claims or litigation and liability or fines, costly and time-intensive notice requirements, governmental inquiry or oversight or a loss of customer confidence, any of which could harm our business and damage our brand and reputation. Our customers may also adopt security measures to protect their computer systems and their instances of our software from attack and may suffer a cybersecurity breach on their own systems, unrelated to our systems. Even if such breach is unrelated to our security systems, solutions or programs, such breach could cause us reputational harm and require us to incur significant economic and operational consequences to adequately assess and respond to their breach, and to implement additional safeguards designed to protect against future breaches.

While we maintain insurance to cover operational risks, such as cybersecurity risk and technology outages, our insurance may not be sufficient to cover all liability described herein. These risks will likely increase as we expand our hosted offerings, integrate our products, services and solutions and store and process more data. Moreover, delayed sales, lower margins or lost customers resulting from disruptions caused by cyberattacks, overly burdensome preventative security measures or failure to fully meet information security control certification requirements could materially and adversely affect our financial results, stock price and reputation.

If we are unable to develop, manage and maintain critical third-party relationships, such as our sales, partner and distribution channels, suppliers and service providers, our revenue and business may be adversely affected.

We rely on a number of third-party distributors and sales partners to distribute our products, services and solutions. The successful management of such third-party relationships is a complex, global process. If an agreement with one of our distributors or partners was terminated, any prolonged delay in securing a replacement distributor or partner could have a negative impact on our results of operations. We also face legal risk and potential reputational harm from the activities of these independent third parties including, but not limited to, export control violations, workplace conditions, corruption and anti-competitive behavior.

If our partner and distribution channels are not effective or if we stop or change our partner or distribution channels, we may lose sales opportunities, customers and revenue. We rely on third-party distribution platforms and are subject to changes in pricing structure, terms of service, privacy practices and other policies at the discretion of the platform provider. Any adverse changes to the terms with such third-party distribution platforms which we rely on to distribute our products, services and solutions may adversely affect our financial results. Additionally, our distribution channels may not continue to market or sell our products, services and solutions effectively and may favor products, services and solutions of other companies.

We sell many products, services and solutions through our direct sales force. Risks associated with this sales channel include challenges related to hiring, retaining and motivating our direct sales force, and substantial amounts of ongoing training for sales representatives. Our business could be harmed if our direct sales expansion efforts do not generate the corresponding efficiencies and revenue we anticipated from such investment. In addition, the loss of key sales employees could impact our customer relationships and future ability to sell to certain accounts covered by such employees.

We rely on third-party service providers and technologies to deliver our products, services and business operations and to operate critical business systems, such as cloud-based infrastructure, data center facilities, generative AI, encryption and authentication technology, company email and communications with customers. If such third parties are negatively affected, if we fail to effectively develop, manage and maintain our relationships with such third parties, or if we are unable to renew our agreements with them on favorable terms or at all, our expenses could significantly increase, and we and our customers may experience service interruptions. Any disruption or damage to, or failure of our systems generally, including the systems of our third-party platform providers, could result in interruptions in our services and harm our business. Further, interruptions in our services caused by us or our third-party service providers may cause us to issue credits or pay penalties, cause customers to make warranty or other claims against us or to terminate their subscriptions or contracts, and adversely affect our attrition rates and our ability to attract new customers, all of which may adversely affect our financial results. Our business and reputation would also be harmed if our customers and potential customers believe our services are unreliable.

We face various risks associated with our operating as a multinational corporation, and global adverse economic conditions may harm our business and financial condition.

We derive a large portion of our total revenue from, and have significant operations, outside of the United States. As a multinational corporation, we are subject to a number of risks, including from global adverse economic conditions, that are uncertain and beyond our control and that make forecasting operating results and decisions about future investments difficult, such as:

- inflation and actions taken by central banks to counter inflation, including increasing interest rates;
- international and regional economic, political and labor conditions, including any instability or security concerns abroad, such as uncertainty caused by economic sanctions, downturns and recessions, trade disputes, tariffs, armed conflicts and wars;
- tax laws (including U.S. taxes on foreign subsidiaries);
- increased financial accounting and reporting burdens and complexities;
- changes in, or impositions of, legislative or regulatory requirements, including antitrust and competition regulations, or other government actions;
- changes in laws governing the free flow of data across international borders;
- inadequate local infrastructure and difficulties in managing and staffing international operations;
- costs, potential liability, delays or loss of sales resulting from trade restrictions imposed by the United States and other countries, as well as trade laws, including but not limited to economic sanctions and export controls;
- costs and delays associated with developing products in multiple languages; and
- operating in locations with a higher rate of corruption and fraudulent business practices.

Additionally, third parties we do business with and our customers have international operations and are also subject to the above risks. Adverse changes in global economic conditions have in the past resulted and may in the future result in our customers' and business partners' insolvency, inability to obtain credit to finance or purchase our products, services and solutions, or a delay in paying or an inability to pay their obligations to us. Other third parties, such as our service providers, suppliers and distributors, may be unable to deliver or be delayed in delivering critical services, products or technologies that we rely on, and our business and reputation may be harmed. Our customers' spending rate and demand for our products, services and solutions may also be adversely affected by the above risks. If our global sales are reduced, delayed or canceled because of any of the above risks, our revenue may decline.

Further, a disruption in global financial markets could impair our banking partners, on which we rely for operating cash management, capital market transactions and derivative programs. Such disruption could also negatively impact our customers' ability to pay us due to delays or inability to access their existing cash.

As of February 28, 2025, our investment portfolio consisted of money market funds, corporate debt securities, U.S. Treasury securities, time deposits, U.S. agency securities and asset-backed securities. These investments are subject to credit, liquidity, market, and interest rate risks as well as economic downturns or events that affect global or regional financial markets that may cause the value of our investments to decline, requiring impairment charges, which could adversely affect our financial condition.

Some of our enterprise offerings have extended and complex sales cycles, which may increase our costs and make our sales cycles unpredictable.

As we continue to target enterprise customers for certain of our offerings, including Adobe Experience Cloud in our Digital Experience business and our Enterprise Term License Agreements in our Digital Media business, we may face increased costs, longer sales cycles, greater competition and less predictability in completing our sales. For our enterprise customers, the evaluation process may be longer and more involved, and require us to invest more in educating our customers about our products, services and solutions, particularly because the decision to use our products, services and solutions is often an enterprise-wide decision. We are increasingly offering end-to-end solutions that include cross-cloud and generative AI capabilities, which have in the past, and may in the future, increase the complexity of technical or contractual assurances or requirements that we or our customers require as part of the contracting process, leading to extended sales cycles. We may be required to submit more robust proposals, participate in extended proof-of-concept evaluation cycles and engage in more extensive contract negotiations. In addition, our enterprise customers often demand more complex configurations and additional integration services and product features. Adverse macroeconomic conditions have caused, and may continue to cause, additional spend scrutiny and delays in our enterprise customers' purchasing decisions. Due to these factors, we often must devote greater sales support to certain enterprise customers, which increases our costs and time required to complete a sale, without assurance that potential customers will ultimately purchase our solutions. We also may be required to devote more services resources to implementation, which increases our costs, without assurance that customers receiving these services will renew or renew at the same level. Since the sales cycles for our enterprise offerings are multi-phased and complex, it is often unpredictable when a given sales cycle will close. Our revenue from enterprise customers may be affected by longer-than-expected sales, contract negotiation and implementation cycles, extended collection cycles, potential deferral of revenue and alternative licensing arrangements. Additionally, our enterprise sales pattern has historically been, and is expected to remain, uneven, where a higher percentage of a quarter's total sales occur during the final weeks of each quarter, which is common in our industry.

If we are unable to recruit and retain key personnel, our business may be harmed, and our hybrid work model may present challenges, which could adversely impact our business.

Much of our future success depends on the continued service, availability and performance of our senior management and highly skilled personnel across all levels of our organization. Our senior management has acquired specialized knowledge and skills with respect to our business, and the loss of any of these individuals could harm our business, especially if we are not successful in developing adequate succession plans. Our efforts to attract, develop, integrate and retain highly skilled employees may be compounded by intensified restrictions on immigration or the availability of work visas. The technology industry has been and may continue to be subject to substantial and continuous competition for talent, particularly with AI and cybersecurity backgrounds, and demand for cutting-edge or unique skill sets may continue to be highly competitive, both of which are heightened with hybrid or remote working arrangements. Our hybrid work environment may also present operational, security and workplace culture challenges, which could negatively affect our ability to execute against our business objectives and retain and recruit personnel.

We have experienced, and may continue to experience, higher compensation costs to retain and recruit senior management or highly skilled personnel that may not be offset by innovation, improved productivity or increased sales. We continue to hire personnel in countries where exceptional technical knowledge and other expertise are offered at lower costs, which increases the efficiency of our global workforce structure and reduces our personnel-related expenditures. Nonetheless, as globalization continues, competition for talent in those countries has increased, which may impact our ability to retain these employees and increase our compensation-related expenses.

Risks Related to Laws and Regulations

We are, and may in the future become, subject to litigation, regulatory inquiries and other claims, which could result in an unfavorable outcome and have an adverse effect on our business, financial condition, results of operations and cash flows.

We are, and may in the future become, subject to various legal proceedings (including class action lawsuits), claims, negotiations and regulatory inquiries and additional claims, enforcement actions and inquiries may arise in the future, such as those relating to antitrust, data privacy and security, consumer protection, product liability and the validity or alleged infringement of third-party intellectual property rights, including patent rights, among others. Such activity has increased over time with evolving regulatory landscapes and as our products, services and solutions have become more available to, and used by, more enterprises and consumers. For example, there is an increase in enforcement activity in connection with federal and state consumer protection laws, including some suits which seek civil penalties. Any proceedings, actions, claims or inquiries initiated by or against us, whether successful or not, may be highly time consuming; result in costly litigation, damage awards, consent decrees, injunctive relief or increased costs of business; require us to change our business practices or products; result in negative publicity; require significant amounts of management time; result in the diversion of significant operational resources; or otherwise harm our business and financial results.

Disputes and litigation can be complex and are typically costly and can be disruptive to our business operations by diverting the attention of management and key personnel. For example, third-party intellectual property disputes, including those initiated by patent assertion entities, could subject us to significant liabilities, require us to enter into royalty and licensing arrangements on unfavorable terms, prevent us from offering certain products, services or solutions, subject us to injunctions restricting our sales, cause severe disruptions to our operations or the markets in which we compete, or require us to satisfy indemnification commitments with our customers, including contractual provisions under various license arrangements and service agreements. In addition, we have incurred, and may in the future incur, significant costs in acquiring the necessary third-party intellectual property rights for use in our products, in some cases to fulfill contractual obligations with our customers. Any of these occurrences could significantly harm our business.

We have not prevailed, and may not in the future prevail, in every lawsuit or dispute. *For further information about specific litigation and proceedings, see the section titled "Legal Proceedings" contained in Part I, Item 1, Note 12 of our Notes to Consolidated Financial Statements of this report.*

We are subject to risks associated with compliance with laws and regulations globally, which may harm our business.

We are a global company subject to varied and complex laws, regulations, government actions and customs, both domestically and internationally. These local, state, federal and international laws and regulations relate to a number of aspects of our business, including trade laws such as import and export controls, anti-boycott, economic sanctions and embargoes, data and transaction processing security, payment card industry data security standards, consumer protection, records management, user-generated content hosted on websites we operate, privacy practices, data residency, AI regulations, corporate governance, antitrust and competition, employee and third-party complaints, anti-corruption, conflicts of interest, securities regulations and other regulatory requirements affecting trade and investment. The application of these laws and regulations to our business is often unclear and evolving, and may at times conflict. Further, we are subject to the U.S. Foreign Corrupt Practices Act and other anti-corruption and anti-bribery laws, which may conflict with local customs and practices in other foreign countries, particularly those with developing economies where it is common to engage in practices that would be prohibited under such laws. We cannot provide assurance that our employees, contractors, agents, business partners and vendors will not take actions in violation of our internal policies, U.S. laws or other applicable international laws. Compliance with the above laws and regulations may involve significant costs or require additional changes to our business practices that result in reduced revenue and profitability. Non-compliance could also result in fines, damages, criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business and damage to our reputation.

In addition, approximately 51% of our employees are located outside the United States. Accordingly, we are exposed to changes in laws governing our employee relationships in various U.S. and foreign jurisdictions, including laws and regulations regarding wage and hour requirements, fair labor standards, employee data privacy, unemployment tax rates, workers' compensation rates, citizenship requirements and payroll and other taxes, which likely would have a direct impact on our operating costs.

Increasing regulatory focus on privacy and security issues and expanding laws and regulatory requirements could impact our business models and expose us to increased liability.

We are subject to global data protection, privacy and security laws, regulations and codes of conduct that relate to our various business units and data processing activities, which may include sensitive, confidential, and personal information. These laws, regulations and codes are inconsistent across jurisdictions and are subject to evolving and differing (sometimes conflicting) interpretations. Government officials and regulators, privacy advocates and class action attorneys are increasingly scrutinizing how companies collect, process, use, store, share and transmit personal data, including the transferring of personal information across international borders. This scrutiny can result in new and shifting interpretations of existing laws, thereby further impacting our business. For example, European data transfers outside the European Economic Area are highly regulated and litigated. The mechanisms that we and many other companies rely upon for European data transfers (for example, Standard Contractual Clauses and the EU - US Data Privacy Framework) are the subject of legal challenge, regulatory interpretation and judicial decisions by the Court of Justice of the European Union. Several other countries, including but not limited to the United States, China, Australia, New Zealand, Brazil, Kingdom of Saudi Arabia, Hong Kong and Japan, have also established specific legal requirements for cross-border transfers of personal information and certain countries have also established specific legal requirements for data localization (such as where personal data must remain stored in the country). If other countries implement more restrictive regulations for cross-border data transfers or do not permit data to leave the country of origin, such developments could adversely impact our business and our enterprise customers' business, our financial condition and our results of operations in those jurisdictions. Additionally, the General Data Protection Regulation in the European Economic Area and the United Kingdom continues to be interpreted by European and UK courts in novel ways leading to shifting requirements, country-specific differences in application and uncertain enforcement priorities. Laws in Asia, such as the Personal Information Protection Law in China and developing laws in India, as well as state laws in the United States on privacy, data and related technologies, such as the California Consumer Privacy Act, the California Privacy Rights Act, the Colorado Privacy Act and the Virginia Consumer Data Protection Act, as well as industry self-regulatory codes and regulatory requirements, create additional privacy and security compliance obligations and expand the scope of potential liability, either jointly or severally with our customers and suppliers. Further, the U.S. Securities and Exchange Commission's Rules on Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure requires us to make certain disclosures related to material cybersecurity incidents and the reasonably likely impact of such an incident on Form 8-K. Determining whether a cybersecurity incident is notifiable or reportable may not be straightforward and any such mandatory disclosures could be costly and lead to negative publicity, loss of customer confidence in the effectiveness of our security measures, diversion of management's attention and governmental investigations.

While we have invested in readiness to comply with applicable requirements, the dynamic and evolving nature of these laws, regulations and codes, as well as their interpretation by regulators and courts, may affect our ability (and our enterprise customers' ability) to reach current and prospective customers, to respond to both enterprise and individual customer requests under the laws (such as individual rights of access, correction and deletion of their personal information), to implement our business models effectively and to adequately address disclosure requirements. These laws, regulations and codes may also impact our innovation and business drivers in developing new and emerging technologies (for example, AI and machine learning) and may impact demand for our offerings and force us to bear the burden of more onerous obligations in our contracts. Perception of our practices, products, services or solutions, even if unfounded, as a violation of individual privacy, data protection rights or cybersecurity requirements, subjects us to public criticism, lawsuits, investigations, claims and other proceedings by regulators, industry groups or other third parties, all of which could disrupt or adversely impact our business and reputation and expose us to increased liability, fines and other punitive measures including prohibition on sales of our products, services or solutions, restrictive judicial orders and disgorgement of data. Additionally, we collect and store information on behalf of our business customers and if our customers fail to comply with contractual obligations or applicable laws, it could result in litigation or reputational harm to us.

Our intellectual property portfolio is a valuable asset and we may not be able to protect our intellectual property rights, including our source code, from infringement or unauthorized copying, use or disclosure.

Our patents, trademarks, trade secrets, copyrights and other intellectual property are valuable assets to us. Infringement or misappropriation of such intellectual property could result in lost revenues and ultimately reduce their value. We protect our intellectual property by relying on federal, state and common law rights in the United States and internationally, as well as a variety of administrative procedures and contractual restrictions. Despite our efforts, protecting our intellectual property rights and preventing unauthorized use of our intellectual property are inherently difficult. For instance, we actively combat software piracy, but we continue to lose revenue due to illegal use of our software. Third parties may illegally copy and sell counterfeit versions of our products. To the extent counterfeit installations and sales replace otherwise legitimate ones, our operating results could be adversely affected. We apply for patents in the United States and in foreign countries, but we are not always successful in obtaining patent protection or in obtaining such protection timely to meet our business needs. Our patents may be invalidated or circumvented. Moreover, due to challenges in detecting patent infringement pertaining to generative AI technologies, it may be more difficult to protect our generative AI and related innovations with patents. Additionally, if we use generative AI in the creation of our source code, we may not be able to rely on copyright to protect such intellectual property. Further, the laws of some foreign countries do not provide the same level of intellectual property protection as U.S. laws and courts and could fail to adequately protect our intellectual property rights. If unauthorized disclosure of our source code occurs through security breach, cyber-attack or otherwise, we could lose future trade secret protection for that source code. Such loss could make it easier for third parties to compete with our products by copying functionality, which could cause us to lose customers and could adversely affect our revenue and operating margins. If we cannot protect our intellectual property against unauthorized copying, use, or other misappropriation, our business could be harmed.

Changes in tax rules and regulations or interpretations thereof may adversely affect our effective tax rates.

We are a U.S.-based multinational company subject to tax in multiple domestic and foreign tax jurisdictions. Significant judgment is required in determining our current provision for income taxes and deferred tax assets or liabilities. Tax laws in the United States as well as other countries and jurisdictions in which we conduct business are subject to change as new laws are passed and/or new interpretations are made available, which may have a material impact on our business. These countries, governmental bodies, such as the European Commission of the European Union, and intergovernmental economic organizations, such as the Organization for Economic Cooperation and Development, have made or could make unprecedented assertions about how taxation is determined and, in some cases, have proposed or enacted new laws that are contrary to the way in which rules and regulations have historically been interpreted and applied.

Changes in our operating landscape, such as changes in laws or interpretations of tax rules, could adversely affect our effective tax rates and/or cause us to respond by making changes to our business structure, which could adversely affect our operations and financial results. Our future effective tax rates are likely to be unfavorably affected by changes in the tax rates in jurisdictions where our income is earned, changes in jurisdictions in which our profits are determined to be earned and taxed, changes in the valuation of our deferred tax assets and liabilities, changes in or interpretation of tax rules and regulations in the jurisdictions in which we do business, or unexpected negative changes in business and market conditions that could reduce certain tax benefits. An increase in our effective tax rate would reduce our profitability.

Moreover, we are subject to the examination of our income tax returns by domestic and foreign tax authorities. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes and have reserved for potential adjustments that may result from these examinations. While we believe our tax estimates are reasonable, we cannot provide assurance that the final determination of any of these examinations will not have an adverse effect on our financial position and results of operations.

Contracting with government entities exposes us to additional risks inherent in the government procurement process.

We provide products, services and solutions, directly and indirectly, to a variety of domestic and foreign government entities, which introduces certain risks and challenges not present in private commercial agreements, including varying governmental budgeting processes; changes in governmental administrations and policies; fluctuations due to government spending cuts and shutdowns; and highly competitive and lengthy bidding process that may be subject to political influence. Additionally, we are subject to complex regulatory requirements and executive orders, including those related to procurement; export controls; employment; security; and other evolving government-specific contractual requirements. We incur significant up-front time and costs without any assurance that we will win a contract. Operating within a highly regulated industry, we have been and may in the future be subject to audits and investigations relating to our government contracts and any violations could result in termination of contracts and various civil and criminal penalties and administrative sanctions, including payment of fines and suspension or debarment from future government business, as well as harm to our reputation and financial results. We have made, and may continue to make, significant investments to support future sales opportunities in various government sectors, including to obtain various security authorizations and certifications. Such processes are complex, lengthy and can often be delayed. Furthermore, requirements may change, or we may be unable to achieve or sustain one or more government authorizations or certifications, which could affect our ability to sell to government entities until we meet any new or revised requirements.

Risks Related to Financial Performance

If there is a change in subscriptions or renewals in a reporting period, this could cause our financial results to suffer and may not be immediately reflected in our revenue and financial results for that period because we recognize revenue over the subscription term.

Our offerings are typically subscription-based, pursuant to product and service agreements. We generally recognize revenue from our subscription offerings ratably over the terms of their subscription agreements, which typically range from 1 to 36 months. As a result, most of the subscription revenue we report each quarter is the result of subscription agreements entered into during previous quarters. Lower sales and subscriptions, reduced demand for our products, services and solutions, and increases in our attrition rate in any given period may not be fully reflected in our results of operations until future periods. Our subscription model could also make it difficult for us to rapidly increase our revenue from subscription-based or hosted services through additional sales in any period, as revenue from new customers will be recognized over the applicable subscription term. Our renewal rates may decline or fluctuate as a result of a number of factors, including our customers' level of satisfaction, our ability to continue enhancing features and functionality, reliability of our offerings, prices of ours and competitors' offerings, the actual or perceived information security of our systems and services, decreases in the size of our customer base, changes as a result of regulatory or legal requirements, changes in the composition of our customer base and reductions in our customers' spending levels or declines in customer activity. If our customers do not renew their subscriptions or if they renew on terms less favorable to us, our revenue may decline. Further, such impact on our revenue may not be immediately reflected in our financial results in the period in which our renewal rates changed and may adversely affect our financial results in future periods. If any of our assumptions about revenue from our subscription-based offerings prove incorrect, our actual results may suffer and vary from those anticipated.

We are subject to fluctuations in foreign currency exchange rates and may not be able to effectively hedge our exposure.

Our operating results and performance metrics are subject to fluctuations in foreign currency exchange rates due to the global scope of our business. Geopolitical and economic events, including war, trade disputes, tariffs, economic sanctions and emerging market volatility, and associated uncertainty have caused, and may in the future cause, currencies to fluctuate. Accordingly, amounts reported as annualized recurring revenue, a performance metric which we measure at currency rates that are set at the beginning of each fiscal year and held constant throughout the year, may vary from actual revenue recognized in accordance with generally accepted accounting principles in the United States.

We attempt to mitigate a portion of these foreign currency exchange risks to our operating results through foreign currency hedging based on our judgment of the appropriate trade-offs among risk, opportunity and expense. We regularly review our hedging program and make adjustments that we believe are appropriate. Our hedging activities have not, and may not in the future, offset more than a portion of the adverse financial impact, including on our actual revenue recognized, resulting from unfavorable movement in foreign currency exchange rates, which could adversely affect our financial condition, business performance or results of operations.

If our goodwill or intangible assets become impaired, then we could be required to record a significant charge to earnings.

We test goodwill for impairment at least annually. We review our goodwill and intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, including declines in stock price, market capitalization or reduced future cash flow estimates and slower growth rates in our industry. Depending on the results of our review, we may be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or intangible assets was determined, negatively impacting our results of operations.

Our existing and future debt obligations may adversely affect our financial condition and future financial results.

As of February 28, 2025, we had $6.15 billion in senior unsecured notes outstanding and a $3 billion commercial paper program with no amounts outstanding. We also had a $1.5 billion senior unsecured revolving credit agreement, which was undrawn. This debt or future additional indebtedness may adversely affect our financial condition and future financial results by, among other things:

- requiring the dedication of a portion of our expected cash flows from operations to service our debt, thereby reducing the amount of expected cash flows available for other purposes, including capital expenditures and acquisitions;

- increasing our vulnerability to adverse changes in our business and general economic and industry conditions; and

- limiting our ability to obtain future financing for working capital, capital expenditures, future acquisitions, general corporate or other purposes, which may also impact our ability to service and repay outstanding indebtedness as it becomes due.

Our senior unsecured notes, commercial paper program and revolving credit agreement impose restrictions on us and require us to maintain compliance with specified covenants. Our ability to comply with these covenants may be affected by events beyond our control. If we breach any of the covenants and do not obtain a waiver from the noteholders or lenders, then, subject to applicable cure periods, any outstanding debt may be declared immediately due and payable.

In addition, changes by any rating agency to our credit rating may negatively impact the value and liquidity of both our debt and equity securities, as well as the potential costs associated with a refinancing of our debt. Under certain circumstances, if our credit ratings are downgraded or other negative action is taken, the interest rate payable by us under our revolving credit agreement could increase. Downgrades in our credit ratings could also restrict our ability to obtain additional financing in the future and affect the terms of any such financing.

General Risk Factors

Catastrophic events, including events associated with climate change, may disrupt our business and adversely affect our financial condition and results of operations.

Our business relies on our network infrastructure and enterprise Apps, internal technology systems and websites. A disruption, infiltration or failure of our systems, data centers or operations, or those of our third-party service providers due to a major earthquake, other natural disasters, including climate-related events (such as drought, water security, heat waves, cold waves, wildfires and poor air quality), power shutoff or loss, telecommunications failure, epidemic, pandemic, war, terrorist attack or other catastrophic event, could cause interruptions to our systems and business operations, damage to critical infrastructure, loss of intellectual property, data security breaches and data loss. Our corporate headquarters, significant research and development activity, certain of our data centers and other critical business operations are in the San Francisco Bay Area and the Salt Lake Valley Area, both of which are near major earthquake faults. Climate-related catastrophic events that may harm our business are also increasing in frequency and severity. A catastrophic event, particularly one that may disrupt our data centers or our critical activities, could prevent us from conducting normal business operations and providing our products, services and solutions, which could adversely affect our business. A catastrophic event could negatively impact a country or region in which we sell and, in turn, decrease demand for our products, services and solutions, which could negatively impact our business.

Laws, regulations, executive orders and policies relating to environmental, social, and governance ("ESG") matters are expanding globally. We may be subject to additional climate-related regulations and reporting requirements in the future, as well as changing market dynamics and stakeholder expectations regarding climate change and our environmental impacts. Compliance with such regulations and investments in our ESG commitments may involve significant costs and negatively impact our business, financial condition and results of operations. Additionally, we may be subject to legal proceedings, enforcement actions, stakeholder actions or reputational harm related to our ESG commitments, programs and actions, or from our actual or perceived failure to meet such ESG commitments that could be caused by a variety of factors beyond our control, such as the rapidly evolving regulatory landscape for ESG.

The occurrence of an epidemic or a pandemic, such as the COVID-19 pandemic, has had, and may in the future have, an adverse effect on our operating results. The extent to which epidemics and pandemics impact our financial condition or results of operations will depend on many factors outside of our control and whether there is a material impact on the businesses or productivity of our customers, employees, suppliers and other partners. A global pandemic may also intensify the other risks described in this Part II, Item 1A of this report.

Our stock price may be volatile and your investment could lose value.

Our stock price has been and may continue to be volatile and subject to fluctuations. All factors described in this Part II, Item 1A of this report, some of which are beyond our control, may affect our stock price, including:

- shortfalls in our results or shortfalls, changes to estimates, recommendations or expectations in guidance we provide or provided by financial analysts about our revenue, margins, earnings, annualized recurring revenue, growth rates or other key performance metrics;
- changes to our key performance metrics;
- changes in investor and analyst valuation models for our stock;
- changes in unearned revenue, remaining performance obligations and revenue recognized at a point in time, all of which may impact implied growth rates;
- developments related to products or services, technological advancements, strategic alliances, acquisitions or significant transactions by us or our competitors;
- changes in the amounts or frequency of stock repurchases;
- the loss of large customers or our inability to retain or increase sales to existing customers or attract new customers;
- changes to our management team, including recruitment or departure of key personnel;
- variations in our or our competitors' results of operations, changes in the competitive landscape generally and developments in our industry;
- general economic, political or market conditions; and
- other events, such as significant litigation and regulatory actions and media and social media scrutiny.

In addition, the market for technology stocks or the stock market in general has experienced, and may in the future experience, extreme fluctuations, which has caused, and may in the future cause, our stock price to decline for reasons unrelated to our financial performance. Volatility in our stock price has increased, and may continue to increase, our susceptibility to securities class action litigation, which could result in substantial costs and divert management's attention and resources, which may adversely affect our business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Below is a summary of stock repurchases for the three months ended February 28, 2025. *See Note 10 of our notes to condensed consolidated financial statements for information regarding our stock repurchase program.*

Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value that May Yet be Purchased Under the Plans [1]
	(in millions, except average price per share)			
Beginning repurchase authority				$ 17,650
November 30, 2024—December 27, 2024				
Accelerated share repurchases [2],[3]	5.9	$ —	5.9	$ (2,750) [3]
December 28, 2024—January 24, 2025				
Shares repurchased	0.4	$ 423.76	0.4	$ (167)
January 25, 2025—February 28, 2025				
Shares repurchased	0.7	$ 446.39	0.7	$ (333)
Total	7.0		7.0	$ 14,400

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(1) In March 2024, our Board of Directors granted authority to repurchase up to $25 billion in our common stock through March 14, 2028.

(2) In September 2024, we entered into an accelerated share repurchase agreement ("ASR") with a large financial institution whereupon we provided them with a prepayment of $2.5 billion and received an initial delivery of shares at contract inception representing a portion of the prepayment. Upon final settlement of this ASR in December 2024, we received an incremental delivery of 1.4 million shares of our common stock. Under this ASR, we repurchased a total of 5.0 million shares at an average price of $501.37.

(3) In December 2024, we entered into an ASR with a large financial institution whereupon we provided them with a prepayment of $2.75 billion and received an initial delivery of 4.5 million shares of our common stock at contract inception, representing a portion of the prepayment. Subsequent to February 28, 2025, this ASR was settled which resulted in total repurchases of 6.3 million shares at an average price of $433.84.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	Filing Date	Exhibit Number	SEC File No.	
3.1	Restated Certificate of Incorporation of Adobe	8-K	4/26/11	3.3	000-15175	
3.2	Certificate of Amendment to Restated Certificate of Adobe	8-K	10/9/18	3.1	000-15175	
3.3	Amended and Restated Bylaws	8-K	1/18/22	3.1	000-15175	
4.1	Indenture, dated January 17, 2025, between Adobe Inc. and Computershare Trust Company, N.A., as trustee	8-K	1/17/25	4.1	000-15175	
4.2	Forms of Global Note for Adobe Inc.'s 4.750% Notes due 2028, 4.950% Notes due 2030, and 5.300% Notes due 2035, together with an Officer's Certificate setting forth the terms of the Notes	8-K	1/17/25	4.2	000-15175	
10.1	Form of Restricted Stock Unit Grant Notice and Award Agreement pursuant to 2019 Equity Incentive Plan, as amended*	10-K	1/13/25	10.2H	000-15175	
10.2	Form of Non-Employee Director Grant Restricted Stock Unit Grant Notice and Award Agreement pursuant to 2019 Equity Incentive Plan, as amended*	10-K	1/13/25	10.2I	000-15175	
10.3	2025 Performance Share Program*	8-K	1/30/25	10.1	000-15175	
10.4	Form of 2025 Performance Share Award Grant Notice and Award Agreement pursuant to 2025 Performance Share Program*	8-K	1/30/25	10.2	000-15175	
10.5	2023 Performance Share Program, as amended and restated*	8-K	1/30/25	10.3	000-15175	
10.6	2024 Performance Share Program, as amended and restated*	8-K	1/30/25	10.4	000-15175	
10.7	2025 Executive Annual Incentive Plan*	8-K	1/30/25	10.5	000-15175	
10.8	2019 Equity Incentive Plan, as amended*					X
31.1	Certification of Chief Executive Officer, as required by Rule 13a-14(a) of the Securities Exchange Act of 1934					X
31.2	Certification of Chief Financial Officer, as required by Rule 13a-14(a) of the Securities Exchange Act of 1934					X
32.1	Certification of Chief Executive Officer, as required by Rule 13a-14(b) of the Securities Exchange Act of 1934†					X
32.2	Certification of Chief Financial Officer, as required by Rule 13a-14(b) of the Securities Exchange Act of 1934†					X
101.INS	Inline XBRL Instance - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema					X
101.CAL	Inline XBRL Taxonomy Extension Calculation					X
101.LAB	Inline XBRL Taxonomy Extension Labels					X
101.PRE	Inline XBRL Taxonomy Extension Presentation					X
101.DEF	Inline XBRL Taxonomy Extension Definition					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					

*	Management contract or compensatory plan or arrangement.
†	The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Adobe Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ADOBE INC.

By: /s/ DANIEL DURN

Daniel Durn
Chief Financial Officer and
Executive Vice President, Finance,
Technology, Security and Operations
(Principal Financial Officer)

Date: March 26, 2025

SUMMARY OF TRADEMARKS

The following trademarks of Adobe Inc. or its subsidiaries, which may be registered in the United States and/or other countries, are referenced in this Form 10-Q:

Acrobat
Acrobat AI Assistant
Acrobat Reader
Adobe
Adobe Analytics
Adobe Campaign
Adobe Commerce
Adobe Experience Cloud
Adobe Express
Adobe Firefly
Adobe GenStudio
Adobe Stock
Creative Cloud
Illustrator
Lightroom
Marketo Engage
Photoshop
Premiere Pro

All other trademarks are the property of their respective owners.