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

FORM 10-K

(Mark One)

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

For the fiscal year ended November 29, 2024
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)

(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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the registrant’s common stock, $0.0001 par value per share, held by non-affiliates of the registrant on May 31, 2024, the last business day of the registrant’s most recently completed second fiscal quarter, was $164.65 billion (based on the closing sales price of the registrant’s common stock on that date). Shares of the registrant’s common stock held by each officer and director and each person who owns 5% or more of the outstanding common stock of the registrant have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. As of January 3, 2025, 435.3 million shares of the registrant’s common stock, $0.0001 par value per share, were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the registrant’s 2025 Annual Meeting of Stockholders (the “Proxy Statement”), to be filed within 120 days of the end of the fiscal year ended November 29, 2024, are incorporated by reference in Part III hereof. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as part hereof.

ADOBE INC.
FORM 10-K

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Forward-Looking Statements

In addition to historical information, this Annual Report on Form 10-K contains "forward-looking statements" within the meaning of applicable securities laws, including statements related to our product development plans and new or enhanced offerings; our business, artificial intelligence and innovation momentum; our strategy, market opportunity and future growth; market trends; current macroeconomic conditions; fluctuations in foreign currency exchange rates; strategic investments; industry positioning; and customer acquisition and retention. 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, uncertainties and assumptions based on information available to us as of the date of this report. Such risks and uncertainties, many of which relate to matters beyond our control, could cause actual results to differ materially and adversely 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 I, Item 1A of this report and elsewhere herein. The risks described herein and in Adobe's other filings with the U.S. Securities and Exchange Commission (the "SEC"), including our Quarterly Reports on Form 10-Q to be filed in fiscal 2025, should be carefully reviewed. Undue reliance should not be placed on the financial information set forth in this report, which reflects estimates based on information available as of the date of this report. Adobe assumes no obligation to, and does not currently intend to, update these forward-looking statements.

PART I

ITEM 1. 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.

OFFERINGS

We deliver a wide range of products, services and solutions to empower our customers and users to imagine and express ideas, create content and bring any digital experience to life. We focus our strategic investments in two areas of growth:

Digital Media. We provide products, services and solutions that enable individuals, teams, businesses, enterprises, institutions, and governments to create, publish and promote their content anywhere, and accelerate their productivity by transforming how they view, share, engage with and collaborate on documents and content creation. Our Digital Media segment is centered around Adobe Creative Cloud and Adobe Document Cloud, which include Adobe Photoshop, Adobe Illustrator, Adobe Lightroom, Adobe Premiere Pro, Adobe Acrobat, Adobe Acrobat Sign, Adobe Express, Adobe Firefly and many more products, offering a variety of tools for creative professionals (like photographers, graphic designers, video editors and game developers), communicators and other consumers. This is the core of what we have delivered to customers and users for decades, and we have continually evolved and expanded our Digital Media business model to provide our customers and users with a range of flexible solutions to help them reach their full creative potential.

Digital Experience. We provide an integrated platform and set of products, services and solutions through Adobe Experience Cloud that enable businesses to create, manage, execute, measure, monetize and optimize customer experiences. Our customers include marketers, advertisers, agencies, publishers, merchandisers, merchants, web analysts, data scientists, developers and executives across the C-suite. The foundation of our offering is Adobe Experience Platform, which provides businesses with an open and extensible system for customer experience management that transforms customer data into robust customer profiles that update in real time and uses insights to deliver personalized digital experiences across various channels.

We offer a comprehensive suite of products, services and solutions to our customers in our Digital Media business and Digital Experience business. With Adobe GenStudio, our cross-cloud, end-to-end solution that packages offerings across Digital Experience and Digital Media, enterprises can automate, optimize and accelerate their content supply chains for marketing campaigns and personalized customer experiences. We believe we are well positioned to deliver value in both the Digital Media and Digital Experience strategic areas where our mission to change the world through personalized digital experiences has never been more relevant as people seek new ways to create, collaborate and communicate and businesses continue to invest in digital transformation.

SEGMENTS

Our business is organized into three reportable segments:

- Digital Media;
- Digital Experience; and
- Publishing and Advertising.

These segments provide Adobe's senior management with a comprehensive financial view of our key businesses. Our segments are aligned around our two strategic growth opportunities further described below, and our legacy products, services and solutions are contained within the third segment, Publishing and Advertising.

MARKET OVERVIEW

This overview provides an explanation of our markets and a discussion of strategic opportunities in fiscal 2025 and beyond for each of our segments. *See the section titled "Results of Operations" in Part II, Item 7 titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 2 of our Notes to Consolidated Financial Statements of this report for further segment information.*

Digital Media

Opportunity

In today's digital world, content and digital documents are fueling the global economy, and productivity, design and creativity have never been more relevant, providing a significant market opportunity for Adobe in digital media. Everyone has a story to tell and needs products and services at their fingertips to tell those stories on an ever-increasing number of canvases. AI- and generative AI-powered technologies are increasing this opportunity by growing the demand for and production of content. This shift is changing how creative professionals work by accelerating their processes, increasing their productivity, and allowing them to explore and create in new fields, while empowering new creators by dramatically lowering barriers to creativity. At the same time, creativity is increasingly a team effort that is redefining productivity, making quick and easy collaboration even more critical to every company's success. Adobe is driving innovation to shape these trends, democratize creativity, empower individuals to create wherever inspiration strikes and enable more effective collaboration between creators and stakeholders.

The flagship of our Digital Media business is Adobe Creative Cloud, a subscription service that allows subscribers to use our creative products and applications ("Apps") integrated with cloud-delivered services across various surfaces and platforms. We believe in creativity for all, and Creative Cloud addresses the needs of all content creators, from creative professionals, such as artists, designers, developers, students, and administrators, to knowledge workers, marketers, educators, enthusiasts, communicators, and consumers. Our customers rely on our products for content creation, photo editing, design, video and animation production, mobile App and gaming development, and more. Our customers can choose between products optimized for different platforms and capabilities, from the speed and ease of use offered by Adobe Express, our AI-first, task-based web and mobile App, to the greater power and precision of our flagship Creative Cloud Apps. We believe we have significant opportunities to grow our Digital Media business by advancing every creative category across all surfaces; expanding content-first, task-based creativity with Adobe Express; enabling seamless collaboration across all stakeholders; inspiring the creative community through sharing and monetization; and expanding the user base of our tools through the infusion of AI into our products, services and solutions to enable users of any skill level to easily and efficiently create content.

Our Digital Media segment includes our Adobe Document Cloud business, a unified, cloud-based document services platform that integrates Adobe's pioneering PDF technology with our Adobe Acrobat, Adobe Scan and Adobe Acrobat Sign Apps to deliver fully digital document workflows across all surfaces. We have the opportunity to continue to accelerate document productivity with Adobe Document Cloud and transform how people view, share, collaborate, and engage with documents. Trillions of PDF documents are created every year, reflecting the important role PDF plays globally. There are hundreds of millions of users who engage with PDF files on a daily basis in industries such as legal, financial services, and publishing, as well as a broad array of communicators and Adobe Acrobat Reader customers who use the expanded capabilities provided by our Acrobat Apps and the document services platform in Adobe Document Cloud.

Strategy

Our goal for our Digital Media business is to be a leading platform for creativity and digital document solutions, where we offer a range of products and services that allow anyone to design and deliver content seamlessly. We aim to achieve this goal by using data-driven customer engagement, driving product-led growth to allow our customers to create content and interact with documents in ways that are more frictionless, efficient and accessible, and meeting our customers' needs holistically to increase the value they derive from our services.

We are redefining the creative process with Adobe Creative Cloud to unleash everyone's ability to imagine and express ideas. We are empowering enterprises and users beyond creative professionals, such as novice content creators and communicators, to create, edit, schedule and share content quickly and easily using Adobe Express, which makes select capabilities from products like Adobe Photoshop, Adobe Premiere Pro and Adobe Acrobat easy to use for users at any level. With Adobe Acrobat Pro, subscribers have full convert and edit capabilities, advanced e-signature features including bulk send and custom branding, advanced protection and additional PDF features. We continue to add collaboration capabilities into our flagship products, Apps and workflows, and to infuse AI into our creative Apps to help our customers and users work faster and smarter, with new models for images and vector graphics, and AI-powered video features natively integrated into our flagship products. We are building our own foundation models in areas where we have domain expertise and which we believe are most relevant to our customers, and partnering with third-party AI models and large language models to further expand the capabilities of our products. We expanded Adobe Firefly with the launch of Adobe Firefly Services, which help organizations automate content production; Custom Models, which enable enterprises to train and customize models to support brand consistency amongst creative and marketing teams; Firefly Video Model (public beta), which enables generative text-to-video and image-to-video; and Firefly Image 3 Foundation Model, which allows for faster and higher-quality image generations. Developing our own foundation models enables us to design Firefly to be commercially safe and in line with our AI Ethics principles of accountability, responsibility and transparency.

We continue to pursue ways to inspire, empower and connect the creative community and support live, interactive tutorials with creators. Additionally, with Adobe GenStudio and Adobe GenStudio for Performance Marketing, a generative AI-first product that natively integrates Digital Media and Digital Experience offerings, we help enterprises to quickly create on-brand content variations and accelerate their marketing workflows. Further descriptions of our Digital Media products are included below under "Principal Products, Services and Solutions."

In our Creative Cloud business, we employ our product-led growth strategy to minimize the friction of customer interactions and drive positive product experiences, which results in increasing adoption, usage, conversion, expansion and loyalty. We also continue to employ a pricing strategy, as appropriate, to migrate our customers to higher-value offerings as well as attract past customers and potential customers to try out our products and ultimately subscribe. We use a data-driven operating model and our Adobe Experience Cloud solutions to drive and optimize customer awareness, engagement and licensing of our creative products and services at every stop of the customer journey through our website and across other channels. Adobe.com is the central destination where we engage individual and small business customers to sign up for and renew Creative Cloud subscriptions. Our customers have the flexibility to subscribe to over twenty of our Creative Cloud products through a single subscription or, for many of our Apps, through various collections of our individual subscriptions to point products. To better serve our current users and potential users, we offer free and premium levels for certain Apps and targeted packages and suites. Further, our generative AI capabilities are increasing the value of our existing subscription products, expanding our potential customer base and increasing engagement and retention through Generative Credits—credits that provide users and subscribers the ability to generate content with Adobe Firefly. The collaboration features across many of our products help us to further expand our universe of customers beyond creative professionals to other stakeholders who use our products for review and approval, copywriting, social media marketing or other social content creation. We utilize channel partners to target mid-size creative customers with our Creative Cloud for Teams offering. Our direct sales force is focused on building relationships with our largest customers and driving adoption of our Creative Cloud for Enterprise offering. Overall, our strategy with Creative Cloud is designed to enable us to deliver customer value, increase our revenue with existing customers, attract new customers and grow a recurring and predictable revenue stream that is recognized ratably.

In our Adobe Document Cloud business, we expect to drive sustained long-term revenue growth through an expansion of our customer base by continuing to employ our product-led growth strategy; deliver the best PDF experience on and across every platform; improve Acrobat web's functionality and ease of use; and expand the number of digital document and workflow-based actions in Acrobat. We are driving innovation with Acrobat AI Assistant, our generative AI-powered tool in Adobe Acrobat Pro, Acrobat Standard and Acrobat Reader, that allows users to better and more quickly understand their documents with quick answers and generative AI summaries, and Adobe Sensei, our cross-platform AI and machine learning technology to make documents more intelligent and responsive. Additionally, with the integration of Adobe Firefly in Acrobat, our customers can easily generate and edit visuals directly in PDFs. We are unlocking business workflows through PDF and Adobe Acrobat Sign Application Programming Interfaces ("APIs"); accelerating Document Cloud adoption through digital and direct sales; and deploying diversified go-to-market motions to reach all industries and businesses of all sizes. With over 100 million online searches for PDF-related actions per month, we intend to harness that demand and attract new users and customers to our Document Cloud services through Acrobat web, which allows anyone to quickly access tools to create, edit, convert, sign and compress PDFs through their web browser. As with our Creative Cloud strategy, we utilize a data-driven operating model to market our Document Cloud solutions and optimize our subscription-based pricing for individuals as well as small and medium businesses, large enterprises, students and education users, and government institutions around the world. We utilize our corporate and volume licensing programs to increase our reach in our key markets and are continuing to focus on marketing and licensing Acrobat in targeted vertical markets such as education, financial services, telecommunications and government, and on expanding into emerging markets. We will continue to engage in strategic partnerships to help expand our distribution reach and drive the enterprise business.

As our Document Cloud customers increasingly expect business processes to be seamless across surfaces and the web, we are expanding our Document Cloud capabilities to meet this need. Adobe Acrobat is available on the web, delivering quick results for common PDF actions with a single click. Users can ask questions using voice commands with Acrobat AI Assistant on mobile devices. Adobe Scan powers mobile devices with scanning capabilities, transforming paper documents into full-featured PDFs. Adobe Acrobat Sign provides a green alternative to costly, paper-based solutions and offers a convenient solution for our customers to digitally manage their documents, automate processes and contract workflows, and is integrated into Acrobat across all surfaces. Acrobat Reader is available on mobile devices, and features AI-powered “Liquid Mode” to automatically reformat PDFs for quick navigation and easier consumption on smaller screens. With features offered by AI Assistant and Adobe Firefly as well as new capabilities to Acrobat, Adobe Scan and Acrobat Sign, we help our customers and users continue to migrate away from paper-based processes and adopt our solutions for personalized, digital document experiences, growing our revenue with this business in the process.

Digital Experience

Opportunity

Consumers today buy experiences, not just products, and they demand personalized digital experiences that are relevant, engaging, seamless and secure across an ever-expanding range of channels and surfaces. Businesses increasingly have the same expectations, driving business-to-business (“B2B”) companies to deliver equally engaging and seamless experiences as business-to-consumer (“B2C”) companies. With AI-powered automation and personalization, people and brands will increasingly stand out through unique creative expression, and the future of experiences across industries and everyday life will become increasingly personalized. Delivering the best, personalized experience at a given moment requires the right combination of data, insights and content across multiple channels in real time and at scale. We have a strategic opportunity to provide solutions that enable real-time personalization at scale and accelerate our customers’ content supply chain, with a streamlined and coordinated process from content ideation through deployment, measurement and optimization. Marketing is also increasingly evolving from a centralized discipline to a multi-practitioner, cross-functional, collaborative field, and marketing and IT teams are looking for a return on investment to demonstrate the business impact of their transformation initiatives.

Adobe Experience Cloud is powering businesses by helping them provide exceptional personalized experiences to their customers via a comprehensive suite of solutions. Addressing the challenges of customer experience management is a large and growing opportunity and we are in position to help businesses and enterprises invest in solutions that aid their goals to transform how they engage with their customers and constituents digitally.

Strategy

Our goal is to be a leading provider of cloud-based solutions for delivering digital experiences and enabling digital transformation. Adobe Experience Cloud Apps and services are designed to manage customer journeys, enable personalized experiences at scale and deliver intelligence for businesses of any size in any industry. Adobe Experience Platform further strengthens our differentiation by offering a way to connect our comprehensive set of solutions. Further descriptions of our Digital Experience products are included below under “Principal Products, Services and Solutions.”

Adobe Experience Cloud delivers solutions for our customers across the following strategic growth pillars:

- *Data insights and audiences*. Our products deliver actionable data to our customers in real time to enable highly tailored and adaptive experiences across platforms.

- *Content, commerce and workflows*. Our products help our customers manage, deliver, personalize, and optimize content delivery; build multi-channel commerce experiences for B2B and B2C customers; strategically plan, manage, collaborate and execute on workflows for marketing campaigns and other projects at speed and scale; and leverage self-serve capabilities to deliver on-brand content.

- *Customer journeys*. Our products help businesses manage, test, target and personalize customer journeys delivered as campaigns across B2B and B2C use cases.

Our goal is to deploy our capabilities to help enterprises generate highly engaging experiences, enable content creators to enhance creativity and scale content production, and provide marketing strategists with recommendations to improve marketing strategy and enhance the delivery of personalized customer journeys. In our Adobe Experience Cloud, we believe our innovations, natively embedded AI services, and end-to-end content supply chain solutions enhance the delivery and personalization of digital experiences by allowing our customers to gain insights and understand their data, simulate outcomes, automate tasks, generate audiences, create content, optimize marketing campaigns and enable the delivery of more relevant and personalized customer journeys. Adobe Experience Cloud offers domain-specific AI services in areas such as attribution and automated insights, customer journey management, lead management, sentiment analysis, one-click personalization, enhanced anomaly detection and more that work with Adobe Experience Platform to augment our Experience Cloud product offerings. By building on these features and capabilities, we increase the value we provide our customers and create a competitive differentiation in the market.

Adobe Experience Cloud offers an open platform and ecosystem through Adobe Experience Platform. Adobe Experience Platform's open system transforms businesses' customer data from across their Adobe solutions and third-party software into robust customer profiles. These profiles are updated in real time and include AI-driven insights, allowing a brand to deliver the right customer experiences across channels and deliver true one-to-one personalization. This open architecture offers scalability with a wide variety of supporting products and services and empowers businesses to quickly develop innovative Apps to interact with their customers and enables a broad industry ecosystem.

To drive growth of Adobe Experience Cloud, we focus on delivering on-brand, customer engagement, growth within existing customer accounts, product differentiation and the best customer experience management solutions for B2B and B2C buyers across enterprise and mid-market segments. We intend to pursue growth through a scaled go-to-market approach focused on C-suite partnerships, transformational accounts, continued customer acquisition, customer value realization and solution expansion. We utilize a direct sales force to market and license our Experience Cloud solutions, as well as an extensive ecosystem of partners, including marketing agencies, systems integrators and independent software vendors that help license and deploy our solutions to their customers. We also maintain several strategic partnerships with other technology companies that allow us to increase our market reach. We have made significant investments to broaden the scale and size of all these routes to market and believe these investments will result in continued growth in revenue in our Digital Experience segment in fiscal 2025 and beyond.

Publishing and Advertising

Our Publishing and Advertising segment contains legacy products and services that address diverse market opportunities including eLearning solutions, technical document publishing, web conferencing, document and forms platform, web App development, high-end printing and our Adobe Advertising offerings. Graphics professionals and professional publishers continue to require quality, reliability and efficiency in production printing, and our Adobe PostScript and Adobe PDF printing technologies provide advanced functionality to meet the sophisticated requirements of this marketplace. As high-end printing systems evolve and transition to fully digital, composite workflows, we believe we are well positioned to be a supplier of software and technology based on the Adobe PostScript and Adobe PDF standards for this industry.

Adobe Advertising delivers an end-to-end, demand-side platform for managing advertising across digital formats and simplifies the delivery of video, display and search advertising across channels and screens.

We generate revenue in our legacy Publishing products and services by licensing our technology to original equipment manufacturers that manufacture workflow software, printers and other output devices, and we generally generate revenue in Advertising through usage-based offerings.

COMPETITION

Overview

We participate in a rapidly evolving, highly competitive global environment, where our competitors vary by industry and range from large multinational enterprises to smaller entities with specialized and focused product offerings. Across our business, we recognize hundreds of competitors worldwide. The markets for our products and services are characterized by new industry standards, evolving distribution models, rapid technological innovation, frequent product introductions and short product life cycles. Our future success will depend on our ability to enhance our existing products, services and solutions and introduce new ones on a timely and cost-effective basis, accurately predict and meet changing customer needs, provide best-in-class information security to build customer confidence and combat cyber-attacks, extend our core technologies into new Apps and anticipate emerging standards, business models, software delivery methods and other technological changes.

A summary of the competitive environment for each of our business segments is included below. See the section titled “Risk Factors” contained in Part I, Item 1A of this report for additional information regarding risks related to competition.

Digital Media

Our Digital Media segment faces competition from large, established companies and smaller, more recent entrants. These companies offer a variety of products, including multi-product packages, point offerings, free products, websites, downloadable Apps and other products and offerings. We compete in a rapidly evolving and growing market and face significant direct or indirect competition from:

- software companies and AI companies;
- device, hardware, mobile device and camera manufacturers, including those that integrate software and AI capabilities for digital media, such as photo and video, collaboration tools and content creation;
- mobile-first Apps;
- web-native tools and platforms;
- social media platforms that provide digital media offerings, including editing capabilities;
- providers of stock content;
- digital document creation, storage, collaboration and signing providers;
- productivity and presentation tools;
- operating system developers that integrate digital media document viewers and markup features with their operating systems; and
- proprietary and open-source web-authoring tools.

We believe competitive factors in our markets include:

- brand, product features and functionalities;
- integration with related tools, third-party Apps and workflows;
- the intuitiveness and visual appeal of user interfaces;
- demonstrable cost-effective benefits to our customers;
- pricing;
- the flexibility of services to match our customers’ evolving demands;
- the availability, usability and accessibility of our products, services and solutions;
- success in educating our customers in how to utilize services effectively;
- the ability to create and use AI models and integrate AI capabilities for digital media creation, generation, collaboration and editing; and
- responsible and secure data handling and storage protocols.

We attract our customers and users in this segment through our broad and comprehensive array of high-quality products and services, which are powerful, standalone tools that also work well together and complement one another. With Creative Cloud, we believe we compete well with our features and functionality, AI models and capabilities, ease of use, product reliability, value and performance characteristics. For example, with Adobe Firefly, we believe we compete well by offering generative AI models designed to be safe for commercial use and AI capabilities that are natively integrated into our products, and with Adobe Express, we believe we compete well by making our creative technologies accessible to a wide audience and enabling easy-to-use, efficient content creation, collaboration and sharing for quick projects. With Adobe Document Cloud, we believe we compete well through our PDF offerings, features and functionalities that are critical tools for millions of business communicators, and our brand.

Digital Experience

Our Digital Experience segment competes in markets that are growing and evolving rapidly and characterized by intense competition. Our Adobe Experience Cloud solutions face competition from:

- large, established companies, including large enterprise software, AI, internet and database management companies;
- point product solutions and focused companies;
- new companies constantly entering the digital experience markets;
- companies that provide Software-as-a-Service (“SaaS”) solutions to our customers, generally through the web and software that is installed by our customers directly on their servers; and
- Our customers’ or potential customers’ internally-developed Apps.

We believe competitive factors in our markets include:

- the proven performance, security, scalability, flexibility and reliability of services;
- the strategic relationships and integration with third-party Apps;
- the intuitiveness and visual appeal of our interfaces;
- demonstrable cost-effective benefits to our customers;
- pricing;
- the flexibility of services to match changing business demands;
- enterprise-level customer service and training;
- brand;
- data governance features and functionality;
- product features and functionality and the usability of services;
- near real-time data and reporting;
- independence from portals and search engines;
- the ability to deploy the services globally;
- success in educating our customers in how to utilize services effectively; and
- the integration and customization of high-quality AI models and the ability to customize and use such AI models.

We believe we compete well with our enterprise and low-cost alternatives based on many of these competitive factors, including:

- our strong feature set;
- the breadth of our offerings, which work well together and complement one another as part of Adobe Experience Cloud;
- our focus on global, multi-brand companies;
- provision of AI through Adobe Sensei AI services;
- our intuitive user experience;

- tools for building multi-screen;
- tools for managing data across Apps and geographies;
- cross-channel Apps;
- standards-based architecture;
- scalability;
- connecting content creation with digital experience delivery, personalization and optimization; and
- performance.

Publishing and Advertising

Our Publishing and Advertising segment faces competition from large-scale publishing systems and Extensible Markup Language-based publishing companies and smaller desktop-publishing products. Our eLearning solutions and web conferencing products face competition from a number of established products from other large software companies. Competition involves a number of factors, including product features, ease-of-use, the level of customization and integration supported, the number of hardware platforms supported, service and price. We believe we can successfully compete based upon the quality and features of our products, their complementarity with our Adobe Creative Cloud, Adobe Document Cloud and Digital Experience products and our strong brand among users.

PRINCIPAL PRODUCTS, SERVICES AND SOLUTIONS

Digital Media Offerings

Adobe Creative Cloud

Adobe Creative Cloud is a cloud-based subscription to a collection of Apps that enables creative professionals and enthusiasts alike to express themselves and collaborate with Apps and services for photography, design, video, social media, and more that connect across surfaces, platforms and geographies. Subscribers have access to cloud storage to easily sync, access, collaborate and share their work, files and assets.

Creative Cloud paid plans include the Adobe Firefly web App, the premium version of Adobe Express, and AI-powered features natively integrated throughout Adobe Photoshop, Adobe Illustrator and Adobe Premiere Pro. Creative Cloud, Adobe Firefly, and Adobe Express plans include a monthly allocation of Generative Credits, which are tokens that enable subscribers to use our generative AI features to generate content using text-based prompts. All Apps listed below and many more are available through subscriptions to Creative Cloud (except Substance 3D Apps, which are sold separately through the Adobe Substance 3D Collection plan), and many of our Apps are also available as standalone subscriptions on Adobe.com. Adobe Acrobat Pro is available as part of our Creative Cloud All Apps subscription and on a standalone basis and allows users to create, convert and edit PDFs, including text and images. Additionally, certain Creative Cloud Apps, such as Adobe Express, are available in Adobe GenStudio for Performance Marketing, allowing users to quickly use assets and Creative Cloud tools to create on-brand content.

Adobe Photoshop and Adobe Lightroom

Adobe Photoshop is the world’s most advanced digital imaging and design App, with powerful editing and effects tools to transform photos. It is available on desktop, iPad and through a web version. Features include Generative Fill, Generative Expand, Generate Similar and Generate Background, which allow our customers to use text prompts to quickly create, add to, remove, duplicate or replace images, or expand the borders of an existing image with AI-generated content without leaving Adobe Photoshop; the Adjustment Brush Tool, which combines the traditional workflow of selecting, masking, and applying an adjustment into one step, simplifying the way of making local adjustments; and Distraction Removal smart technology to help remove people, wires, poles and other distractions from images. Adobe Lightroom is our cloud-based photo App that allows subscribers to edit, organize, store and share photos across desktop, tablet, mobile devices and the web. Features include Lens Blur to blur the background or foreground by making a depth map of the photo using AI; the Denoise feature to remove noise in RAW photos; People Masking features to automatically select and edit facial hair and clothing; and Generative Remove, which uses Adobe Firefly to remove unwanted objects and distractions in a photo. In addition to individual subscriptions to Photoshop and Lightroom, we offer a Photography Plan, which is a more limited cloud-based offering than Creative Cloud, targeted at photographers and photo enthusiasts and includes Photoshop, Lightroom and Lightroom Classic.

Adobe Illustrator and Adobe Fresco

Adobe Illustrator is our industry-standard vector graphics App for desktop and iPad used worldwide by designers of all types who want to create digital graphics and illustrations for all kinds of media—print, web, interactive, video and mobile—from web and mobile graphics to product packaging to book illustrations and billboards. Features include Adobe Firefly-powered Generative Recolor, which enables users to generate different color palettes using text prompts and apply them to their illustrations; Objects on Path to empower users to quickly attach, arrange and move an object along any path of their art board; and Enhanced Image Trace to make it easier and faster to convert images to vectors. Adobe Fresco is our free illustration App, available on various surfaces, that brings together the world's largest collection of vector and raster brushes and AI-powered Live Brushes to deliver a natural painting and drawing experience.

Adobe Premiere Pro

Adobe Premiere Pro is a nonlinear video editing App used by filmmakers, TV editors, YouTubers and videographers. Our customers can import and combine various types of media, from video shot on a mobile device to 8K to virtual reality, and then edit in its native format without transcoding. Automated tools and workflows for color, graphics, audio and immersive 360/VR make the editing process more efficient. Premiere Pro offers Text-Based Editing, which allows our customers to review transcripts or search for keywords to find and edit the right content faster and AI-powered Enhance Speech to remove noise and improve the quality of dialogue clips.

Adobe After Effects

Adobe After Effects is our industry-standard motion graphics and visual effects App used by a wide variety of animators, designers and compositors to create cinematic movie titles, add effects and create animations. With an AI-enhanced Roto Brush, users can cut out objects from footage faster and more accurately than ever. After Effects works together seamlessly with other Adobe Apps such as Adobe Premiere Pro, Adobe Photoshop, Adobe Illustrator and Adobe Audition, as well as third party software and hardware partners.

Adobe InDesign

Adobe InDesign is a design and layout App for print and digital media. Our customers use it to create, preflight and publish a broad range of content including books, eBooks, digital magazines, posters and interactive PDFs for print, online and tablet App delivery. Integrations with other Adobe Apps such as Adobe Photoshop, Adobe Illustrator, Adobe Acrobat, Adobe Stock, Adobe Firefly, Adobe InCopy and Adobe Experience Manager expands InDesign's capabilities and allows our customers to collaborate and share content, fonts and graphics across projects. Our customers can also access Adobe's digital publishing capabilities from within InDesign to create and publish engaging Apps for a broad range of surfaces.

Adobe Express

Adobe Express is our all-in-one AI content creation App for users of any level, such as novice content creators and communicators, to easily create video, marketing, and social content. Users can easily design high-impact design elements, engaging videos and images, resumes, PDFs, animation and content ready for Instagram, TikTok and other social channels and platforms. The App features guided tools, one-click solutions for quick projects, simple drag and drop functions, collaboration tools, thousands of templates and access to more than 20,000 fonts and the entire Adobe Stock photo collection, and allows users to easily plan, schedule, preview, and publish content all from one place. Adobe Firefly integrated into Adobe Express makes it possible to quickly generate custom images and text effects from text prompts in over 100 languages and is designed to be commercially safe. Also available in Adobe GenStudio and Adobe GenStudio for Performance Marketing, Adobe Express allows marketers to quickly resize and reformat assets to create content variations for any channel. Adobe Express is available on mobile devices and the web. With Adobe Express, Creative Cloud subscribers can easily access, edit and work with creative assets from Adobe Photoshop and Adobe Illustrator directly, or add linked files into Adobe Express that always stay in sync across Apps.

Adobe Firefly, Adobe Firefly Services and Custom Models

Adobe Firefly is our family of creative generative AI models and standalone web App for exploring AI-assisted creative expression. Firefly's foundation generative AI models allow users to generate images, text effects, design templates, and vector graphics using a text description. Firefly AI models include a version of the Firefly Image Model that generates high-quality images from text prompts, a Firefly Vector Model that generates fully editable vector graphics, a Firefly Design Model that generates fully editable design templates, and a Firefly Video Model (public beta) that generates video from text or image prompts. Firefly supports text prompts in more than 100 languages. In addition, with Adobe Firefly for Enterprise, certain businesses are eligible to obtain an intellectual property indemnification for AI-generated content generated by most Firefly-powered workflows. Firefly-powered generative AI features are also available in a number of our products including Adobe Photoshop, Adobe Illustrator, Adobe Express, Adobe Acrobat and Adobe Stock. Firefly is available for free with a limited number of Generative Credits per month. Once that limit is reached, users and subscribers can buy additional Generative Credits through a Firefly paid subscription plan.

Also available for enterprises are Adobe Firefly Services and Custom Models. Firefly Services provides enterprises with APIs, tools and services for content generation, editing and assembly, to automate the production of content while maintaining quality and control. Custom Models enable enterprises to train generative AI models based on their intellectual property, product and brand styles across a wide variety of use cases such as localization or merchandising for e-commerce, maintaining and propagating brand consistency at scale across their organizations.

Adobe Firefly-generated content is designed to be commercially safe. The Firefly generative AI model is trained on data Adobe has the rights to use. Every asset created using Firefly includes Content Credentials, a digital “nutrition label”, to indicate that generative AI was used, bringing more trust and transparency to digital content.

Adobe Stock

Adobe Stock provides designers and businesses with access to millions of high-quality, curated, royalty-free photos, vectors, illustrations, videos, templates, audio and 3D assets, for all their creative projects. Adobe Stock is built into our Creative Cloud Apps, including Adobe Photoshop, Adobe Illustrator, Adobe InDesign and Adobe Express, enabling users to search, browse and add assets to their Creative Cloud Libraries and instantly access them across all connected surfaces. Adobe Stock assets include free and paid collections and may be licensed directly within Adobe’s Apps, through stock.adobe.com or as a multi-asset subscription.

Frame.io

Frame.io is our cloud-native creative collaboration platform that streamlines the production of creative assets by enabling creative professionals and key project stakeholders to collaborate with real-time upload, review and approval, frame-accurate commenting, annotations and more. Frame.io includes support for video beyond post-production workflows including casting, location scouting, footage reviews, and marketing campaign management, as well as still images, design files and PDFs. Frame.io is directly integrated with Adobe Premiere Pro, Adobe After Effects, Adobe Photoshop, Adobe Lightroom and Adobe Workfront to allow video creators to request and receive streamlined frame-specific comments directly in those Apps. Frame.io’s Camera to Cloud functionality allows creators to automatically upload footage from cameras and other recording devices on set directly into Frame.io for review, with integrations for still image cameras that can connect natively to the platform. Frame.io, along with Adobe Express and Adobe Firefly Services, are available in Adobe GenStudio to enable content production at scale.

Adobe Substance 3D Collection

Adobe Substance 3D is an ecosystem of desktop Apps, including Substance 3D Stager, Substance 3D Painter, Substance 3D Sampler, Substance 3D Designer and Substance 3D Modeler. Our customers can build and assemble 3D scenes with Stager, use tools in Painter to texture 3D assets, from advanced brushes to Smart Materials that automatically adapt to your model and use Sampler to digitize and enrich assets. Substance 3D Assets is a 3D materials library from which users can import professional quality 3D textures into their projects and generate infinite texture variations. Substance 3D Modeler, which is available on desktop and certain VR headsets, interprets spatial input from the physical world, allowing the user to sculpt a model as if in a real workshop, using natural, fluid gestures of the artistic flow, and switch between VR and desktop, at every project stage.

Behance

Behance is a social community for creators to showcase and discover creative work online and live-stream their skills and creations from Creative Cloud Apps. Adobe Portfolio allows users to quickly and simply build a fully customizable and hosted website that seamlessly syncs with Behance.

Adobe Document Cloud

Adobe Document Cloud is a cloud-based subscription offering that enables complete, reliable and automated digital document and signature workflows across desktop, mobile, web and third-party enterprise Apps to drive business productivity for individuals, teams, small businesses and enterprises. With Document Cloud, users can create, review, approve, sign and track documents and store them in the cloud for easy access and sharing across surfaces. Document Cloud includes Adobe Acrobat, Adobe Acrobat Sign, Adobe Scan and other Apps and API services that work standalone or integrate with users’ existing productivity Apps, processes and systems.

All the Apps listed below are available through a subscription to Adobe Acrobat. With the Acrobat Standard plan, subscribers can convert, edit, request signatures, and protect PDFs. The Acrobat Pro plan, available through both our Creative Cloud and Document Cloud businesses, offers additional advanced PDF features. Acrobat AI Assistant, our generative AI-powered conversational engine, gives our users the power to work more productively with their documents with its ability to summarize and answer questions about documents, provide intelligent citations and quickly generate and format content for sharing. Acrobat AI Assistant is offered as an add-on to Acrobat Pro, Acrobat Standard and Acrobat Reader. We also offer Acrobat subscription plans for teams and enterprises. Adobe Acrobat Sign is included in Adobe Acrobat subscriptions for individuals and teams. Document Cloud for enterprise includes Acrobat, Acrobat Sign, and APIs including third-party partner integrations. Acrobat Reader and Adobe Scan are also separately available as free downloads.

Adobe Acrobat

At the heart of Adobe Document Cloud is Adobe Acrobat, our comprehensive PDF solution with a full set of tools to convert, edit, share and sign PDFs across various surfaces and platforms. Acrobat enables automated, collaborative workflows with a rich set of commenting, editing and sharing tools and direct integration with Adobe Acrobat Sign. Acrobat's unified Share button combines sharing a link, sending the file by email, and sharing a file with others into one streamlined action, simplifying the sharing and review experience. Our Acrobat Chrome and Edge extensions allow users to access our Acrobat tools without leaving the web browser.

Adobe Acrobat Reader

Adobe Acrobat Reader, our free software for reliable viewing, annotating and printing of PDF documents on a variety of surfaces and platforms, offers features to create, edit, export, combine, share and collaborate on PDF documents, including the "Liquid Mode" feature that automatically reformats PDFs for quick navigation and consumption on mobile devices. Users of both Acrobat and Acrobat Reader can also access, edit and save changes to their PDF files stored in Adobe Document Cloud, or other third-party cloud storage services.

Adobe Scan

Adobe Scan can be used for free on mobile devices to provide scanning capabilities in the pocket of every person. It captures paper documents as images and transforms them into full-featured and versatile PDFs via Adobe Document Cloud services for instant sharing with others. Optical character recognition allows users to convert scanned documents into editable, searchable PDF files instantly.

Adobe Acrobat Sign

Our cloud-based e-signature service, Adobe Acrobat Sign, allows users securely to send any document electronically for signature across surfaces. Through web and mobile Apps, Acrobat Sign enables users to e-sign documents and forms, send them for signature, track responses in real time and obtain instant signatures with in-person signing. Acrobat Sign also integrates with users' enterprise systems through a comprehensive set of APIs and Adobe Experience Manager Forms and Advanced Workflows for Acrobat Sign, to create forms and provide seamless experiences to our customers across web and mobile sites.

Digital Experience Offerings

Adobe Experience Cloud is a comprehensive collection of best-in-class products, services and solutions to manage the customer experience, all integrated into a cloud platform, along with service, support and an open ecosystem. Adobe Sensei uses AI and machine learning technology to analyze large amounts of data and make intelligent in-App recommendations, automate repetitive tasks, and drive real-time decisions within our products. Adobe Sensei GenAI allows customer experience and marketing teams to use natively embedded generative AI to deliver more accurate and personal customer journeys.

Experience Cloud is comprised of the following sets of solutions for our customers: Adobe Experience Platform; Data Insights and Audiences; Content, Commerce and Workflows; and Customer Journeys, which are each described below.

Adobe Experience Platform

Adobe Experience Platform is a purpose-built platform for customer experience management that helps businesses collect, connect and activate their known and unknown customer data from every interaction across sources and channels in real time to create unified customer profiles. Adobe Experience Platform standardizes data for intelligence and profile creation and provides an open and extensible cloud infrastructure, real-time updates, and AI-driven insights and scalability. Federated Audience Composition allows our customers of Adobe Real-Time Customer Data Platform and Adobe Journey Optimizer to use data from their data partners directly to enrich existing high-value audiences and attributes all in one system. Adobe

Experience Platform also offers Query Service and Data Science Workspace, which enable businesses to gain deeper insights from stored datasets and customer journey intelligence. These tools leverage predefined data-driven operational best practices, AI and business intelligence to enable and optimize real-time decisions, actions and business processes. Our customers can leverage Adobe Experience Platform to activate AI-driven insights across all Adobe Experience Cloud Apps in near real time. Adobe Experience Platform AI Assistant is a generative AI-powered conversational interface that answers technical questions, automates tasks, simulates outcomes and generates new audiences and journeys across applications such as Adobe Real-Time Customer Data Platform, Adobe Journey Optimizer and Adobe Customer Journey Analytics. Adobe Experience Platform AI Assistant uses a collection of experience models designed to address the context of each use case and allows for quick data navigation as needed.

Data Insights and Audiences

Our Data Insights and Audiences solutions enable our customers to stitch together their data from across the consumer journey into a single view to provide insights based on every interaction in real time, easily share data and analyses across teams and organizations and use AI and machine learning to optimize personalization. The following is a brief description of our products for Data Insights and Audiences.

Adobe Analytics

Adobe Analytics helps our customers create a holistic view of their business by turning their customer interactions into actionable insights. Driven by AI and machine learning, Adobe Analytics collects, organizes and structures vast streams of data from virtually any channel, including streaming web data, to deliver real-time insights that are easy for our customers to process, analyze and share to quickly identify problems and opportunities and to drive conversion and relevant customer experiences. Our customers can use these analytics to continuously improve marketing activities and better direct their marketing spend. Our Analysis Workspace features a drag-and-drop interface that allows our customers to craft an analysis, add visualizations so they can bring data to life, curate a dataset and share and schedule projects across their organization, among other features.

Adobe Customer Journey Analytics

Adobe Customer Journey Analytics brings a powerful set of analytics tools that allow our customers to interactively explore and visualize the end-to-end customer journey across multiple channels and utilize AI-powered insights, while making such analytics more accessible across their organization, to ensure that customer journeys flow seamlessly regardless of channel.

Adobe Product Analytics

Adobe Product Analytics enables product teams to self-serve data and insights about their product experience through guided analysis workflows built on cross-channel data from Adobe Customer Journey Analytics. This cross-functional analytics suite allows product teams to partner closely with their marketing and customer experience counterparts to coordinate and deliver more personalized customer experiences across all channels using a single source of data, audience, and metrics. Adobe Product Analytics has native integrations across Adobe Experience Platform, including integrations with Adobe Journey Optimizer and Adobe Real-Time Customer Data Platform that allow product owners to act immediately by publishing real-time audiences for activation.

Adobe Mix Modeler

Adobe Mix Modeler is a self-serve, AI-powered solution that helps organizations measure, optimize, and plan marketing investments. Adobe Mix Modeler applies machine learning models that provide insights via cross-channel, summary datasets in Adobe Experience Platform on the historic and future impact of marketing investments on key business goals. This holistic understanding of the top-to-bottom impact of campaigns enables marketers to measure, plan, monitor, and adjust all marketing campaigns in a single App.

Adobe Real-Time Customer Data Platform

Adobe Real-Time Customer Data Platform is an App service that delivers real-time personalization at scale to enable our customers to bring together and securely collaborate on their first-party customer data to activate in real-time their customer and account profiles that allow for B2B and B2C marketers to deliver timely, relevant experiences across channels. Real-Time Customer Data Platform does this by activating a business' unified customer profiles on Adobe Experience Platform across channels to leverage intelligent decision making throughout the customer journey and deliver hyper-personalized experiences across all known channels and surfaces. Real-Time Customer Data Platform utilizes an open and extensible architecture that allows integration with a variety of data sources and activation touchpoints and provides continuous data refreshes to keep their customer profiles updated in near real time.

Content, Commerce and Workflows

Our Content, Commerce and Workflows solutions help our customers manage, deliver, personalize and optimize on-brand content across web, mobile and App interfaces, as well as enable shopping experiences that scale from mid-market to enterprise businesses, across surfaces and channels. The following is a brief description of our products for Content, Commerce and Workflows.

Adobe Experience Manager

Adobe Experience Manager combines digital asset management with a content management system and an end-to-end digital document solution. Adobe Experience Manager Sites provides a marketer and developer-friendly content management system built on a scalable, cloud-native foundation to create and deploy personalized experiences across every channel. Adobe Experience Manager Assets offers cloud-native digital asset management to create, manage, deliver and optimize personalized experiences at scale. Adobe Experience Manager is also available in GenStudio for Performance Marketing, allowing marketers to retrieve generated assets and associated metadata for generating campaign assets. Adobe Experience Manager Forms provides a cloud-native and scalable solution for personalized end-to-end digital customer onboarding and enrollment, enabling our customers to create, manage, publish and approve forms and documents.

Adobe Experience Manager Screens allows our customers to connect online and in-venue experiences through digital signage. Adobe Developer App Builder provides a set of tools and services for our customers' developers to extend Experience Manager to their existing infrastructure and apply unique parameters to make the UI look and feel unique for their businesses.

Adobe Commerce

Adobe Commerce offers a highly customizable, end-to-end e-commerce platform to manage, personalize and optimize the commerce experience for physical and digital goods across every touchpoint by bringing together digital commerce, order management and predictive intelligence to enable engaging shopping experiences across B2B, B2C and direct-to-consumer. Based on an open-source ecosystem with thousands of third-party extensions, Adobe Commerce extends beyond the online shopping cart to shoppable experiences, with actionable data analysis and automated back-end workflows, native integrations with other Adobe products, such as Adobe Analytics, Adobe Target and Adobe Experience Manager, and the capability to be scalable and extensible.

Adobe Workfront

Adobe Workfront provides a unified work management App to enable teams to work more efficiently, with tools to strategize, plan, execute, review and deliver on complex workflows. Integrations with Adobe Creative Cloud and Adobe Experience Manager Assets allow our enterprise customers to scale content production with greater speed and efficiency. Adobe Workfront Planning, offered within Adobe Workfront, streamlines enterprise planning by delivering a comprehensive view of all marketing activities in an organization and enabling teams to be more strategic in planning and execution with full visibility into day-to-day marketing operations.

Adobe GenStudio for Performance Marketing

Adobe GenStudio for Performance Marketing is a generative AI-first product within Adobe GenStudio that enables marketing teams to use generative AI to quickly create on-brand advertisements and emails to deliver relevant and personalized experiences to their customers, while allowing brand and creative teams to retain oversight and strategic direction with brand guardrails. Businesses can import content performance data from third party platforms into Adobe GenStudio for Performance Marketing to understand campaign impact and optimize campaign performance. Adobe GenStudio for Performance Marketing natively integrates Digital Media and Digital Experience offerings, including Adobe Express and Adobe Experience Manager Assets, to optimize the process of planning, creating, managing, activating and measuring content for marketing campaigns and personalized customer experiences.

Customer Journeys

Our Customer Journeys solutions enable our customers to manage and orchestrate individual cross-channel campaigns that encourage meaningful customer experiences, personalize content and deliver optimized experiences at scale that are important to each of their customers and plan, orchestrate and measure engagement with their prospects and consumers at every stage of the customer journey. The following is a brief description of our products for Customer Journeys.

Adobe Marketo Engage

Adobe Marketo Engage is a customer experience management solution optimized for B2B, cross-channel campaigns by bringing together planning, engagement and measurement capabilities into an integrated marketing platform. Capabilities include lead nurturing and management; predictive account profiling for creating account-based experiences; integrated sales App; and integrations with third-party marketing Apps and Adobe Experience Cloud. Adobe Marketo Engage simplifies how companies plan, orchestrate and measure engagement at each stage of the customer experience, and allows companies to better align marketing and sales to engage high priority accounts.

Adobe Campaign

Adobe Campaign is optimized for managing B2C cross-channel marketing campaigns. Adobe Campaign enables businesses to orchestrate the entire customer journey and use their customer data to create, coordinate and deliver dynamic, personalized experiences that are synchronized across channels, including email, mobile and offline, and determined by their consumers' behaviors and preferences. Adobe Campaign's features also include AI-powered email management, multidimensional targeting, in-App messaging and dynamic, customizable reports to analyze success.

Adobe Target

Adobe Target is an AI- and machine learning-driven personalization engine that lets our customers test, target and optimize content across channels. With Adobe Target, our customers have the tools they need to create omnichannel personalized experiences and create A/B and multivariate tests, done at scale through AI-powered automation so they can quickly discover the best experience for their customers and deliver that experience across all touchpoints.

Adobe Journey Optimizer

Adobe Journey Optimizer is a scalable App built on Adobe Experience Platform that allows businesses to orchestrate and deliver personalized, connected customer journeys across any App, surface, screen, or channel across B2B and B2C. With this solution, brands can manage inbound customer engagement with outbound omnichannel campaigns and offer personalized content based on real-time profiles, data-driven insights, cloud-native scalability and API extensibility, all within a single App, and, for our B2B customers, build buying groups aligned to their organization's product portfolio. Businesses can trigger individual consumer journeys and use real-time insights to personalize that journey, as well as visually map individual journeys across systems in an intuitive, workflow-based interface. Adobe Journey Optimizer also allows our customers to track detailed performance of executed journeys and how individuals are progressing in real time, with data automatically sent to Adobe Experience Platform to allow full-funnel analysis.

Other Products, Services and Solutions

We also offer a broad range of other enterprise and digital media products, services and solutions. Information about other products, services and solutions not referenced here can be found on our corporate website, adobe.com.

OPERATIONS

Marketing and Sales

We market our products, services and solutions directly to enterprise customers through our sales force and local field offices and directly to businesses and consumers. We license our products to end-user customers through App stores and our own website at adobe.com. We offer many of our products via a SaaS model or a managed services model (both of which are referred to as hosted or cloud-based) as well as through term subscription and pay-per-use models. Our subscriptions and free plans include a monthly plan-specific number of Generative Credits for generative AI creation with Adobe Firefly. We market and distribute our products through sales channels, which include distributors, retailers, software developers, mobile App stores, systems integrators, independent software vendors and value-added resellers, as well as through original equipment manufacturers and hardware manufacturers.

Our local field offices include locations in Australia, Belgium, Brazil, Canada, China, Denmark, France, Germany, Hong Kong, India, Ireland, Italy, Japan, Mexico, the Netherlands, Poland, Romania, Kingdom of Saudi Arabia, Singapore, South Africa, Republic of Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, the United Kingdom and the United States.

We sell most of our products through a software subscription model where our customers purchase access to a product for a specific period during which they always have rights to use the most recent version of that product. We also license perpetual versions of certain products with maintenance and support, which includes rights to upgrades, when and if available, support, updates and enhancements.

Services and Support

We provide expert consulting, customer success management, technical support and learning services across all our customer segments, which include enterprises, small and medium businesses, creative professionals and consumers. With a focus on ensuring sustained customer success and realized value, this comprehensive portfolio of services is designed to help our customers and partners maximize the return on their investments in our cloud solutions and licensed products.

Consulting Services

We have a global professional services team dedicated to designing and implementing solutions for our largest customers. Our professional services team uses a comprehensive, customer-focused methodology that has been refined over years of capturing and analyzing best practices from numerous customer engagements across a diverse mix of solutions, industries and customer segments. Our customers continually seek to integrate across Adobe's products and cloud solutions and engage our professional services teams for their expertise in leading our customers' digital strategies, multi-solution integrations and in running our customers' platforms. Using our methodology, our professional services teams can accelerate our customers' time to value and maximize their return on investment in Adobe solutions.

Another key component of Adobe's strategy is developing a large partner ecosystem to expand the availability of Adobe solutions in the global marketplace. To assist partners in building their respective digital practices, Adobe Global Services provides a comprehensive set of deliverables through Adobe's Solution Partner Program. The breadth of services offered in the program provides systems integrators, agencies and regional partners the tools required to develop core capabilities for positioning and building with Adobe technology, as well as implementing and running our customers' platforms. We believe that through these programmatic services and support, our joint customers benefit greatly from the combination of Adobe technology and the deep customer context that our partners represent.

Customer Success Account Management

Adobe Customer Solutions provides Customer Success Managers, who work with our enterprise and commercial customers on an ongoing basis to understand their current and future business needs, promote faster solution adoption and align product capabilities to our customers' business objectives to maximize the return on their investment in Adobe's offerings. We share innovative best practices, relevant industry and vertical knowledge and proven success strategies based on our extensive engagements with leading marketers and brands. The performance of these teams is directly associated with our customer-focused outcomes.

Technical Support

Adobe provides enterprise maintenance and support services to our subscription customers as part of the subscription entitlement and to our perpetual license customers via annual fee-based maintenance and support programs. These offerings provide our customers with:

- technical support on the products our customers have purchased from Adobe;
- "how to" help in using our products; and
- product upgrades and enhancements during the term of the maintenance and support or subscription period, which is typically one to three years.

We provide product support through our support organization that includes several regional and global support centers, supplemented with outsourced vendors for specific services. Our customers can seek help through multiple channels including phone, chat, web, social media and email, allowing quick and easy access to the information they need. These teams are responsible for providing timely, high-quality technical expertise on all our products.

Certain consumers are eligible to receive Getting Started support, to assist with easy adoption of their products. Support for some products and in some countries may vary. For our enterprise customers with greater support needs, we offer personalized service options through premium support offerings, delivered by global support centers and technical account managers who can also provide proactive risk mitigation services and on-site support services for those with business-critical deployments.

We also offer delivery assurance, technical support and enablement services to partners and developer organizations. We provide developers with high-quality tools, software development kits, information and services.

Digital Learning Services

Adobe Customer Solutions offers a comprehensive portfolio of learning and enablement services to assist our customer and partner teams in the use of our products, including those within Digital Experience, Digital Media and other legacy products, services and solutions. Our training portfolio includes a large number of free online self-service learning options on learning.adobe.com. Adobe Digital Learning Services also has an extensive portfolio of fee-based learning programs including a wide range of traditional classroom, virtual and on-demand training and certifications delivered by our team of training professionals and partners across the globe.

These core offerings are complemented by our custom learning services, which support our largest enterprise customers and their unique requirements. Solution-specific skills assessments help our enterprise customers objectively assess the knowledge and competencies within their marketing teams and tailor their learning priorities accordingly.

Investments

From time to time, we make direct investments in privately held companies. We enter these investments with the intent of securing financial returns as well as for strategic purposes, as they often increase our knowledge of technological developments in the industry and expand our opportunities to provide Adobe products, services, and solutions.

RESEARCH & DEVELOPMENT

With the speed of innovation and technological change that characterizes the software industry, a continuous high level of investment is required for the research and development of the cutting-edge technologies that lead to the development of new products, services and solutions and the continual enhancement of existing products, services and solutions. Our Adobe Research team of research scientists, engineers, artists and designers help turn ideas into technologies that power the future of our products, services and solutions. We are investing, and intend to continue to invest, in research and development to strengthen our existing products, services and solutions, and to expand our offerings across our clouds and the next generation of AI, machine learning and deep learning-driven tools and features to solve problems in areas such as content understanding and generation, recommendations, personalization and more.

In addition to our own research and development, we acquire products or technology developed by others by purchasing the stock or assets of the business entity that owns the technology. In other instances, we have licensed or purchased the intellectual property ownership rights of programs developed by others with license or technology transfer agreements that may obligate us to pay a flat license fee or royalties, typically based on a dollar amount per unit or a percentage of the revenue generated by those programs.

PROTECTING AND LICENSING OUR PRODUCTS

We protect our intellectual property through a combination of patents, copyrights, trademarks and trade secrets, foreign intellectual property laws, confidentiality procedures and contractual provisions. We have U.S. and international patents and pending applications that relate to various aspects of our products and technology. Although our patents have value, no single patent is essential to any of our principal businesses. We have also registered, and applied for the registration of, U.S. and international trademarks, service marks, domain names and copyrights.

We license our desktop software and mobile Apps to users and customers under ‘click through’ or signed license agreements containing restrictions on duplication, disclosure and transfer. Similarly, cloud products and services are provided to users and customers under ‘click through’ or signed agreements containing restrictions on access and use. Our enterprise customers license our hosted offerings as SaaS or Managed Services via agreements based on our enterprise licensing terms.

Despite our efforts to protect our proprietary technology and our intellectual property rights, unauthorized parties may attempt to copy or obtain and use our technology to develop Apps with the same functionality as our Apps. Policing unauthorized use of our technology and intellectual property rights is difficult. We believe that our subscription-based business model combined with the increased focus on cloud-based computing has and may continue to improve our efforts to combat the pirating of our products.

HUMAN CAPITAL

Our culture is built on the foundation that our people and the way we treat one another promote creativity, innovation and performance, which spur our success. We are continually investing in our global workforce to provide fair and market-competitive pay and benefits to support our employees' wellbeing, foster their growth and development, and to further drive diversity and inclusion. As of November 29, 2024, we employed 30,709 people, of which 50% were in the United States and 50% were in our international locations. During fiscal 2024, our total attrition rate was 7.8%. We have not experienced work stoppages and believe our employee relations are good. Understanding employee sentiment and listening to employee feedback is important to Adobe. We utilize a variety of feedback mechanisms throughout an employee lifecycle to gather insights that help inform our decision-making regarding employee programs, talent risks, management opportunities, employee networks and more. In fiscal 2024, 81% of our employees participated in our most recent engagement survey.

Digital transformation has fundamentally changed how people work, and we continue to lean into digital-first workflows, tools and resources to enable us to be productive, wherever we are. We also believe in the value of people being together—fostering trust, relationships and collaboration and innovation. We have evolved into a hybrid model, in which employees who are assigned to an office can divide their work between the office and home about half the time. We continue to pilot, test and iterate our approach to support new ways of working and evolving the employee experience.

We encourage you to visit our website for more detailed information regarding our Human Capital programs and initiatives.

Compensation, Benefits and Wellbeing

Adobe offers fair, competitive compensation and benefits that support our employees' overall wellbeing. To ensure alignment with our short- and long-term objectives, our compensation programs for all employees include base pay, short-term incentives and opportunities for long-term incentives. We believe this alignment, whether through equity awards issued by Adobe or participation in our employee stock purchase plan, makes employee shareholders more deeply connected to Adobe and engaged in contributing to our long-term success.

Our benefit programs focus on four key wellbeing pillars: physical, emotional, financial and work and life. We offer a wide array of benefits including comprehensive health and welfare insurance, ergonomic support, employee assistance programs, wellbeing support programs, retirement, financial coaches and generous time-off and leave. In addition, we provide educational tools and resources, such as the global wellbeing speaker series, to help employees reach their personal wellbeing goals. We also strive to build community by bringing together our employees through onsite events, discussion groups, messaging forums and our Employee Networks as we believe that a sense of belonging contributes to our employees' overall wellbeing.

Growth and Development

We provide employees with opportunities to build and develop a meaningful career. The Global Talent Development team creates programs to grow leaders and continually enhance the skills of our employee base. In addition to the content and experiences created in house, employees also have access to on-demand content via several industry-leading learning platforms. Through Adobe's Learning Fund, employees are eligible to receive up to $11,000 per year toward university and short-term learning opportunities.

We are committed to enabling a culture that celebrates talent sharing, career development and agility across Adobe. We post all roles internally first before sharing them externally and provide resources to make the internal job search easier for employees. We also provide forums for managers and employees to have regular conversations about their career and contributions throughout the year.

Diversity and Inclusion

Adobe for All is our vision to advance diversity, equity and inclusion across Adobe. We recognize that when people feel respected and included, they can be more creative, innovative and successful. As of November 29, 2024, women represented 35.4% of our global employees, and underrepresented minorities ("URMs," defined as those who identify as Black/African American, Hispanic/Latinx, Native American, Pacific Islander and/or two or more races) represented 11.6% of our U.S. employees.

We have a three-pillar strategy to grow the diversity and inclusion of our workforce over time, on which we have continued to drive progress during fiscal 2024:

- *Workforce*: We take action to improve the hiring, retention and promotion of a more diverse workforce that reflects Adobe's global footprint. We invest in partnerships and events to grow our pipeline and engage candidates across underrepresented communities. We aim to give individuals from nontraditional backgrounds new skills and opportunities to enter technology and design careers through Adobe Digital Academy, in partnership with our educational partners.

- *Workplace*: We believe a sense of inclusion propels high performance resulting in creativity and innovation for Adobe. Consequently, we advance our vision of Adobe for All by building an inclusive environment that inspires a sense of belonging. Our annual Adobe for All event provides a unifying experience for employees to celebrate progress, be inspired by employee and guest speakers' stories, and have a greater appreciation for how diversity, equity and inclusion positively impacts our people, purpose, and product efforts. We offer family-friendly benefits, support our employee resource groups to create community for employees from underrepresented groups and offer employees learning opportunities to strengthen their allyship.

- *Ecosystem*: Our employees, our customers and the communities we serve care deeply about diversity, equity, and inclusion. As result, we actively align our commitments to our products, partnerships and community engagement to amplify our reach and impact. We collaborate with industry peers to advance diversity across multiple dimensions, including through product equity and accessibility, as well as efforts to address harm and bias in our products. Through the Adobe Foundation, we continue to invest in our Equity and Advancement Initiative and in our partnerships with minority-serving institutions to support their students and faculties and the communities they serve.

Additional information on our diversity and inclusion programs can be found on our website at adobe.com/corporate-responsibility.

AVAILABLE INFORMATION

Our website address is adobe.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our Investor Relations website at www.adobe.com/adbe as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information posted to our website and contents of the websites referred to above are not incorporated into this Annual Report on Form 10-K.

Investors and others should note that we announce material financial information to our investors using our investor relations website (www.adobe.com/adbe), SEC filings, press releases, public conference calls and webcasts. We use these channels, including our website and social media, to communicate with our investors and the general public about us, our products, services and solutions and other issues, and to comply with our disclosure obligations under Regulation FD. It is possible that the information that we make available on our website or social media could be deemed to be material information. Therefore, we encourage investors and others interested in Adobe to review the information we make available on our website and the social media channels listed on our website.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Adobe's executive officers as of January 13, 2025 are as follows:

Name	Age	Positions
Shantanu Narayen	61	Chair and Chief Executive Officer
		Mr. Narayen currently serves as our Chief Executive Officer and Chair of the Board. He joined Adobe in January 1998 as Vice President and General Manager of our engineering technology group. In January 1999, he was promoted to Senior Vice President, Worldwide Products, and in March 2001, he was promoted to Executive Vice President, Worldwide Product Marketing and Development. In January 2005, Mr. Narayen was promoted to President and Chief Operating Officer, and effective December 2007, he was appointed our Chief Executive Officer and joined our Board. In January 2017, he was named our Chair of the Board. Mr. Narayen holds a B.S. in Electronics Engineering from Osmania University in India, an M.S. in Computer Science from Bowling Green State University and an M.B.A. from the Haas School of Business, University of California, Berkeley.

Name	Age	Positions
Daniel Durn	58	Chief Financial Officer and Executive Vice President, Finance, Technology, Security and Operations
		Mr. Durn currently serves as our Chief Financial Officer and Executive Vice President, Finance, Technology, Security and Operations. Mr. Durn joined Adobe in October 2021 as our Executive Vice President and Chief Financial Officer. From August 2017 to October 2021, Mr. Durn served as a Senior Vice President and Chief Financial Officer of Applied Materials, Inc., a semiconductor equipment company. From December 2015 to August 2017, Mr. Durn served as Executive Vice President and Chief Financial Officer at NXP Semiconductors N.V., following its merger with Freescale Semiconductor Inc. ("Freescale"). From June 2014 to December 2015, Mr. Durn served as Senior Vice President of Finance and Chief Financial Officer at Freescale. Before Freescale, he served as Chief Financial Officer and Executive Vice President of Finance and Administration at GlobalFoundries, a multinational semiconductor company, and he served as Managing Director and Head of Mergers and Acquisitions and Strategy at Mubadala Technology Fund, a private equity fund. Prior to that, Mr. Durn was a Vice President of Mergers and Acquisitions in the technology practice at Goldman Sachs & Company, a global investment banking firm. Mr. Durn currently serves on the board of directors of Marvell Technology, Inc., a semiconductor equipment company. Mr. Durn received his MBA in Finance from Columbia Business School and graduated from the U.S. Naval Academy with a B.S. in Control Systems Engineering. He served in the Navy for six years, reaching the rank of lieutenant.
Anil Chakravarthy	57	President, Digital Experience
		Mr. Chakravarthy currently serves as President of Adobe's Digital Experience business. Mr. Chakravarthy joined Adobe in January 2020 as Executive Vice President and General Manager, Digital Experience and was given responsibility over Worldwide Field Operations in July 2020, when he was appointed Executive Vice President and General Manager, Digital Experience Business and Worldwide Field Operations. Prior to joining Adobe, he served as Chief Executive Officer of Informatica LLC ("Informatica"), a software company, from August 2015 to January 2020 and Executive Vice President and Chief Product Officer from September 2013 to August 2015. Prior to joining Informatica, for over nine years, Mr. Chakravarthy held multiple leadership roles at Symantec Corporation ("Symantec"), a cybersecurity software and services company, most recently serving as its Executive Vice President, Information Security from February 2013 to September 2013. Prior to Symantec, he was a Director of Product Management for enterprise security services at VeriSign Inc., a network infrastructure company. Mr. Chakravarthy began his career as an engagement manager at McKinsey & Company, a global management consulting firm. He currently serves on the board of Ansys, Inc. and also served on the board of the Silicon Valley Leadership Group until December 2021. Mr. Chakravarthy holds a Bachelor of Technology in Computer Science and Engineering from the Institute of Technology, Varanasi, India and M.S. and Ph.D. degrees from the Massachusetts Institute of Technology.
David Wadhwani	53	President, Digital Media
		Mr. Wadhwani currently serves as President of Adobe's Digital Media business. Mr. Wadhwani rejoined Adobe in June 2021 to lead Adobe's global Digital Media business across Adobe Creative Cloud and Adobe Document Cloud as Chief Business Officer and Executive Vice President, Digital Media. Prior to joining Adobe, he was a Venture Partner at Greylock Partners, a venture capital firm, since October 2019. From September 2015 to October 2019, he was President and CEO of AppDynamics, a software company. Before that, Mr. Wadhwani previously worked at Adobe as Senior Vice President and General Manager of Adobe's Digital Media business, having joined Adobe in 2005 through the Company's acquisition of Macromedia, Inc., a software company, where he had been Vice President of Developer Products. Mr. Wadhwani holds a bachelor's degree in computer science from Brown University and serves on the Brown computer science department advisory board. Mr. Wadhwani also advises early stage and growth companies and is on the board of directors of Gem Software, Inc. and on the board of trustees of StoryCorps and the Fine Arts Museums of San Francisco.

Name	Age	Positions
Lara Balazz	55	Chief Marketing Officer and Executive Vice President, Global Marketing Ms. Balazs joined Adobe in December 2024 and currently serves as our Chief Marketing Officer and Executive Vice President, Global Marketing. From February 2021 to September 2024, Ms. Balazs served as Executive Vice President, General Manager, Strategic Partnership Group and Chief Marketing Officer of Intuit, Inc., a global financial technology platform (“Intuit”). From November 2018 to February 2021, Ms. Balazs served as Senior Vice President, Chief Marketing Officer of Intuit. From November 2017 to July 2018, Ms. Balazs served as Vice President, Worldwide Marketing, Prime, and North America, of Amazon.com, Inc., an online retailer and web service provider of consumer goods. From January 2006 to September 2017, Ms. Balazs held various leadership roles at Visa, Inc., a global payments technology company, including Senior Vice President, Head, North America Marketing; Head, Global Innovation Marketing; Head of Global Product Marketing Strategy and Planning; Head of Global and U.S. General Consumer Marketing; and Senior Director, U.S. Marketing. From 2001 to 2004, Ms. Balazs served in various marketing management roles at Nike, Inc., a global athletic footwear and apparel company, and Gap, Inc., a global apparel company. Ms. Balazs currently serves on the board of directors of Frontdoor, Inc., a home services company. Ms. Balazs holds a bachelor’s degree in Society & Justice from the University of Washington, and an M.B.A. from Northwestern University.
Scott Belsky	44	Chief Strategy Officer and Executive Vice President, Design & Emerging Products Mr. Belsky currently serves our Chief Strategy Officer and EVP, Design & Emerging Products. From December 2017 to March 2023, he served as our Chief Product Officer and Executive Vice President, Creative Cloud. Prior to joining Adobe in December 2017, Mr. Belsky was a venture investor at Benchmark, a venture capital firm, from February 2016 to December 2017. Prior to Benchmark, Mr. Belsky led Adobe's mobile strategy for Creative Cloud from December 2012 to January 2016, having joined the Company through the acquisition of Behance, a social media platform for creative work. Mr. Belsky co-founded Behance in 2006 and served as its Chief Executive Officer for over 6 years. He was an early advisor and investor to Pinterest, Inc., a software company, Uber Technologies, Inc., a multinational ride-sharing company, and Warby Parker Inc., an online retailer, and other early-stage companies. Mr. Belsky currently serves on the board of directors of Atlassian Corporation, an enterprise software company, on the advisory board of Cornell University's Entrepreneurship Program and on the board of trustees of the Museum of Modern Art. Mr. Belsky holds a bachelor’s degree from Cornell University and an MBA from Harvard Business School.
Gloria Chen	60	Chief People Officer and Interim Executive Vice President, Legal and Government Relations Ms. Chen joined Adobe in 1997 and currently serves as our Chief People Officer and Interim EVP, Legal and Government Relations. From January 2020 to September 2024, Ms. Chen served as our Chief People Officer and Executive Vice President, Employee Experience. In her more than 25 years at Adobe, she has held senior leadership positions in worldwide sales operations, customer service and support, and strategic planning. In October 2009, Ms. Chen was appointed Vice President and Chief of Staff to the Chief Executive Officer. In March 2018, she was promoted to Senior Vice President, Strategy and Growth, in November 2019, she was elevated to Executive Vice President, Strategy and Growth and in January 2020, she was promoted to Chief People Officer and Executive Vice President, Employee Experience. Prior to joining Adobe, Ms. Chen was an engagement manager at McKinsey & Company, a global management consulting firm. Ms. Chen holds a BS in electrical engineering from the University of Washington, an M.S. in electrical and computer engineering from Carnegie Mellon University and an MBA from Harvard Business School.
Jillian Forusz	50	Senior Vice President, Chief Accounting Officer and Corporate Controller Ms. Forusz currently serves as our Senior Vice President, Chief Accounting Officer and Corporate Controller. Ms. Forusz served as our Vice President, Corporate Controller from February 2022 to August 2024, Vice President, Accounting & Operations from November 2019 to February 2022 and Senior Director from November 2015 to November 2019. Between November 2007 and November 2015, Ms. Forusz held various finance leadership positions of increasing responsibility at Adobe. Prior to joining Adobe, Ms. Forusz worked in the Audit practice at Deloitte. Ms. Forusz holds a bachelor’s degree from Penn State University.

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 this report.*

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 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, 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;
- 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 November 29, 2024, 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 operation 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 II, Item 8, Note 16 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 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 50% 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, fluctuations due to government spending cuts and shutdowns, highly competitive and lengthy bidding process that may be subject to political influence and adherence to complex procurement regulations and other 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, 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 November 29, 2024, we had $5.65 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 and policies relating to environmental, social, and governance 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, investments in our environmental, social and governance commitments, may involve significant costs and negatively impact our business, financial condition and results of operations. Additionally, we may experience reputational harm from our actual or perceived failure to meet our environmental, social and governance commitments.

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 I, 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 I, 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 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 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

Adobe has certain security processes, infrastructure, systems, policies and practices for assessing, identifying and managing risks from cybersecurity threats. We maintain an information security risk management framework for managing cybersecurity risks, priorities and projects for our products, services, infrastructure and corporate resources. As part of our framework, a cybersecurity risk steering committee meets regularly to review newly identified risks and progress on remediating existing risks.

We conduct regular security reviews, simulations and testing, including internal and external penetration testing, vulnerability assessments and regular scans on our hosts and network devices. We review available threat intelligence, including information from industry groups and our security vendor. We consult with third parties, including cybersecurity consultants, as part of our cybersecurity threat and risk management strategy.

Depending on the environment, our risk mitigation strategies include a variety of technical, physical and operational measures designed to manage and mitigate material risks from cybersecurity threats to our systems and data. We require employees annually to complete a general security awareness training, and additional engineering and security specific training may also be required for certain positions. Further, we maintain a vendor security review program, which is designed to provide an assessment of the security practices of those third-party vendors that process Adobe non-public data or connect to our networks. We maintain an information security incident response plan designed to monitor, analyze, address, escalate and report cybersecurity incidents, and escalate certain cybersecurity incidents to members of management depending on the circumstances, including our Chief Security Officer ("CSO"), Chief Cybersecurity Legal and Privacy Officer ("CCPO"), Chief Financial Officer, Chief People Officer, President of Digital Media, President of Digital Experience, General Counsel and Chief Executive Officer.

For a description of the risks from cybersecurity threats that may materially affect us, see the risks described in the section titled "Risk Factors" contained in Part I, Item IA of this report, including under the headings "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."

Governance

Our Board of Directors (the "Board") addresses cybersecurity risk management as part of its general oversight function. The Audit Committee of the Board (the "Audit Committee") has oversight of enterprise risks, including risks related to cybersecurity. In this regard, the Audit Committee reviews and discusses with management the adequacy and effectiveness of our information security, technology and privacy policies and the internal controls regarding these areas. Our Audit Committee receives regular cybersecurity updates about general cybersecurity risks from our CSO and updates about the prevention, detection, mitigation and remediation of cybersecurity incidents from our CSO and CCPO. Cybersecurity updates presented to the Audit Committee are reported to the Board by the Audit Committee Chair. We also have a Cyber Disclosure Committee, comprised of cross-functional leaders including finance, risk, operations and investor relations and led by the CSO and CCPO, that meets to assess certain incidents and makes determinations regarding materiality. Additionally, our CSO and CCPO identify certain cybersecurity risks that are reviewed as part of the enterprise risk management framework and presented to the Board and the Audit Committee on an annual basis.

Our cybersecurity risk assessment and management processes are implemented and maintained by certain management members, including our CSO and CCPO, whom each has extensive cybersecurity experience in their respective areas of responsibility and expertise. Our CSO, who reports to the Chief Financial Officer, has primary responsibility for hiring appropriate information security personnel and managing workloads of information security personnel, engaging and overseeing third-party cybersecurity consultants, approving budgets and cybersecurity processes, preparing for incident response, reviewing security assessments and other security-related reports, communicating key priorities to relevant personnel, including the security incident response team, assessing and managing Adobe's overall cybersecurity strategy, standards, risk management (in consultation with the cybersecurity risk steering committee) and processes. Our CCPO, who reports to the General Counsel, has primary responsibility for the legal aspects of the cybersecurity program, including assessing and providing advice on our cybersecurity strategy, standards, risk management, policies, processes and legal obligations. Our CSO and CCPO are supported by a cybersecurity team comprised of cybersecurity, information security, information technology, operations and legal executives and professionals.

ITEM 2. PROPERTIES

Our corporate headquarters is located in San Jose, California where we occupy approximately 1.7 million square feet of office space. We own all of our San Jose, California properties which we use for research, product development, sales, marketing and administrative purposes. We own and lease properties in various locations throughout the United States which we also use for research, product development, sales, marketing and administrative purposes, and data centers.

Outside of the United States, we own and lease properties throughout Europe, Middle East and Africa (“EMEA”) and Asia-Pacific (“APAC”) for research, product development, sales, marketing and administrative purposes. The largest properties we occupy outside of the United States are our Bangalore, India and Noida, India offices which are approximately 0.7 million and 0.5 million square feet, respectively. We own and lease these properties in India.

We operate under a hybrid work model and believe our existing facilities, both owned and leased, are in good operating condition and suitable for the conduct of our business.

See Note 18 of our Notes to Consolidated Financial Statements for further information regarding our lease obligations.

ITEM 3. LEGAL PROCEEDINGS

The material set forth in the section titled “Legal Proceedings” in Note 16 of our Notes to Consolidated Financial Statements is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information for Common Stock

Our common stock is traded on the Nasdaq Global Select Market under the symbol "ADBE."

Stockholders

According to the records of our transfer agent, there were 856 holders of record of our common stock on January 3, 2025. Because many of such shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Dividends

We do not anticipate paying any cash dividends in the foreseeable future.

Issuer Purchases of Equity Securities

Below is a summary of stock repurchases for the three months ended November 29, 2024. *See Note 14 of our Notes to Consolidated Financial Statements for information regarding our stock repurchase programs.*

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				$ 20,150
August 31—September 27, 2024				
Accelerated share repurchases [(2),(3)]	4.6	$ —	4.6	$ (2,500) [(3)]
September 28—October 25, 2024				
Shares repurchased	—	$ —	—	$ —
October 26—November 29, 2024				
Shares repurchased	—	$ —	—	$ —
Total	4.6		4.6	$ 17,650

(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 June 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 September 2024, we received an incremental delivery of 1.0 million shares of our common stock. Under this ASR, we repurchased a total of 4.6 million shares at an average price of $546.30.

(3) In September 2024, we entered into an ASR with a large financial institution whereupon we provided them with a prepayment of $2.5 billion and received an initial delivery of 3.6 million shares of our common stock at contract inception, representing a portion of the prepayment. Subsequent to November 29, 2024, this ASR was settled which resulted in total repurchases of 5.0 million shares at an average price of $501.37.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our Consolidated Financial Statements and Notes thereto. Discussion regarding our financial condition and results of operations for fiscal 2023 as compared to fiscal 2022 is included in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 1, 2023, filed with the SEC on January 17, 2024.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our 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 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.

Revenue Recognition

Our contracts with customers may include multiple goods and services. For example, some of our offerings include both on-premise and/or on-device software licenses and cloud services. Determining whether the software licenses and the cloud services are distinct from each other, and therefore performance obligations to be accounted for separately, or not distinct from each other, and therefore part of a single performance obligation, may require significant judgment. We have concluded that the on-premise/on-device software licenses and cloud services provided in our Creative Cloud and Document Cloud subscription offerings are not distinct from each other such that revenue from each offering should be recognized ratably over the subscription period for which the cloud services are provided. In reaching this conclusion, we considered the nature of our promise to Creative Cloud and Document Cloud customers, which is to provide a complete end-to-end creative design or document workflow solution that operates seamlessly across multiple devices and teams. We fulfill this promise by providing access to a solution that integrates cloud-based and on-premise/on-device features that, together through their integration, provide functionalities, utility and workflow efficiencies that could not be obtained from either the on-premise/on-device software or cloud services on their own.

Cloud-based features that are integral to our Creative Cloud and Document Cloud offerings and that work together with the on-premise/on-device software include, but are not limited to: Creative Cloud Libraries, which enable customers to access their work, settings, preferences and other assets seamlessly across desktop and mobile devices and collaborate across teams in real time; shared reviews which enable simultaneous editing and commenting of digital assets across desktop, mobile and web; automatic cloud rendering of a design which enables it to be worked on in multiple mediums; and Sensei, Adobe's cloud-hosted artificial intelligence and machine learning framework, which enables features such as automated photo-editing, photograph content-awareness, natural language processing, optical character recognition and automated document tagging.

Accounting for Income Taxes

We use the asset and liability method of accounting for income taxes. Under this method, income tax expense is recognized for the amount of taxes payable or refundable for the current year. In addition, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for tax loss and credit carryforwards. Significant judgment is required in determining our current provision for income taxes and deferred tax assets or liabilities. We record a valuation allowance to reduce deferred tax assets to an amount for which realization is more likely than not.

Our assumptions, judgments and estimates relative to the current provision for income taxes take into account our interpretation and application of current tax laws and possible outcomes of current and future examinations conducted by domestic and foreign tax authorities. We have established reserves for income taxes to address potential exposures involving tax positions that could be challenged by tax authorities. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes and associated reserves. To the extent that the final determination of any of these examinations is different from the amounts recorded, such differences will affect the provision for income taxes and the effective tax rate in the period in which such determination is made.

Recent Accounting Pronouncements

See Note 1 of our Notes to Consolidated Financial Statements for information regarding recent accounting pronouncements that are of significance or potential significance to us.

RESULTS OF OPERATIONS

Overview of 2024

For our fiscal 2024, we experienced strong demand across our Digital Media and Digital Experience offerings, driven by our innovative product roadmap. As we execute on our long-term growth initiatives, with focus on delivering product innovation and driving adoption and usage of our AI-powered solutions, we have continued to experience growth in software-based subscription revenue across our portfolio of offerings.

Digital Media

In our Digital Media segment, we are a market leader with Creative Cloud, our subscription-based offering which provides desktop tools, mobile applications ("apps") and cloud-based services for designing, creating and publishing rich content and immersive 3D experiences. Creative Cloud offers Adobe Acrobat Pro, our comprehensive PDF solution, integral to creative workflows and used by creators worldwide as part of our Creative Cloud All Apps subscription and on a standalone basis. In addition, Adobe Express is our web and mobile app designed to enable a broad spectrum of users, including novice content creators, communicators and creative professionals, to create, edit and customize content quickly and easily with content-first, task-based solutions. Creative Cloud also includes Adobe Firefly, a group of creative generative AI models designed to generate high quality images and text effects. Adobe Firefly-powered generative AI features are also available across Creative Cloud apps including Adobe Photoshop and Adobe Express. Creative Cloud delivers value with deep, cross-product integration, frequent product updates and feature enhancements, cloud-enabled services including storage and syncing of files across users' devices, machine learning and artificial intelligence, access to marketplace, social and community-based features with our Adobe Stock and Behance services, app creation capabilities, tools which assist with enterprise deployments and team collaboration, and affordable pricing for cost-sensitive customers.

We offer Creative Cloud for individuals, students, teams and enterprises. We expect Creative Cloud will drive sustained long-term revenue growth through a continued expansion of our customer base by attracting new users with new features and products like Adobe Express and Adobe Firefly that make creative tools accessible to first-time creators and communicators, and delivering new features and technologies to existing customers with our latest releases such as generative AI capabilities. We have also built out a marketplace for Creative Cloud subscribers to enable the delivery and purchase of stock content in our Adobe Stock service. Overall, our strategy with Creative Cloud is designed to enable us to increase our revenue with existing users, continue to attract new customers, and grow our recurring and predictable revenue stream that is recognized ratably.

We continue to implement strategies that are designed to accelerate awareness, consideration and purchase of subscriptions to our Creative Cloud offerings. These strategies include increasing the value Creative Cloud users receive, such as offering new and enhanced desktop, web and mobile apps, as well as targeted promotions and offers that attract past customers and potential users to experience and ultimately subscribe to Creative Cloud. Because of the shift towards Creative Cloud subscriptions and Enterprise Term License Agreements ("ETLAs"), revenue from perpetual licensing of our Creative products has been immaterial to our business.

We are also a market leader with our Document Cloud offerings built around our Adobe Acrobat family of products, with a set of integrated mobile apps and cloud-based document services which enable users to create, collaborate, review, approve, sign and track documents regardless of platform or application source type. Document Cloud, which enhances the way people manage critical documents at home, in the office and across devices, includes subscriptions to Adobe Acrobat Pro and Standard, Adobe Acrobat Sign and Adobe Scan. Certain Adobe Acrobat products are also offered as perpetual licenses which are immaterial to our business. In April 2024, 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.

As part of our Creative Cloud and Document Cloud strategies, we utilize a data-driven operating model ("DDOM") and our Adobe Experience Cloud solutions to raise awareness of our products, drive new customer acquisition, engagement and retention, and optimize customer journeys, which continue to contribute strong product-led growth in the business.

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. 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. We calculate ARR as follows:

Creative ARR	Annual Value of Creative Cloud Subscriptions and Services + Annual Creative ETLA Contract Value
Document Cloud ARR	Annual Value of Document Cloud Subscriptions and Services + Annual Document Cloud ETLA Contract Value
Digital Media ARR	Creative ARR + Document Cloud ARR

Creative ARR exiting fiscal 2024 was $13.85 billion, up from $12.49 billion at the end of fiscal 2023. Document Cloud ARR exiting fiscal 2024 was $3.48 billion, up from $2.84 billion at the end of fiscal 2023. Total Digital Media ARR grew to $17.33 billion at the end of fiscal 2024, up from $15.33 billion at the end of fiscal 2023. Revaluing our ending ARR for fiscal 2024 using currency rates determined at the beginning of fiscal 2025, our Digital Media ARR at the end of fiscal 2024 would be $17.22 billion or approximately $117 million lower than the ARR reported above.

Our success in driving growth in ARR has positively affected our revenue growth. Creative revenue in fiscal 2024 was $12.68 billion, up from $11.52 billion in fiscal 2023, representing 10% year-over-year growth. Document Cloud revenue in fiscal 2024 was $3.18 billion, up from $2.70 billion in fiscal 2023, representing 18% year-over-year growth. Total Digital Media segment revenue grew to $15.86 billion in fiscal 2024, up from $14.22 billion in fiscal 2023, representing 12% year-over-year growth.

Digital Experience

We are a market leader in the fast-growing category addressed by our Digital Experience segment. The Adobe Experience Cloud apps and services are designed to manage customer journeys, enable personalized experiences at scale and deliver intelligence for businesses of any size in any industry. 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 new Adobe Experience Platform AI Assistant, a generative AI-powered conversational interface designed to help customers automate workflows and generate new audiences and journeys.

Adobe Experience Cloud delivers solutions for our customers across the following strategic growth pillars:

- *Data insights and audiences*. Our products deliver actionable data to our customers in real time to enable highly tailored and adaptive experiences across platforms through Adobe Analytics, Adobe Customer Journey Analytics, Adobe Product Analytics, Adobe Mix Modeler, and Adobe Real-time Customer Data Platform.

- *Content, commerce and workflows*. Our products help our customers manage, deliver, personalize, and optimize content delivery through Adobe Experience Manager; build multi-channel commerce experiences for B2B and B2C customers with Adobe Commerce; strategically plan, manage, collaborate and execute on workflows for marketing campaigns and other projects at speed and scale with our enterprise work management App, Adobe Workfront; and leverage self-serve capabilities to deliver on-brand content powered by generative AI in Adobe GenStudio for Performance Marketing.

- *Customer journeys*. Our products help businesses manage, test, target and personalize customer journeys delivered as campaigns across B2B and B2C use cases, including through Adobe Marketo Engage, Adobe Campaign, Adobe Target and Adobe Journey Optimizer.

In addition to chief marketing officers, chief revenue officers and digital marketers, users of our Digital Experience solutions include advertisers, campaign managers, publishers, data analysts, content managers, social marketers, marketing executives and information management and technology executives. These customers often are involved in workflows that integrate other Adobe products, such as our Digital Media offerings. By combining the creativity of our Digital Media business with the science of our Digital Experience business, such as with our Adobe GenStudio solution, 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.

We utilize a direct sales force to market and license our Digital Experience solutions, as well as an extensive ecosystem of partners, including marketing agencies, systems integrators and independent software vendors that help license and deploy our solutions to their customers. We have made significant investments to broaden the scale and size of all of these routes to market, and our recent financial results reflect the success of these investments and our experience-led growth strategy.

Digital Experience revenue was $5.37 billion in fiscal 2024, up from $4.89 billion in fiscal 2023, representing 10% year-over-year growth. Subscription revenue grew to $4.86 billion in fiscal 2024, up from $4.33 billion in fiscal 2023, representing 12% year-over-year growth.

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 I, Item 1A of this report for further discussion of the possible impact of these macroeconomic issues on our business.*

Financial Performance Summary for Fiscal 2024

- Total Digital Media ARR of approximately $17.33 billion as of November 29, 2024 increased by $2.00 billion, or 13%, from $15.33 billion as of December 1, 2023.
- Creative revenue of $12.68 billion during fiscal 2024 increased by $1.17 billion, or 10%, from $11.52 billion in fiscal 2023. Document Cloud revenue of $3.18 billion during fiscal 2024 increased by $483 million, or 18%, from $2.70 billion in fiscal 2023.
- Digital Experience revenue of $5.37 billion during fiscal 2024 increased by $473 million, or 10%, from $4.89 billion in fiscal 2023.
- Cost of revenue of $2.36 billion during fiscal 2024 remained relatively flat compared to fiscal 2023.
- Operating expenses of $12.41 billion during fiscal 2024 increased by $2.00 billion, or 19%, from $10.41 billion in fiscal 2023 primarily due to the $1 billion Figma termination fee incurred in fiscal 2024.
- Net income of $5.56 billion during fiscal 2024 increased by $132 million, or 2%, from $5.43 billion in fiscal 2023.
- Cash flows from operations of $8.06 billion during fiscal 2024 increased by $754 million, or 10%, from $7.30 billion in fiscal 2023.
- Remaining performance obligations of $19.96 billion as of November 29, 2024 increased by $2.75 billion, or 16%, from $17.22 billion as of December 1, 2023.

Revenue

(dollars in millions)	2024	2023	2022	% Change 2024-2023
Subscription	$ 20,521	$ 18,284	$ 16,388	12 %
Percentage of total revenue	95 %	94 %	93 %	
Product	386	460	532	(16)%
Percentage of total revenue	2 %	2 %	3 %	
Services and other	598	665	686	(10)%
Percentage of total revenue	3 %	4 %	4 %	
Total revenue	$ 21,505	$ 19,409	$ 17,606	11 %

Subscription

Our subscription revenue is comprised primarily of fees we charge for our subscription and hosted service offerings, and related support, including Creative Cloud and certain of our Adobe Experience Cloud and Document Cloud services. 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.

We have the following reportable segments: Digital Media, Digital Experience, and Publishing and Advertising. Subscription revenue by reportable segment for fiscal 2024, 2023 and 2022 is as follows:

(dollars in millions)	2024	2023	2022	% Change 2024-2023
Digital Media	$ 15,547	$ 13,838	$ 12,385	12 %
Digital Experience	4,864	4,331	3,880	12 %
Publishing and Advertising	110	115	123	(4)%
Total subscription revenue	$ 20,521	$ 18,284	$ 16,388	12 %

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.

Segments

In fiscal 2024, we categorized our products into the following reportable segments:

- *Digital Media*—Our Digital Media segment provides products and services that enable individuals, teams, businesses, and enterprises to create, publish and promote their content anywhere and accelerate their productivity by transforming how they view, share, engage with and collaborate on documents and creative content. Our customers include creative professionals, including photographers, video editors, graphic and experience designers and game developers; communicators, including content creators, students, marketers and knowledge workers; and consumers.

- *Digital Experience*—Our Digital Experience segment provides an integrated platform and set of products, services and solutions that enable businesses to create, manage, execute, measure, monetize and optimize customer experiences that span from analytics to commerce. Our customers include marketers, advertisers, agencies, publishers, merchandisers, merchants, web analysts, data scientists, developers and executives across the C-suite.

- *Publishing and Advertising*—Our Publishing and Advertising segment contains legacy products and services that address diverse market opportunities, including eLearning solutions, technical document publishing, web conferencing, document and forms platform, web app development, high-end printing and our Adobe Advertising offerings.

Segment Information

(dollars in millions)	2024	2023	2022	% Change 2024-2023
Digital Media	$ 15,864	$ 14,216	$ 12,842	12 %
Percentage of total revenue	74 %	73 %	73 %	
Digital Experience	5,366	4,893	4,422	10 %
Percentage of total revenue	25 %	25 %	25 %	
Publishing and Advertising	275	300	342	(8)%
Percentage of total revenue	1 %	2 %	2 %	
Total revenue	$ 21,505	$ 19,409	$ 17,606	11 %

Digital Media

Revenue by major offerings in our Digital Media reportable segment for fiscal 2024, 2023 and 2022 were as follows:

(dollars in millions)	2024	2023	2022	% Change 2024-2023
Creative Cloud	$ 12,682	$ 11,517	$ 10,459	10 %
Document Cloud	3,182	2,699	2,383	18 %
Total Digital Media revenue	$ 15,864	$ 14,216	$ 12,842	12 %

Revenue from Digital Media increased $1.65 billion during fiscal 2024 as compared to fiscal 2023, driven by increases in revenue associated with our Creative and Document Cloud subscription offerings due to continued demand amid an increasingly digital environment, strong engagement across customer segments and migrating our customers to higher valued subscription offerings with increased revenue per subscription.

Digital Experience

Revenue from Digital Experience increased $473 million during fiscal 2024 as compared to fiscal 2023 driven by subscription revenue growth across our offerings.

Geographical Information

(dollars in millions)	2024	2023	2022	% Change 2024-2023
Americas	$ 12,891	$ 11,654	$ 10,251	11 %
Percentage of total revenue	60 %	60 %	58 %	
EMEA	5,554	4,881	4,593	14 %
Percentage of total revenue	26 %	25 %	26 %	
APAC	3,060	2,874	2,762	6 %
Percentage of total revenue	14 %	15 %	16 %	
Total revenue	$ 21,505	$ 19,409	$ 17,606	11 %

Overall revenue during fiscal 2024 increased in all geographic regions as compared to fiscal 2023. Within each geographic region, the fluctuations in revenue by reportable segment were attributable to the factors noted in the segment information above.

Included in the overall change in revenue for fiscal 2024 as compared to fiscal 2023 were impacts associated with foreign currency and our foreign currency hedging program. During fiscal 2024, the U.S. Dollar primarily strengthened against APAC foreign currencies and weakened against EMEA foreign currencies as compared to fiscal 2023, which resulted in a net decrease in revenue in U.S. Dollar equivalents of approximately $45 million. During fiscal 2024, we had net hedging losses from our cash flow hedging program of $20 million.

See Note 2 of our Notes to Consolidated Financial Statements for additional details of revenue by geography.

Cost of Revenue

(dollars in millions)	2024	2023	2022	% Change 2024-2023
Subscription	$ 1,799	$ 1,822	$ 1,646	(1)%
Percentage of total revenue	8 %	9 %	9 %	
Product	25	29	35	(14)%
Percentage of total revenue	*	*	*	
Services and other	534	503	484	6 %
Percentage of total revenue	2 %	3 %	3 %	
Total cost of revenue	$ 2,358	$ 2,354	$ 2,165	*

(*) Percentage is less than 1%.

Subscription

Cost of subscription revenue consists 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 decreased due to the following:

	Components of % Change 2024-2023
Loss contingency	(5)%
Amortization of intangibles	(2)
Hosting services and data center costs	4
Various individually insignificant items	2
Total change	(1)%

Cost of subscription revenue during fiscal 2024 included the reversal of a loss contingency incurred in fiscal 2023 associated with an IP litigation matter.

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.

Cost of services and other revenue increased during fiscal 2024 as compared to fiscal 2023 primarily due to increases in compensation costs and professional fees.

Operating Expenses

(dollars in millions)	2024	2023	2022	% Change 2024-2023
Research and development	$ 3,944	$ 3,473	$ 2,987	14 %
Percentage of total revenue	18 %	18 %	17 %	
Sales and marketing	5,764	5,351	4,968	8 %
Percentage of total revenue	27 %	28 %	28 %	
General and administrative	1,529	1,413	1,219	8 %
Percentage of total revenue	7 %	7 %	7 %	
Acquisition termination fee	1,000	—	—	**
Percentage of total revenue	5 %	*	*	
Amortization of intangibles	169	168	169	1 %
Percentage of total revenue	1 %	1 %	1 %	
Total operating expenses	$ 12,406	$ 10,405	$ 9,343	19 %

(*) 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 due to the following:

	Components of % Change 2024-2023
Compensation costs	7 %
Hosting services and data center costs	5
Various individually insignificant items	2
Total change	14 %

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 due to the following:

	Components of % Change 2024-2023
Compensation costs	4 %
Marketing spend related to campaigns, events and overall marketing efforts	2
Various individually insignificant items	2
Total change	8 %

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.

General and administrative expenses increased due to the following:

	Components of % Change 2024-2023
Lease-related asset impairments and other charges	7 %
Compensation costs	4
Professional and consulting fees	(5)
Various individually insignificant items	2
Total change	8 %

General and administrative expenses during fiscal 2024 included costs associated with the optimization of our leased facilities, primarily consisting of impairment charges for certain operating lease right-of-use assets and leasehold improvements.

Acquisition Termination Fee

During fiscal 2024, we incurred a $1 billion termination fee which resulted from termination of the Figma transaction.

Non-Operating Income (Expense), Net

(dollars in millions)	2024	2023	2022	% Change 2024-2023
Interest expense	$ (169)	$ (113)	$ (112)	50 %
Percentage of total revenue	(1)%	(1)%	(1)%	
Investment gains (losses), net	48	16	(19)	**
Percentage of total revenue	*	*	*	
Other income (expense), net	311	246	41	**
Percentage of total revenue	1 %	1 %	*	
Total non-operating income (expense), net	$ 190	$ 149	$ (90)	**

(*) Percentage is less than 1%.
(**) 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.

Interest expense increased during fiscal 2024 as compared to fiscal 2023 due to the senior notes issued in April 2024. *See Note 17 for further details regarding our debt.*

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.

Other income (expense), net increased during fiscal 2024 as compared to fiscal 2023 primarily due to increases in interest income driven by higher average cash equivalent balances and interest rates.

Provision for Income Taxes

(dollars in millions)	2024	2023	2022	% Change 2024-2023
Provision for income taxes	$ 1,371	$ 1,371	$ 1,252	*
Percentage of total revenue	6 %	7 %	7 %	
Effective tax rate	20 %	20 %	21 %	

(*) Percentage is less than 1%.

Our effective tax rate for fiscal 2024 remained relatively flat compared to fiscal 2023, as the impact of the Figma acquisition termination fee, which was not deductible for financial statement purposes, was largely offset by increases in the net tax benefits from effects of non-U.S. operations and stock-based compensation in fiscal 2024.

Our effective tax rate for fiscal 2024 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 the impacts of the Figma acquisition termination fee and 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 $725 million as of November 29, 2024, primarily related to certain state credits and federal 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.

The provision from the U.S. Tax Act which requires us to capitalize and amortize research and development costs became effective in fiscal 2023. This requirement continues to have an adverse impact on our effective rates for income taxes paid, which is partially offset by a benefit to our effective tax rates from the increase in the foreign-derived intangible income deduction.

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.

See Note 10 of our Notes to Consolidated Financial Statements for further information regarding our provision for income taxes.

Accounting for Uncertainty in Income Taxes

The gross liabilities for unrecognized tax benefits excluding interest and penalties were $683 million and $501 million at the end of fiscal 2024 and 2023, respectively. If the total unrecognized tax benefits as of November 29, 2024 and December 1, 2023 were recognized, $519 million and $356 million would decrease the respective effective tax rates.

As of November 29, 2024 and December 1, 2023, 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 $50 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. 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 property and equipment and payments for taxes related to net share settlement of equity awards.

This data should be read in conjunction with our Consolidated Statements of Cash Flows.

	As of	
(in millions)	**November 29, 2024**	**December 1, 2023**
Cash and cash equivalents	$ 7,613	$ 7,141
Short-term investments	$ 273	$ 701
Working capital	$ 711	$ 2,833
Stockholders’ equity	$ 14,105	$ 16,518

A summary of our cash flows for fiscal 2024, 2023 and 2022 is as follows:

(in millions)	**2024**	**2023**	**2022**
Net cash provided by operating activities	$ 8,056	$ 7,302	$ 7,838
Net cash provided by (used for) investing activities	149	776	(570)
Net cash used for financing activities	(7,724)	(5,182)	(6,825)
Effect of foreign currency exchange rates on cash and cash equivalents	(9)	9	(51)
Net change in cash and cash equivalents	$ 472	$ 2,905	$ 392

Cash Flows from Operating Activities

For fiscal 2024, net cash provided by operating activities of $8.06 billion was primarily comprised of net income adjusted for the net effect of non-cash items. Payment of the $1 billion Figma termination fee during fiscal 2024 had an adverse impact on net income and cash flows from operations.

Cash Flows from Investing Activities

For fiscal 2024, net cash provided by investing activities of $149 million was primarily due to maturities of short-term investments, partially offset by ongoing capital expenditures and purchases of long-term and short-term investments.

Cash Flows from Financing Activities

For fiscal 2024, net cash used for financing activities of $7.72 billion was primarily due to payments for our common stock repurchases, partially offset 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 Part I, 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 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 November 29, 2024 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 November 29, 2024, 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 November 29, 2024, there were no outstanding borrowings under the commercial paper program.

Senior Notes

In April 2024, we issued $500 million of senior notes due April 4, 2027, $750 million of senior notes due April 4, 2029 and $750 million of senior notes due April 4, 2034. In total, we have $5.65 billion of senior notes outstanding, which rank equally with our other unsecured and unsubordinated indebtedness. As of November 29, 2024, the carrying value of our senior notes was $5.63 billion and our maximum commitment for interest payments was $806 million for the remaining duration of our outstanding senior notes. Interest is payable semi-annually, in arrears. Our senior notes do not contain any financial covenants. *See Note 17 of our Notes to Consolidated Financial Statements for further details regarding our debt.*

During the first quarter of fiscal 2024, we reclassified the senior notes due February 1, 2025 as current debt in our Consolidated Balance Sheets. As of November 29, 2024, the carrying value of our current debt was $1.50 billion, net of the related discount and issuance costs. Though we intend to refinance the current portion of our debt on or before the due date, the timing of the refinancing may be impacted by market conditions.

Contractual Obligations

Our principal commitments consist of purchase obligations resulting from agreements to purchase goods and services in the ordinary course of business. As of November 29, 2024, the value of our non-cancellable unconditional purchase obligations was $5.79 billion, primarily relating to contracts with vendors for third-party hosting and data center services. *See Note 16 of our Notes to Consolidated Financial Statements for additional information regarding our purchase obligations.*

We lease certain facilities and data centers under non-cancellable operating lease arrangements that expire at various dates through 2034. As of November 29, 2024, the value of our obligations under operating leases was $463 million. *See Note 18 of our Notes to Consolidated Financial Statements for additional information regarding our lease obligations.*

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 December 2020, our Board of Directors granted authority to repurchase up to $15 billion in our common stock, which became fully utilized during fiscal 2024. In March 2024, our Board of Directors granted additional authority to repurchase up to $25 billion in our common stock through March 14, 2028.

During fiscal 2024, we entered into accelerated share repurchase agreements (“ASRs”) with large financial institutions whereupon we provided them with prepayments totaling $9.5 billion. Subsequent to November 29, 2024, as part of the March 2024 stock repurchase authority, we entered into stock repurchase arrangements with a large financial institution which totaled $3.25 billion, including a $2.75 billion ASR and a trading plan under which we may execute up to $500 million in open market repurchases.

See section titled “Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities” in Part II, Item 5 of this report for stock repurchases during the quarter ended November 29, 2024 and Note 14 of our Notes to 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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

All market risk sensitive instruments were entered into for non-trading purposes.

Foreign Currency Risk

Foreign Currency Exposures and Hedging Instruments

In countries outside the United States, we transact business in U.S. Dollars and various other currencies, which subject us to exposure from movements in exchange rates. We may use foreign exchange forward contracts and option contracts to hedge a portion of our forecasted foreign currency denominated revenue and expenses. Additionally, we hedge our net recognized foreign currency monetary assets and liabilities with foreign exchange forward contracts to reduce the risk that our earnings and cash flows will be adversely affected by changes in exchange rates.

Our significant foreign currency revenue exposures for fiscal 2024, 2023 and 2022 were as follows:

(in millions)	2024		2023		2022	
Euro	€	3,149	€	2,842	€	2,487
Japanese Yen	¥	144,800	¥	129,127	¥	118,456
British Pounds	£	887	£	818	£	737
Australian Dollars	$	1,064	$	973	$	876

As of November 29, 2024, the total notional amounts of all outstanding foreign exchange contracts were $5.89 billion, which included the notional equivalent of $2.73 billion in Euros, $791 million in Japanese Yen, $714 million in British Pounds, $609 million in Indian Rupees, $585 million in Australian Dollars, $386 million in Canadian dollars and $76 million in other foreign currencies. As of November 29, 2024, all contracts were set to expire at various dates through September 2026. The bank counterparties in these contracts could expose us to credit-related losses that would be largely mitigated with master netting arrangements with the same counterparty by permitting net settlement transactions. In addition, we enter into collateral security agreements that provide for collateral to be received or posted when the net fair value of these contracts fluctuates from contractually established thresholds.

A sensitivity analysis was performed on all of our foreign exchange derivatives as of November 29, 2024. This sensitivity analysis measures the hypothetical market value resulting from a 10% shift in the value of exchange rates relative to the U.S. Dollar. A 10% increase in the value of the U.S. Dollar and a corresponding decrease in the value of the hedged foreign currency asset would lead to an increase in the fair value of our financial hedging instruments by $434 million. A 10% decrease in the value of the U.S. Dollar would lead to a decrease in the fair value of these financial instruments by $434 million.

As a general rule, we do not use foreign exchange contracts to hedge local currency denominated operating expenses in countries where a natural hedge exists. For example, in many countries, revenue in the local currencies substantially offsets the local currency denominated operating expenses. We also have long-term investment exposures consisting of the capitalization and retained earnings in our non-U.S. Dollar functional currency foreign subsidiaries. As of November 29, 2024 and December 1, 2023, this long-term investment exposure totaled an absolute notional equivalent of $1.19 billion and $1.03 billion, respectively. At this time, we do not hedge these long-term investment exposures.

We do not use foreign exchange contracts for speculative trading purposes, nor do we hedge our foreign currency exposure in a manner that entirely offsets the effects of changes in foreign exchange rates. We regularly review our hedging program and assess the need to utilize financial instruments to hedge currency exposures on an ongoing basis.

Cash Flow Hedges of Forecasted Foreign Currency Revenue and Expenses

We may use foreign exchange purchased forward contracts or option contracts to hedge foreign currency revenue denominated in Euros, Japanese Yen, British Pounds, Australian Dollars and Canadian Dollars, or foreign currency expenses in Indian Rupees. We hedge these cash flow exposures to reduce the risk that our earnings and cash flows will be adversely affected by changes in exchange rates. These foreign exchange contracts, carried at fair value, have maturities of up to 24 months. We enter into these foreign exchange contracts to hedge forecasted revenue and expenses in the normal course of business and accordingly, they are not speculative in nature.

We record changes in fair value of these cash flow hedges of foreign currency denominated revenue and expenses in accumulated other comprehensive income (loss) in our Consolidated Balance Sheets, until the forecasted transaction occurs. When the forecasted transaction affects earnings, we reclassify the related gain or loss on the cash flow hedge to revenue or operating expenses, as applicable. In the event the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, we reclassify the gain or loss on the related cash flow hedge from accumulated other comprehensive income (loss) to revenue or operating expenses, as applicable. For the fiscal year ended November 29, 2024, there were no net gains or losses recognized in revenue or operating expenses relating to hedges of forecasted transactions that did not occur.

Non-Designated Hedges of Foreign Currency Assets and Liabilities

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 to reduce the risk that our earnings and cash flows will be adversely affected by changes in foreign currency exchange rates. These foreign exchange contracts are carried at fair value with changes in fair value of these contracts recorded to other income (expense), net in our Consolidated Statements of Income. These contracts reduce the impact of currency exchange rate movements on our assets and liabilities. At November 29, 2024, the outstanding balance sheet hedging derivatives had maturities of 180 days or less.

See Note 6 of our Notes to Consolidated Financial Statements for information regarding our derivative financial instruments.

Interest Rate Risk

Short-Term Investments and Fixed Income Securities

At November 29, 2024, we had debt securities classified as short-term investments of $273 million. Changes in interest rates could adversely affect the market value of these investments. A sensitivity analysis was performed on our short-term investment portfolio as of November 29, 2024, based on an estimate of the hypothetical changes in market value of the portfolio that would result from an immediate parallel shift in the yield curve. A 150 basis point increase in interest rates would lead to a $1 million decrease in the market value of our short-term investments. Conversely, a 150 basis point decrease in interest rates would lead to a $1 million increase in the market value of our short-term investments.

Senior Notes

As of November 29, 2024, we had $5.65 billion of senior notes outstanding which bear interest at fixed rates, and therefore do not subject us to financial statement risk associated with changes in interest rates. As of November 29, 2024, the total carrying amount of our senior notes was $5.63 billion and the related fair value based on observable market prices in less active markets was $5.51 billion.

See Note 17 of our Notes to Consolidated Financial Statements for information regarding our senior notes.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

All financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements and Notes thereto.

ADOBE INC.

CONSOLIDATED BALANCE SHEETS

(In millions, except par value)

	November 29, 2024	December 1, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,613	$ 7,141
Short-term investments	273	701
Trade receivables, net of allowances for doubtful accounts of $14 and of $16, respectively	2,072	2,224
Prepaid expenses and other current assets	1,274	1,018
Total current assets	11,232	11,084
Property and equipment, net	1,936	2,030
Operating lease right-of-use assets, net	281	358
Goodwill	12,788	12,805
Other intangibles, net	782	1,088
Deferred income taxes	1,657	1,191
Other assets	1,554	1,223
Total assets	$ 30,230	$ 29,779
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade payables	$ 361	$ 314
Accrued expenses	2,336	1,942
Debt	1,499	—
Deferred revenue	6,131	5,837
Income taxes payable	119	85
Operating lease liabilities	75	73
Total current liabilities	10,521	8,251
Long-term liabilities:		
Debt	4,129	3,634
Deferred revenue	128	113
Income taxes payable	548	514
Operating lease liabilities	353	373
Other liabilities	446	376
Total liabilities	16,125	13,261
Commitments and contingencies		
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; 441 and 455 shares outstanding, respectively	—	—
Additional paid-in capital	13,419	11,586
Retained earnings	38,470	33,346
Accumulated other comprehensive income (loss)	(201)	(285)
Treasury stock, at cost (160 and 146 shares, respectively)	(37,583)	(28,129)
Total stockholders' equity	14,105	16,518
Total liabilities and stockholders' equity	$ 30,230	$ 29,779

See accompanying Notes to Consolidated Financial Statements.

ADOBE INC.

CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share data)

	Years Ended		
	November 29, 2024	**December 1, 2023**	**December 2, 2022**
Revenue:			
Subscription	$ 20,521	$ 18,284	$ 16,388
Product	386	460	532
Services and other	598	665	686
Total revenue	21,505	19,409	17,606
Cost of revenue:			
Subscription	1,799	1,822	1,646
Product	25	29	35
Services and other	534	503	484
Total cost of revenue	2,358	2,354	2,165
Gross profit	19,147	17,055	15,441
Operating expenses:			
Research and development	3,944	3,473	2,987
Sales and marketing	5,764	5,351	4,968
General and administrative	1,529	1,413	1,219
Acquisition termination fee	1,000	—	—
Amortization of intangibles	169	168	169
Total operating expenses	12,406	10,405	9,343
Operating income	6,741	6,650	6,098
Non-operating income (expense):			
Interest expense	(169)	(113)	(112)
Investment gains (losses), net	48	16	(19)
Other income (expense), net	311	246	41
Total non-operating income (expense), net	190	149	(90)
Income before income taxes	6,931	6,799	6,008
Provision for income taxes	1,371	1,371	1,252
Net income	$ 5,560	$ 5,428	$ 4,756
Basic net income per share	$ 12.43	$ 11.87	$ 10.13
Shares used to compute basic net income per share	447	457	470
Diluted net income per share	$ 12.36	$ 11.82	$ 10.10
Shares used to compute diluted net income per share	450	459	471

See accompanying Notes to Consolidated Financial Statements.

ADOBE INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

	Years Ended		
	November 29, 2024	December 1, 2023	December 2, 2022
		Increase/(Decrease)	
Net income	$ 5,560	$ 5,428	$ 4,756
Other comprehensive income (loss), net of taxes:			
Available-for-sale securities:			
Unrealized gains / losses on available-for-sale securities	11	24	(39)
Reclassification adjustment for recognized gains / losses on available-for-sale securities	—	5	—
Net increase (decrease) from available-for-sale securities	11	29	(39)
Derivatives designated as hedging instruments:			
Unrealized gains / losses on derivative instruments	89	(12)	139
Reclassification adjustment for realized gains / losses on derivative instruments	17	(31)	(151)
Net increase (decrease) from derivatives designated as hedging instruments	106	(43)	(12)
Foreign currency translation adjustments	(33)	22	(105)
Other comprehensive income (loss), net of taxes	84	8	(156)
Total comprehensive income, net of taxes	$ 5,644	$ 5,436	$ 4,600

See accompanying Notes to Consolidated Financial Statements.

ADOBE INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In millions)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balances at December 3, 2021	601	$ —	$ 8,428	$ 23,905	$ (137)	(126)	$ (17,399)	$ 14,797
Net income	—	—	—	4,756	—	—	—	4,756
Other comprehensive income (loss), net of taxes	—	—	—	—	(156)	—	—	(156)
Re-issuance of treasury stock under stock compensation plans	—	—	—	(342)	—	3	102	(240)
Repurchases of common stock	—	—	—	—	—	(16)	(6,550)	(6,550)
Stock-based compensation	—	—	1,440	—	—	—	—	1,440
Value of shares in deferred compensation plan	—	—	—	—	—	—	4	4
Balances at December 2, 2022	601	$ —	$ 9,868	$ 28,319	$ (293)	(139)	$ (23,843)	$ 14,051
Net income	—	—	—	5,428	—	—	—	5,428
Other comprehensive income (loss), net of taxes	—	—	—	—	8	—	—	8
Re-issuance of treasury stock under stock compensation plans	—	—	—	(401)	—	5	126	(275)
Repurchases of common stock	—	—	—	—	—	(12)	(4,414)	(4,414)
Stock-based compensation	—	—	1,718	—	—	—	—	1,718
Value of shares in deferred compensation plan	—	—	—	—	—	—	2	2
Balances at December 1, 2023	601	$ —	$ 11,586	$ 33,346	$ (285)	(146)	$ (28,129)	$ 16,518
Net income	—	—	—	5,560	—	—	—	5,560
Other comprehensive income (loss), net of taxes	—	—	—	—	84	—	—	84
Re-issuance of treasury stock under stock compensation plans	—	—	—	(436)	—	4	120	(316)
Repurchases of common stock	—	—	—	—	—	(18)	(9,574)	(9,574)
Stock-based compensation	—	—	1,833	—	—	—	—	1,833
Balances at November 29, 2024	601	$ —	$ 13,419	$ 38,470	$ (201)	(160)	$ (37,583)	$ 14,105

See accompanying Notes to Consolidated Financial Statements.

ADOBE INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Years Ended		
	November 29, 2024	**December 1, 2023**	**December 2, 2022**
Cash flows from operating activities:			
Net income	$ 5,560	$ 5,428	$ 4,756
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	857	872	856
Stock-based compensation	1,833	1,718	1,440
Reduction of operating lease right-of-use assets	77	72	83
Lease-related asset impairments	78	—	—
Deferred income taxes	(468)	(426)	328
Unrealized losses (gains) on investments, net	(35)	(10)	29
Other non-cash items	10	3	10
Changes in operating assets and liabilities, net of acquired assets and assumed liabilities:			
Trade receivables, net	143	(159)	(198)
Prepaid expenses and other assets	(616)	(818)	(94)
Trade payables	44	(49)	66
Accrued expenses and other liabilities	196	146	7
Income taxes payable	68	(11)	19
Deferred revenue	309	536	536
Net cash provided by operating activities	8,056	7,302	7,838
Cash flows from investing activities:			
Purchases of short-term investments	(59)	—	(909)
Maturities of short-term investments	486	965	683
Proceeds from sales of short-term investments	11	223	270
Acquisitions, net of cash acquired	—	—	(126)
Purchases of property and equipment	(183)	(360)	(442)
Purchases of long-term investments, intangibles and other assets	(108)	(53)	(46)
Proceeds from sales of long-term investments and other assets	2	1	—
Net cash provided by (used for) investing activities	149	776	(570)
Cash flows from financing activities:			
Repurchases of common stock	(9,500)	(4,400)	(6,550)
Proceeds from re-issuance of treasury stock	361	314	278
Taxes paid related to net share settlement of equity awards	(677)	(589)	(518)
Proceeds from issuance of debt	1,997	—	—
Repayment of debt	—	(500)	—
Other financing activities, net	95	(7)	(35)
Net cash used for financing activities	(7,724)	(5,182)	(6,825)
Effect of foreign currency exchange rates on cash and cash equivalents	(9)	9	(51)
Net change in cash and cash equivalents	472	2,905	392
Cash and cash equivalents at beginning of year	7,141	4,236	3,844
Cash and cash equivalents at end of year	$ 7,613	$ 7,141	$ 4,236
Supplemental disclosures:			
Cash paid for income taxes, net of refunds	$ 1,727	$ 1,854	$ 778
Cash paid for interest	$ 143	$ 106	$ 103

See accompanying Notes to Consolidated Financial Statements.

ADOBE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Operations

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").

Basis of Presentation

The accompanying Consolidated Financial Statements include those of Adobe and its subsidiaries, after elimination of all intercompany accounts and transactions. We have prepared the accompanying Consolidated Financial Statements in accordance with generally accepted accounting principles in the United States ("GAAP") and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC").

Use of Estimates

In preparing the 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 Consolidated Financial Statements and accompanying Notes. Estimates are used for, but not limited to, sales allowances and programs, bad debts, stock-based compensation, determining the fair value of acquired assets and assumed liabilities, litigation and income taxes. Actual results may differ materially from these estimates.

Fiscal Year

Our fiscal year is a 52- or 53-week year that ends on the Friday closest to November 30. Fiscal years 2024, 2023 and 2022 were 52-week years.

Reclassifications

Certain prior year amounts, which are not material, have been reclassified to conform to current year presentation in the Notes to Consolidated Financial Statements.

Significant Accounting Policies

Revenue Recognition

Our revenue is derived from the sale of cloud-enabled software subscriptions, cloud-hosted offerings, term-based, royalty, and perpetual software licenses, associated software maintenance and support plans, consulting services, training and technical support. Most of our enterprise customer arrangements involve multiple promises to our customers.

Revenue is recognized when a contract exists between us and a customer and upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. We enter into contracts that can include various combinations of products and services, which may be capable of being distinct and accounted for as separate performance obligations, or in the case of offerings such as cloud-enabled Creative Cloud and Document Cloud, accounted for as a single performance obligation. Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

ADOBE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Subscription, Product and Services Offerings

We enter into revenue arrangements in which a customer may purchase a combination of our products, services and/or solutions as described above. Certain revenue arrangements provide customers with unilateral cancellation rights, or options to either renew monthly on-premise term-based licenses or use committed funds to purchase other Adobe products or services.

Fully hosted subscription services ("SaaS") allow customers to access hosted software during the contractual term without taking possession of the software. Cloud-hosted subscription services may be sold on a fee-per-subscription period basis or based on consumption or usage.

We recognize revenue ratably over the contractual service term, which typically ranges from 1 to 36 months, for hosted services that are priced based on a committed number of transactions where the delivery and consumption of the benefit of the services occur evenly over time, beginning on the date the services associated with the committed transactions are first made available to the customer and continuing through the end of the contractual service term. Over-usage fees and fees based on the actual number of transactions are billed in accordance with contract terms as these fees are incurred and are included in the transaction price of an arrangement as variable consideration. Fees based on a number of transactions, where invoicing is aligned to the pattern of performance, customer benefit and consumption, are typically accounted for utilizing the "as-invoiced" practical expedient. Revenue for subscriptions sold as a fee per period is recognized ratably over the contractual term as the customer simultaneously receives and consumes the benefit of the underlying service.

When cloud-enabled services are highly integrated and interrelated with on-premise software, such as in our cloud-enabled Creative Cloud and Document Cloud offerings, the individual components are not considered distinct and revenue is recognized ratably over the subscription period for which the cloud-enabled services are provided.

The subscription support plans related to those customer arrangements whose revenues we classify as subscription revenues represent stand-ready performance obligations. Revenue from these subscription support plans is recognized ratably over their respective contractual terms and classified as subscription revenue.

Licenses for on-premise software may be purchased on a perpetual basis, as a subscription for a fixed period of time or based on usage for certain of our original equipment manufacturer ("OEM") and royalty agreements. Revenue from non-cloud enabled on-premise licenses without unilateral cancellation rights or monthly renewal options is recognized at the point in time the software is available to the customer, provided all other revenue recognition criteria are met, and classified as product revenue on our Consolidated Statements of Income. Revenue from on-premise term license or term licensing arrangements with unilateral cancellation rights or monthly renewal options, and any associated maintenance and support, is classified as subscription revenue.

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. Our transaction-based advertising offerings, where fees are based on a number of impressions per month and invoicing is aligned to the pattern of performance, customer benefit and consumption, are typically accounted for utilizing the "as-invoiced" practical expedient.

Judgments

Our contracts with customers may include multiple goods and services. For example, some of our offerings include both on-premise and/or on-device software licenses and cloud services. Determining whether the software licenses and the cloud services are distinct from each other, and therefore performance obligations to be accounted for separately, or not distinct from each other, and therefore part of a single performance obligation, may require significant judgment. We have concluded that the on-premise/on-device software licenses and cloud services provided in our Creative Cloud and Document Cloud subscription offerings are not distinct from each other such that revenue from each offering should be recognized ratably over the subscription period for which the cloud services are provided. In reaching this conclusion, we considered the nature of our promise to Creative Cloud and Document Cloud customers, which is to provide a complete end-to-end creative design or document workflow solution that operates seamlessly across multiple devices and teams. We fulfill this promise by providing access to a solution that integrates cloud-based and on-premise/on-device features that, together through their integration, provide functionalities, utility and workflow efficiencies that could not be obtained from either the on-premise/on-device software or cloud services on their own.

Cloud-based features that are integral to our Creative Cloud and Document Cloud offerings and that work together with the on-premise/on-device software include, but are not limited to: Creative Cloud Libraries, which enable customers to access their work, settings, preferences and other assets seamlessly across desktop and mobile devices and collaborate across teams in real time; shared reviews which enable simultaneous editing and commenting of digital assets across desktop, mobile and web; automatic cloud rendering of a design which enables it to be worked on in multiple mediums; and Sensei, Adobe's cloud-hosted artificial intelligence and machine learning framework, which enables features such as automated photo-editing, photograph content-awareness, natural language processing, optical character recognition and automated document tagging.

Standalone selling price is established by maximizing the amount of observable inputs, primarily actual historical selling prices for performance obligations where available, and includes consideration of factors such as go-to-market model and geography. Individual products may have multiple values for standalone selling price depending on factors such as where they are sold and what channel they are sold through. Where standalone selling price may not be directly observable (e.g., the performance obligation is not sold separately), we maximize the use of observable inputs by using information that may include reviewing pricing practices, performance obligations with similar customers and selling models.

Capitalized costs to obtain a contract are amortized over the expected period of benefit, which we have determined, based on analysis, to be 5 years. We evaluated qualitative and quantitative factors to determine the period of amortization, including contract length, renewals, customer life and the useful lives of our products and acquired products. When the expected period of benefit of an asset which would be capitalized is less than one year, we expense the amount as incurred, utilizing the practical expedient. We regularly evaluate whether there have been changes in the underlying assumptions and data used to determine the amortization period.

When revenue arrangements include components of third-party goods and services, for example in transactions which involve resale, fulfillment or providing advertising impressions to our end customer, we evaluate whether we are the principal, and report revenues on a gross basis, or an agent, and report revenues on a net basis. In this assessment, we consider if we obtain control of the specified goods or services before they are transferred to the customer by evaluating indicators such as which party is primarily responsible for fulfilling the promise to provide the goods or services, which party has discretion in establishing price and the underlying terms and conditions between the parties to the transaction.

We offer limited rights of return, rebates and price protection of our products under various policies and programs with our distributors, resellers and/or end-user customers. We estimate and record reserves for these programs as variable consideration when estimating transaction price. Returns, rebates and other offsets to transaction price are estimated at contract inception on a portfolio basis and assessed for reasonableness each reporting period when additional information becomes available.

General Contract Provisions

We maintain revenue reserves for rebates, rights of return and other limited price adjustments. Distributors are allowed limited rights of return of products purchased during the previous quarter. In addition, distributors are allowed to return products that have reached the end of their lives, as defined by us, and for products that are being replaced by new versions. We offer rebates to our distributors, resellers and/or end-user customers. Transaction price is reduced for these amounts based on actual performance against objectives set forth by us for a particular reporting period, such as volume and timely reporting.

On a quarterly basis, the amount of revenue that is reserved is calculated based on our historical trends and data specific to each reporting period. The primary method of establishing these reserves is to review historical data from prior periods as a percent of revenue to determine a historical reserve rate. We then apply the historical rate to the current period revenue as a basis for estimating future returns. When necessary, we also provide a specific reserve in excess of portfolio-level estimated requirements. This estimate can be affected by the amount of a particular product in the channel, the rate of sell-through, product plans and other factors.

ADOBE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Although our subscription contracts are generally non-cancellable, a limited number of customers have the right to cancel their contracts by providing prior written notice to us of their intent to cancel the remainder of the contract term and consumers have a period of time to terminate certain agreements without penalty. In the event a customer cancels their contract, they are generally not entitled to a refund for prior services we have provided to them. Contracts that include termination rights without substantive penalty are accounted for as contracts only for the committed period. Periods of time after the right of termination are accounted for as optional purchases when they do not represent material rights. For certain of our usage-based license agreements, typically in our royalty and OEM businesses, reporting may be received after the end of a fiscal period. In such instances, we estimate and accrue license revenue. We base our estimates on multiple factors, including historical sales information, seasonality and other business information which may impact our estimates. We do not estimate variable consideration for our sales and usage-based license royalty agreements, consistent with the associated exception for sales and usage-based royalties for the license of intellectual property under the revenue recognition standard.

Property and Equipment

We record property and equipment at cost less accumulated depreciation and amortization. Property and equipment are depreciated using the straight-line method over their estimated useful lives, generally as follows: 3 to 20 years for computers and other equipment, which includes our corporate jet, 5 years for furniture and fixtures, 15 years for building improvements and 35 years for buildings. Leasehold improvements are amortized using the straight-line method over the lesser of the remaining respective lease term or estimated useful life of the asset.

Leases

We determine if an arrangement is or contains a lease at contract inception. In certain of our lease arrangements, primarily those related to our data center arrangements, judgment is required in determining if a contract contains a lease. For these arrangements, there is judgment in evaluating if the arrangement involves an identified asset that is physically distinct or whether we have the right to substantially all of the capacity of an identified asset that is not physically distinct. In arrangements that involve an identified asset, there is also judgment in evaluating if we have the right to direct the use of that asset.

We do not have any finance leases. Operating leases are recorded in our Consolidated Balance Sheets. Right-of-use assets and lease liabilities are measured at the lease commencement date based on the present value of the remaining lease payments over the lease term, determined using the discount rate for the lease at the commencement date. Because the rate implicit in our leases is not readily determinable, we use our incremental borrowing rate as the discount rate, which approximates the interest rate at which we could borrow on a collateralized basis with similar terms and payments and in similar economic environments. Our lease terms include optional periods to extend or terminate the lease when it is reasonably certain that the option will be exercised. Operating lease expense is recognized on a straight-line basis over the lease term. We generally account for lease and non-lease components, principally common area maintenance for our facilities leases, as a single lease component for our facilities and data center leases.

In accordance with accounting requirements, leases with an initial term of 12 months or less are recorded on the balance sheet, with lease expense for these leases recognized on a straight-line basis over the lease term.

Goodwill, Intangibles and Other Long-Lived Assets

Goodwill is assigned to one or more reporting units on the date of acquisition. We review our goodwill for impairment annually during our second quarter of each fiscal year and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of any one of our reporting units below its respective carrying amount. In performing our goodwill impairment test, we first perform a qualitative assessment, which requires that we consider events or circumstances including macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, changes in management or key personnel, changes in strategy, changes in customers, changes in the composition or carrying amount of a reporting unit’s net assets and changes in our stock price. If, after assessing the totality of events or circumstances, we determine that it is more likely than not that the fair values of our reporting units are greater than the carrying amounts, then the quantitative goodwill impairment test is not performed.

If the qualitative assessment indicates that the quantitative analysis should be performed, we then evaluate goodwill for impairment by comparing the fair value of each of our reporting units to its carrying value, including the associated goodwill. To determine the fair values, we use the equal weighting of the market approach based on comparable publicly traded companies in similar lines of businesses and the income approach based on estimated discounted future cash flows. Our cash flow assumptions consider historical and forecasted revenue, operating costs and other relevant factors.

We amortize intangible assets with finite lives over their estimated useful lives and review them for impairment whenever an impairment indicator exists. Amortization is based on the pattern in which the economic benefits of the intangible asset will be consumed or on a straight-line basis when the consumption pattern is not apparent.

We continually monitor events and changes in circumstances that could indicate that the carrying amounts of our long-lived assets, including our property and equipment, leases and intangible assets, may not be recoverable. When such events or changes in circumstances occur, we assess recoverability by determining whether the carrying value of such assets will be recovered through the undiscounted expected future cash flows. If the future undiscounted cash flows are less than the carrying amount of these assets, we recognize an impairment loss based on any excess of the carrying amount over the fair value of the assets.

Income Taxes

We use the asset and liability method of accounting for income taxes. Under this method, income tax expense is recognized for the amount of taxes payable or refundable for the current year. In addition, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for tax loss and credit carryforwards. Significant judgment is required in determining our current provision for income taxes and deferred tax assets or liabilities. We record a valuation allowance to reduce deferred tax assets to an amount for which realization is more likely than not.

Our assumptions, judgments and estimates relative to the current provision for income taxes take into account our interpretation and application of current tax laws and possible outcomes of current and future examinations conducted by domestic and foreign tax authorities. We have established reserves for income taxes to address potential exposures involving tax positions that could be challenged by tax authorities. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes and associated reserves. Our policy is to record interest and penalties related to unrecognized tax benefits in income tax expense.

Taxes Collected from Customers

We net taxes collected from customers against those remitted to government authorities in our financial statements. Accordingly, taxes collected from customers are not reported as revenue.

Treasury Stock

Prepayments made for repurchases of our common stock are classified as treasury stock on our Consolidated Balance Sheets and only shares physically delivered to us by each period end are excluded from the computation of net income per share.

We account for treasury stock under the cost method. When treasury stock is re-issued at a price higher than its cost, the difference is recorded as a component of additional paid-in capital in our Consolidated Balance Sheets. When treasury stock is re-issued at a price lower than its cost, the difference is recorded as a component of additional paid-in capital to the extent that there are previously recorded gains to offset the losses. If there are no treasury stock gains in additional paid-in capital, the losses upon re-issuance of treasury stock are recorded as a reduction of retained earnings in our Consolidated Balance Sheets.

Advertising Expenses

Advertising costs are expensed as incurred. Advertising expenses for fiscal 2024, 2023 and 2022 were $1.04 billion, $970 million and $1.04 billion, respectively.

Foreign Currency Translation

We translate assets and liabilities of foreign subsidiaries, whose functional currency is their local currency, at exchange rates in effect at the balance sheet date. We translate revenue and expenses at the monthly average exchange rates. We include accumulated net translation adjustments in stockholders' equity as a component of accumulated other comprehensive income (loss).

Derivative Financial Instruments

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 primarily in Euros, Japanese Yen, British Pounds, Indian Rupees, Australian Dollars and Canadian Dollars. Additionally, we hedge our net recognized foreign currency monetary assets and liabilities with foreign exchange forward contracts to reduce the risk that our earnings and cash flows will be adversely affected by changes in exchange rates.

We recognize all derivative instruments as either assets or liabilities in our Consolidated Balance Sheets and measure them at fair value. Gains and losses resulting from changes in fair value are accounted for depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. Contracts that do not qualify for hedge accounting are adjusted to fair value through earnings.

Gains and losses related to changes in the fair value of foreign exchange forward contracts which hedge certain balance sheet positions are recorded each period as a component of other income (expense), net in our Consolidated Statements of Income. Foreign exchange forward contracts and option contracts hedging forecasted foreign currency revenue and expenses and Treasury lock agreements are designated as cash flow hedges with gains and losses recorded net of tax as a component of accumulated other comprehensive income (loss) in our Consolidated Balance Sheets until the forecasted transaction occurs. When the forecasted transaction affects earnings, we reclassify the related gain or loss on the foreign currency revenue, foreign currency expense or Treasury lock cash flow hedge to revenue, operating expense or interest expense, as applicable.

Concentration of Risk

Financial instruments that potentially subject us to concentrations of credit risk are short-term fixed-income investments, structured repurchase transactions, foreign currency and interest rate hedge contracts and trade receivables.

Our investment portfolio consists of investment-grade securities diversified among security types, industries and issuers. Our cash and investments are held and primarily managed by recognized financial institutions that follow our investment policy. Our policy limits the amount of credit exposure to any one security issue or issuer and we believe no significant concentration of credit risk exists with respect to these investments.

We enter into master netting arrangements to mitigate credit risk in derivative transactions by permitting net settlement of transactions with the same counterparty. 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.

Credit risk in receivables is limited to OEMs, dealers and distributors of hardware and software products to the retail market, customers to whom we license software directly and our SaaS offerings. A credit review is completed for our new distributors, dealers and OEMs. We also perform ongoing credit evaluations of our customers' financial condition and require letters of credit or other guarantees, whenever deemed necessary. The credit limit given to the customer is based on our risk assessment of their ability to pay, country risk and other factors and is not contingent on the resale of the product or on the collection of payments from their customers. Certain contracts with advertising agencies contain sequential liability provisions, under which the agency is not required to pay until payment is received from the agency's customers. In these circumstances, we evaluate the credit-worthiness of the agency's customers in addition to the agency itself. If we license our software or provide SaaS services to a customer where we have a reason to believe the customer's ability and intention to pay is not probable, the arrangement is not considered to be a revenue contract. Accordingly, we will not recognize any consideration received as revenue until termination or substantive completion of the services.

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, changes in accounting pronouncements or recently adopted accounting guidance during fiscal 2024 that are of significance or potential significance to us.

NOTE 2. REVENUE

Segment Information

We report segment information based on the “management” approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of our reportable segments.

Our Chief Executive Officer, the chief operating decision maker, reviews revenue and gross margin information for each of our reportable segments, but does not review operating expenses on a segment by segment basis. In addition, with the exception of goodwill, we do not identify or allocate our assets by the reportable segments.

Our business is organized into the following reportable segments:

- *Digital Media*—Our Digital Media segment provides products and services that enable individuals, teams, businesses, and enterprises to create, publish and promote their content anywhere and accelerate their productivity by transforming how they view, share, engage with and collaborate on documents and creative content. Our customers include creative professionals, including photographers, video editors, graphic and experience designers and game developers; communicators, including content creators, students, marketers and knowledge workers; and consumers.

- *Digital Experience*—Our Digital Experience segment provides an integrated platform and set of products, services and solutions that enable businesses to create, manage, execute, measure, monetize and optimize customer experiences that span from analytics to commerce. Our customers include marketers, advertisers, agencies, publishers, merchandisers, merchants, web analysts, data scientists, developers and executives across the C-suite.

- *Publishing and Advertising*—Our Publishing and Advertising segment contains legacy products and services that address diverse market opportunities, including eLearning solutions, technical document publishing, web conferencing, document and forms platform, web app development, high-end printing and our Adobe Advertising offerings.

ADOBE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Our segment revenue and results for fiscal 2024, 2023 and 2022 were as follows:

(dollars in millions)	Digital Media	Digital Experience	Publishing and Advertising	Total
Fiscal 2024				
Revenue	$ 15,864	$ 5,366	$ 275	$ 21,505
Cost of revenue	680	1,589	89	2,358
Gross profit	$ 15,184	$ 3,777	$ 186	$ 19,147
Gross profit as a percentage of revenue	96 %	70 %	68 %	89 %
Fiscal 2023				
Revenue	$ 14,216	$ 4,893	$ 300	$ 19,409
Cost of revenue	665	1,603	86	2,354
Gross profit	$ 13,551	$ 3,290	$ 214	$ 17,055
Gross profit as a percentage of revenue	95 %	67 %	71 %	88 %
Fiscal 2022				
Revenue	$ 12,842	$ 4,422	$ 342	$ 17,606
Cost of revenue	561	1,502	102	2,165
Gross profit	$ 12,281	$ 2,920	$ 240	$ 15,441
Gross profit as a percentage of revenue	96 %	66 %	70 %	88 %

We generally categorize revenue by geographic area based on where the customer manages their utilization of our offerings. Revenue by geographic area for fiscal 2024, 2023 and 2022 were as follows:

(in millions)	2024	2023	2022
Americas:			
United States	$ 11,499	$ 10,460	$ 9,217
Other	1,392	1,194	1,034
Total Americas	12,891	11,654	10,251
EMEA	5,554	4,881	4,593
APAC	3,060	2,874	2,762
Revenue	$ 21,505	$ 19,409	$ 17,606

Revenue by major offerings in our Digital Media reportable segment for fiscal 2024, 2023 and 2022 were as follows:

(in millions)	2024	2023	2022
Creative Cloud	$ 12,682	$ 11,517	$ 10,459
Document Cloud	3,182	2,699	2,383
Total Digital Media revenue	$ 15,864	$ 14,216	$ 12,842

Subscription revenue by segment for fiscal 2024, 2023 and 2022 were as follows:

(in millions)	2024	2023	2022
Digital Media	$ 15,547	$ 13,838	$ 12,385
Digital Experience	4,864	4,331	3,880
Publishing and Advertising	110	115	123
Total subscription revenue	$ 20,521	$ 18,284	$ 16,388

Contract Balances

Trade Receivables

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. Timing of revenue recognition may differ from the timing of invoicing to customers. Certain performance obligations may require payment before delivery of the license or service to the customer. Included in trade receivables on the 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 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. As of December 1, 2023, the balance of trade receivables, net of allowances for doubtful accounts, was $2.22 billion, inclusive of unbilled receivables of $80 million.

Allowance for Doubtful Accounts

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 $14 million and $16 million as of November 29, 2024 and December 1, 2023, respectively.

Contract Assets

A contract asset is recognized when a conditional right to consideration exists and transfer of control has occurred. Contract assets are typically related to subscription and hosted service contracts where the transaction price allocated to the satisfied performance obligations exceeds the value of billings to date. 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 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 in fiscal 2024 and 2023. Contract assets were $248 million and $141 million as of November 29, 2024 and December 1, 2023, respectively.

Deferred Revenue and Remaining Performance Obligations

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. Customers are typically invoiced for these agreements in regular installments and revenue is recognized ratably over the contractual subscription period. The deferred revenue balance is influenced by several factors, including the compounding effects of renewals, invoice duration, invoice timing, size and new business linearity within the quarter. Deferred revenue does not represent the total contract value of annual or multi-year non-cancellable subscription agreements.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined our contracts generally do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our products and services, such as invoicing at the beginning of a subscription term with revenue recognized ratably over the contract period, and not to receive financing from our customers. Any potential financing fees are considered insignificant in the context of our contracts.

As of November 29, 2024, the balance of deferred revenue was $6.26 billion, which includes $83 million of refundable customer deposits. Refundable customer deposits represent arrangements in which the customer has a unilateral cancellation right for which we are obligated to refund amounts paid related to products or services not yet delivered or provided at the time of cancellation on a prorated basis. 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 December 1, 2023, the balance of deferred revenue was $5.95 billion. Significant movements in the deferred revenue balance during the period consisted of increases due to payments received prior to transfer of control of the underlying performance obligations to the customer, which were offset by decreases due to revenue recognized in the period. During the year ended November 29, 2024, approximately $5.87 billion of revenue was recognized that was included in the balance of deferred revenue as of December 1, 2023.

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. Transaction price allocated to remaining performance obligations is influenced by several factors, including the timing of renewals and average contract term. We applied practical expedients to exclude amounts related to performance obligations that are billed and recognized as they are delivered, optional purchases that do not represent material rights, sales and usage-based royalties not yet consumed and any estimated amounts of variable consideration that are subject to constraint.

Remaining performance obligations were approximately $19.96 billion as of November 29, 2024. Non-cancellable and non-refundable committed funds related to some of our enterprise customer agreements referred to in the paragraph 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.

Contract Acquisition Costs

We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. We have determined that certain sales incentive programs meet the requirements to be capitalized.

The costs capitalized are primarily sales commissions paid to our sales force personnel. Capitalized costs may also include portions of fringe benefits and payroll taxes associated with compensation for incremental costs to acquire customer contracts and incentive payments to partners.

Capitalized costs to obtain a contract are amortized over the expected period of benefit, which we have determined, based on analysis, to be 5 years. Amortization of capitalized costs are included in sales and marketing expense in our Consolidated Statements of Income. During fiscal 2024, 2023 and 2022, we amortized $272 million, $254 million and $238 million of capitalized contract acquisition costs into sales and marketing expense, respectively. We did not incur any impairment losses for all periods presented.

Capitalized contract acquisition costs were $717 million and $656 million as of November 29, 2024 and December 1, 2023, of which $464 million and $422 million was long-term and included in other assets in the Consolidated Balance Sheets, respectively. The remaining balance of the capitalized costs to obtain contracts was current and included in prepaid expenses and other current assets.

Refund Liabilities

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 on the Consolidated Balance Sheets. Refund liabilities were $141 million and $111 million as of November 29, 2024 and December 1, 2023, respectively.

Significant Customers

For all periods presented, there were no customers that represented at least 10% of net revenue or that were responsible for over 10% of our trade receivables.

NOTE 3. ACQUISITIONS

Figma

On September 15, 2022, we entered into a definitive merger agreement under which we intended to acquire Figma, Inc. ("Figma") for approximately $20 billion, comprised of approximately half cash and half stock.

On December 17, 2023, we entered into a mutual termination agreement with Figma to terminate the proposed merger. In accordance with the terms of the termination agreement, we paid Figma a termination fee of $1 billion. The termination fee was recorded in operating expenses in our Consolidated Statements of Income during fiscal 2024, and was not tax-deductible for financial statement purposes.

NOTE 4. 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 Consolidated Balance Sheets. Unrealized credit-related losses are recorded to other income (expense), net in our Consolidated Statements of Income with a corresponding allowance for credit-related losses in our Consolidated Balance Sheets. Gains and losses are determined using the specific identification method and recognized when realized in our Consolidated Statements of Income.

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

Cash, cash equivalents and short-term investments consisted of the following as of December 1, 2023:

(in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Current assets:				
Cash	$ 618	$ —	$ —	$ 618
Cash equivalents:				
Money market funds	6,498	—	—	6,498
Time deposits	25	—	—	25
Total cash equivalents	6,523	—	—	6,523
Total cash and cash equivalents	7,141	—	—	7,141
Short-term fixed income securities:				
Asset-backed securities	15	—	—	15
Corporate debt securities	438	—	(4)	434
U.S. agency securities	13	—	(1)	12
U.S. Treasury securities	247	—	(7)	240
Total short-term investments	713	—	(12)	701
Total cash, cash equivalents and short-term investments	$ 7,854	$ —	$ (12)	$ 7,842

See Note 5 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 November 29, 2024:

(in millions)	Estimated Fair Value
Due within one year	$ 269
Due between one and two years	4
Total	$ 273

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 fiscal 2024 and 2023, we did not recognize an allowance for credit-related losses on any of our investments.

NOTE 5. 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 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:				
Foreign currency derivatives	$ 9	$ —	$ 9	$ —
Other liabilities:				
Foreign currency derivatives	2	—	2	—
Total liabilities	$ 11	$ —	$ 11	$ —

The fair value of our financial assets and liabilities at December 1, 2023 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:				
Money market funds	$ 6,498	$ 6,498	$ —	$ —
Time deposits	25	25	—	—
Short-term investments:				
Asset-backed securities	15	—	15	—
Corporate debt securities	434	—	434	—
U.S. agency securities	12	—	12	—
U.S. Treasury securities	240	—	240	—
Prepaid expenses and other current assets:				
Foreign currency derivatives	52	—	52	—
Other assets:				
Deferred compensation plan assets	206	206	—	—
Total assets	$ 7,482	$ 6,729	$ 753	$ —
Liabilities:				
Accrued expenses:				
Foreign currency derivatives	$ 4	$ —	$ 4	$ —

See Note 4 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 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 $5.51 billion as of November 29, 2024, based on observable market prices in less active markets and categorized as Level 2. *See Note 17 for further details regarding our debt.*

NOTE 6. 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 on our 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 November 29, 2024 and December 1, 2023, total notional amounts of outstanding cash flow hedges were $5.51 billion and $2.83 billion, respectively, hedging exposures denominated in Euros, Japanese Yen, British Pounds, Indian Rupees, Australian Dollars and Canadian Dollars.

In June 2019, we entered into Treasury lock agreements with large financial institutions which fixed benchmark U.S. Treasury rates for an aggregate notional amount of $1 billion of our future debt issuance. These derivative instruments hedged the impact of changes in the benchmark interest rate to future interest payments and were settled upon debt issuance in the first quarter of fiscal 2020. We incurred a loss related to the settlement of the instruments which is amortized to interest expense over the term of our debt due February 1, 2030. *See Note 17 for further details regarding our debt.*

As of November 29, 2024, we had net derivative gains on our foreign currency cash flow hedges expected to be recognized within the next 36 months, of which $64 million of net gains are expected to be recognized into revenue within the next 12 months and $1 million of net losses are expected to be recognized into operating expenses within the next 12 months. We also had net derivative losses on our Treasury lock agreements, of which $3 million is expected to be recognized into interest expense within the next 12 months.

To receive hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedge, and the hedges must be highly effective in offsetting changes to future cash flows on hedged transactions. We record changes in fair value of these cash flow hedges in accumulated other comprehensive income (loss) in our Consolidated Balance Sheets, until the forecasted transaction occurs. When the forecasted transaction affects earnings, we reclassify the related gain or loss on the foreign currency revenue, foreign currency expense or Treasury lock cash flow hedge to revenue, operating expense or interest expense, as applicable. In the event the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, we reclassify the gain or loss on the related cash flow hedge from accumulated other comprehensive income (loss) to the same income statement line item as the hedged item. We evaluate hedge effectiveness at the inception of the hedge prospectively, and on an ongoing basis both retrospectively and prospectively. If we do not elect hedge accounting, or the contract does not qualify for hedge accounting treatment, the changes in fair value from period to period are recorded in the same income statement line item as the hedged item.

For fiscal 2024, 2023 and 2022, there were no net gains or losses recognized in income relating to hedges of forecasted transactions that did not occur.

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. The changes in fair value of these contracts are recorded to other income (expense), net in our Consolidated Statements of Income. Changes in the fair value of the underlying assets and liabilities associated with the hedged risk are generally offset by the changes in the fair value of the related contracts.

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. As of December 1, 2023, total notional amounts of outstanding contracts were $998 million, primarily hedging exposures denominated in Euros, Indian Rupees, British Pounds and Australian Dollars. At November 29, 2024 and December 1, 2023, the outstanding balance sheet hedging derivatives had maturities of 180 days or less.

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 for the current portion and other liabilities for the long-term portion on our Consolidated Balance Sheets. The fair value of derivative instruments as of November 29, 2024 and December 1, 2023 were as follows:

(in millions)	2024		2023	
	Fair Value Asset Derivatives	**Fair Value Liability Derivatives**	**Fair Value Asset Derivatives**	**Fair Value Liability Derivatives**
Derivatives designated as hedging instruments:				
Foreign exchange contracts	$ 128	$ 10	$ 43	$ —
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	1	1	9	4
Total derivatives	$ 129	$ 11	$ 52	$ 4

Gains (losses) on derivative instruments, net of tax, recognized in our Consolidated Statements of Comprehensive Income for fiscal 2024, 2023 and 2022 were as follows:

(in millions)	2024	2023	2022
Derivatives in cash flow hedging relationships:			
Foreign exchange contracts	$ 89	$ (12)	$ 139

The effects of derivative instruments on our Consolidated Statements of Income for fiscal 2024, 2023 and 2022 were as follows:

(in millions)	**Financial Statement Classification**	2024	2023	2022
Derivatives in cash flow hedging relationships:				
Foreign exchange contracts				
Net gain (loss) reclassified from accumulated OCI into income	Revenue	$ (20)	$ 41	$ 176
Net gain (loss) reclassified from accumulated OCI into income	Operating expenses	$ 4	$ (2)	$ —
Treasury lock				
Net gain (loss) reclassified from accumulated OCI into income	Interest expense	$ (5)	$ (5)	$ (4)
Derivatives not designated as hedging relationships:				
Foreign exchange contracts	Other income (expense), net	$ 3	$ 12	$ (29)

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment, net, consisted of the following as of November 29, 2024 and December 1, 2023:

(in millions)	2024	2023
Computers and other equipment	$ 1,405	$ 1,490
Buildings	1,067	1,069
Building improvements	561	591
Leasehold improvements	222	275
Furniture and fixtures	146	171
Land	163	163
Capital projects in-progress	27	2
Total	3,591	3,761
Less: Accumulated depreciation and amortization	(1,655)	(1,731)
Property and equipment, net	$ 1,936	$ 2,030

Depreciation and amortization expense of property and equipment for fiscal 2024, 2023 and 2022 was $239 million, $235 million and $189 million, respectively.

Property and equipment, net, by geographic area as of November 29, 2024 and December 1, 2023 was as follows:

(in millions)	2024	2023
Americas:		
United States	$ 1,651	$ 1,740
Other	1	1
Total Americas	1,652	1,741
EMEA	86	87
APAC	198	202
Property and equipment, net	$ 1,936	$ 2,030

NOTE 8. GOODWILL AND OTHER INTANGIBLES

Goodwill by reportable segment and activity was as follows:

(in millions)	Digital Media	Digital Experience	Publishing and Advertising	Total Goodwill
Balances at December 2, 2022	$ 3,889	$ 8,500	$ 398	$ 12,787
Foreign currency translation	1	17	—	18
Balances at December 1, 2023	$ 3,890	$ 8,517	$ 398	$ 12,805
Foreign currency translation	(1)	(16)	—	(17)
Balances at November 29, 2024	$ 3,889	$ 8,501	$ 398	$ 12,788

During the second quarter of fiscal 2024, we completed our annual goodwill impairment test associated with our reporting units and, based on the qualitative assessment, determined there was no impairment of goodwill. We did not identify any events or changes in circumstances since the performance of our annual goodwill impairment test that would require us to perform another goodwill impairment test during the fiscal year.

Other intangibles, net, as of November 29, 2024 and December 1, 2023 were as follows:

(dollars in millions)

	2024				2023		
	Gross Carrying Amount	Accumulated Amortization	Net	Weighted Average Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Net
Customer contracts and relationships	$ 1,203	$ (742)	$ 461	10	$ 1,204	$ (619)	$ 585
Purchased technology	877	(704)	173	6	984	(647)	337
Trademarks	372	(258)	114	9	376	(217)	159
Other	42	(8)	34	6	22	(15)	7
Other intangibles, net	$ 2,494	$ (1,712)	$ 782		$ 2,586	$ (1,498)	$ 1,088

Amortization expense related to other intangibles was $336 million, $375 million and $405 million for fiscal 2024, 2023 and 2022 respectively. Of these amounts, $167 million, $207 million and $236 million was included in cost of sales for fiscal 2024, 2023 and 2022 respectively. We did not recognize any intangible asset impairment charges for all periods presented.

Other intangibles are amortized over their estimated useful lives of 3 to 14 years. As of November 29, 2024, the estimated aggregate amortization expense for each of the five succeeding fiscal years was as follows:

(in millions)

Fiscal Year	Other Intangibles
2025	$ 309
2026	158
2027	116
2028	71
2029	67
Thereafter	61
Total expected amortization expense	$ 782

NOTE 9. ACCRUED EXPENSES

Accrued expenses as of November 29, 2024 and December 1, 2023 consisted of the following:

(in millions)	2024	2023
Accrued compensation and benefits	$ 646	$ 535
Accrued bonuses	575	547
Accrued corporate marketing	176	132
Derivative collateral liabilities	168	50
Refund liabilities	141	111
Sales and use taxes	121	122
Other	509	445
Accrued expenses	$ 2,336	$ 1,942

Other primarily includes general business accruals, accrued hosting fees and royalties payable.

NOTE 10. INCOME TAXES

Income before income taxes for fiscal 2024, 2023 and 2022 consisted of the following:

(in millions)	2024	2023	2022
Domestic	$ 4,160	$ 3,465	$ 1,958
Foreign	2,771	3,334	4,050
Income before income taxes	$ 6,931	$ 6,799	$ 6,008

The provision for income taxes for fiscal 2024, 2023 and 2022 consisted of the following:

(in millions)	2024	2023	2022
Current:			
United States federal	$ 1,292	$ 1,198	$ 465
Foreign	315	335	329
State and local	232	260	132
Total current	1,839	1,793	926
Deferred:			
United States federal	(580)	(556)	(45)
Foreign	179	227	360
State and local	(67)	(93)	11
Total deferred	(468)	(422)	326
Provision for income taxes	$ 1,371	$ 1,371	$ 1,252

Reconciliation of Provision for Income Taxes

Total income tax expense differed from the income tax expense computed at the U.S. federal statutory rate of 21% as a result of the following:

(in millions)	2024	2023	2022
Tax expense computed at U.S. federal statutory rate	$ 1,456	$ 1,428	$ 1,262
Effects of non-U.S. operations	(198)	(116)	(7)
Tax credits	(150)	(130)	(116)
Tax settlements	(85)	(14)	(14)
Stock-based compensation	(23)	29	—
Acquisition termination fee	210	—	—
State tax expense, net of federal benefit	139	132	113
Other	22	42	14
Provision for income taxes	$ 1,371	$ 1,371	$ 1,252

Deferred Tax Assets and Liabilities

The tax effects of the temporary differences that gave rise to significant portions of the deferred tax assets and liabilities as of November 29, 2024 and December 1, 2023 were as follows:

(in millions)	2024	2023
Deferred tax assets:		
Capitalized expenses	$ 1,625	$ 984
Credit carryforwards	343	366
Net operating loss and capital loss carryforwards	308	44
Intangible assets	117	320
Reserves and accruals	129	125
Operating lease liabilities	79	97
Stock-based compensation	66	65
Benefits relating to tax positions	64	68
Other	34	48
Total gross deferred tax assets	2,765	2,117
Valuation allowance	(725)	(405)
Total deferred tax assets	2,040	1,712
Deferred tax liabilities:		
Acquired intangible assets	180	263
Prepaid expenses	112	107
Depreciation and amortization	70	77
Operating lease right-of-use assets	52	89
Total deferred tax liabilities	414	536
Net deferred tax assets	$ 1,626	$ 1,176

Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for tax loss and credit carryforwards.

As of November 29, 2024, we had federal and state tax credit carryforwards of approximately $93 million and $308 million, respectively, as well as state net operating loss carryforwards of approximately $408 million. We also had federal and state capital loss carryforwards of $1.15 billion mainly from the Figma acquisition termination fee which was not deductible for financial statement purposes. The majority of the state tax credits can be carried forward indefinitely, and the remaining federal and state tax loss and credit carryforwards will expire in various years from fiscal 2025 through 2040. Certain tax loss and credit carryforwards are subject to an annual limitation and/or are reduced by a valuation allowance. The net carrying amount of such assets is expected to be fully realized.

In assessing the realizability of deferred tax assets, management determined that it is more likely than not that we will not fully realize certain available tax assets in domestic and foreign jurisdictions. Deferred tax assets are offset by a valuation allowance to the extent it is more likely than not that they are not expected to be realized. As of November 29, 2024, we continue to maintain a valuation allowance of $725 million primarily related to certain state credits and federal capital loss carryforwards. For fiscal 2024, the increase in the valuation allowance was $321 million, mainly related to the capital loss generated from the Figma acquisition termination fee.

As we repatriate foreign earnings for use in the United States, the distributions will generally be exempt from federal income taxes. As of November 29, 2024, the cumulative amount of foreign earnings considered permanently reinvested upon which taxes have not been provided, and the corresponding unrecognized deferred tax liability, was not material.

Accounting for Uncertainty in Income Taxes

During fiscal 2024 and 2023, the aggregate changes in our total gross amount of unrecognized tax benefits were as follows:

(in millions)	2024	2023
Beginning balance	$ 501	$ 321
Gross increases in unrecognized tax benefits – prior year tax positions	6	103
Gross decreases in unrecognized tax benefits – prior year tax positions	(10)	(9)
Gross increases in unrecognized tax benefits – current year tax positions	269	108
Lapse of statute of limitations	(63)	(14)
Tax settlements	(20)	(13)
Foreign exchange gains and losses	—	5
Ending balance	$ 683	$ 501

Our policy is to record interest and penalties related to uncertain tax positions within the provision for income taxes. As of November 29, 2024 and December 1, 2023, 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.

While we file federal, state and local income tax returns globally, our major tax jurisdictions are Ireland, California and the United States. We are subject to the examination of our income tax returns by various domestic and foreign tax authorities with 2020 being the earliest fiscal year open for examination in all of our major tax jurisdictions. We regularly assess the likelihood of outcomes resulting from examinations to determine the adequacy of our provision for income taxes and have reserved for potential adjustments that may result. 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.

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 $50 million over the next 12 months.

NOTE 11. BENEFIT PLANS

Retirement Savings Plan

The Adobe Inc. 401(k) Retirement Savings Plan, qualified under Section 401(k) of the Internal Revenue Code, is a retirement savings plan covering substantially all of our U.S. employees. Under the plan, eligible employees may contribute up to 65% of their pretax or after-tax salary, subject to the IRS annual contribution limits. In fiscal 2024, we matched 50% of the first 6% of the employee's eligible compensation. We contributed $91 million, $85 million and $76 million in fiscal 2024, 2023 and 2022, respectively. We are under no obligation to continue matching future employee contributions and, at our discretion, may change our practices at any time.

Deferred Compensation Plan

The Adobe Inc. Deferred Compensation Plan is an unfunded, non-qualified, deferred compensation arrangement under which certain executives are able to defer a portion of their annual compensation. Participants may elect to contribute up to 75% of their base salary and 100% of other specified compensation, including commissions and bonuses. Members of the Board of Directors are also eligible to participate and are able to defer their directors' fees and elect cash benefit distributions in the same manner as executives. Additionally, members of the Board are permitted to defer equity awards. Participants are able to elect the payment of benefits to begin on a specified date at least three years after the end of the plan year in which election is made or, with respect to equity awards, vests. For cash benefit elections, distributions are made in cash in the form of a lump sum, or five, ten, or fifteen-year annual installments. For equity award elections, distributions are made in stock in the form of a lump sum payment only.

Certain deferred compensation is invested in money market and other mutual funds and subsequently recorded as other assets on our Consolidated Balance Sheets, with corresponding unrealized holding gains and losses recorded as investment gains (losses) in our Consolidated Statements of Income. Undistributed deferred compensation is recorded as other liabilities on our Consolidated Balance Sheets.

As of November 29, 2024 and December 1, 2023, the invested amounts under the plan totaled $283 million and $206 million, respectively. As of November 29, 2024 and December 1, 2023, undistributed deferred compensation due to participants totaled $297 million and $222 million, respectively.

NOTE 12. STOCK-BASED COMPENSATION

Our stock-based compensation programs are long-term retention programs that are intended to attract, retain and provide incentives for employees, officers and directors, and to align stockholder and employee interests. We have the following stock-based compensation plans and programs:

Restricted Stock Units and Performance Share Programs

We grant restricted stock units and performance share awards to eligible employees under our 2019 Equity Incentive Plan (“2019 Plan”). Restricted stock units generally vest over four years. Certain grants have other vesting periods approved by the Executive Compensation Committee of our Board of Directors (the “ECC”).

As of November 29, 2024, we had reserved 69.0 million shares of our common stock for issuance under our 2019 Plan and had 34.3 million shares available for grant.

Our Performance Share Programs aim to help focus key employees on building stockholder value, provide significant award potential for achieving outstanding company performance and enhance our ability to attract and retain highly talented and competent individuals. The ECC approves the terms of each of our Performance Share Programs, including the award calculation methodology. In January 2024, the ECC approved the 2024 Performance Share Program.

Shares outstanding under our 2024, 2023 and 2022 Performance Share Programs may be earned based on the achievement of (i) an objective relative total stockholder return measured over a three-year performance period, as well as (ii) revenue-based financial metrics measured over three one-year performance periods. Each type of performance goal is weighted 50% and achievement of each performance goal is determined independently of the other. Shares associated with each performance goal are not awarded until the corresponding performance targets are defined.

Performance share awards in each of our 2024, 2023 and 2022 Performance Share Programs will cliff-vest upon the later of (i) the three-year anniversary of the earliest vesting commencement date in the respective Performance Share Program, or (ii) the ECC's certification of the level of achievement of the final performance period in the respective Performance Share Program, contingent upon the participant’s continued service. Participants can earn between 0% and 200% of the target number of performance shares.

As of November 29, 2024, the shares awarded under our 2024, 2023 and 2022 Performance Share Programs remained outstanding and unvested.

Employee Stock Purchase Plan

Our Employee Stock Purchase Plan (“ESPP”) allows eligible employee participants to purchase shares of our common stock at a discount through payroll deductions. The ESPP consists of twenty-four-month offering periods with four six-month purchase periods in each offering period. Employees purchase shares in each purchase period at 85% of the market value of our common stock at either the beginning of the offering period or the end of the purchase period, whichever price is lower. If the market value of our common stock at the end of a purchase period is lower than the market value at the beginning of the offering period, participants are rolled over into the subsequent offering, resulting in a reset of the offering price and the twenty-four month offering period.

The ESPP will continue until the earlier of termination by the Board of Directors or the date on which all of the shares available for issuance under the plan have been issued.

As of November 29, 2024, we had reserved 103.0 million shares of our common stock for issuance under the ESPP and approximately 8.4 million shares remain available for future issuance.

Issuance of Shares

Upon vesting of restricted stock units and performance shares or purchase of shares under the ESPP, we will issue treasury stock. If treasury stock is not available, common stock will be issued. In order to minimize the impact of ongoing dilution from issuance of shares, we instituted a stock repurchase program. *See Note 14 for information regarding our stock repurchase programs.*

Valuation of Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award.

Our restricted stock units are valued based on the fair market value of the award on the grant date. Our performance share awards which are contingent upon achievement of relative total stockholder return are valued using a Monte Carlo Simulation model. Our performance share awards which are contingent upon achievement of revenue-based financial metrics are valued based on the fair market value of the award on the grant date.

We use the Black-Scholes option pricing model to determine the fair value of ESPP purchase rights. The determination of the grant date fair value of our ESPP purchase rights is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include our expected stock price volatility over the expected term of the awards, actual and projected employee stock option exercise behaviors, a risk-free interest rate and any expected dividends.

Summary of Restricted Stock Units

Restricted stock unit activity for fiscal 2024 was as follows:

	Number of Shares (in millions)	**Weighted Average Grant Date Fair Value**	**Aggregate Fair Value [1]** (in millions)	**Weighted Average Remaining Contractual Life** (years)
Beginning outstanding balance	7.8	$ 418.63		
Awarded	3.2	$ 579.87		
Released	(3.5)	$ 451.27		
Forfeited	(0.5)	$ 451.39		
Ending outstanding balance	7.0	$ 473.28	$ 3,591	1.25
Expected to vest	6.5	$ 472.01	$ 3,331	1.20

(1) The aggregate fair value is calculated using the closing stock price as of November 29, 2024 of $515.93.

The weighted average grant date fair values of restricted stock units granted during fiscal 2024, 2023 and 2022 were $579.87, $376.83 and $457.96, respectively. The total fair value of restricted stock units vested during fiscal 2024, 2023 and 2022 was $1.87 billion, $1.71 billion and $1.30 billion, respectively.

ADOBE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Summary of Performance Shares

Performance share activity for fiscal 2024 was as follows:

	Number of Shares (in millions)	Weighted Average Grant Date Fair Value	Aggregate Fair Value [1] (in millions)	Weighted Average Remaining Contractual Life (years)
Beginning outstanding balance	0.5	$ 465.71		
Awarded	0.2	$ 645.40		
Released	(0.1)	$ 455.65		
Forfeited	(0.1)	$ 505.61		
Ending outstanding balance	0.5	$ 537.00	$ 256	1.11
Expected to vest	0.5	$ 534.75	$ 239	1.18

[1] The aggregate fair value is calculated using the closing stock price as of November 29, 2024 of $515.93.

Shares released during fiscal 2024 resulted from 83% achievement of target for the 2021 Performance Share Program, as certified by the ECC in the first quarter of fiscal 2024.

The weighted average grant date fair values of performance share awards granted during fiscal 2024, 2023 and 2022 were $645.40, $437.58 and $402.24, respectively. The total fair value of performance share awards vested during fiscal 2024, 2023 and 2022 was $63 million, $39 million and $192 million, respectively.

Summary of Employee Stock Purchase Plan Shares

Employees purchased 1.2 million shares at an average price of $298.53, 1.1 million shares at an average price of $286.31, and 0.8 million shares at an average price of $333.92 for fiscal 2024, 2023 and 2022, respectively. The intrinsic value of shares purchased during fiscal 2024, 2023 and 2022 was $324 million, $185 million and $73 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

We recognize the estimated compensation costs of restricted stock units, net of estimated forfeitures, on a straight-line basis over the requisite service period of the entire award, which is generally the vesting period. The estimated compensation cost is based on the fair value of our common stock on the date of grant.

Compensation costs for our performance share awards which are contingent upon achievement of relative total stockholder return are recognized, net of estimated forfeitures, on a straight-line basis over the requisite performance period or service period of the entire award, whichever is longer. Compensation costs for our performance share awards which are contingent upon achievement of revenue-based financial metrics are recognized, net of estimated forfeitures, based upon the expected levels of achievement, which are assessed periodically until certification by the ECC.

We estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate forfeitures and record stock-based compensation expense only for those awards that are expected to vest.

As of November 29, 2024, there was $2.93 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 2.19 years. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures.

Total stock-based compensation costs included in our Consolidated Statements of Income for fiscal 2024, 2023 and 2022 were as follows:

(in millions)	2024	2023	2022
Cost of revenue	$ 117	$ 115	$ 97
Research and development	932	874	726
Sales and marketing	535	495	417
General and administrative	249	234	200
Total [1]	$ 1,833	$ 1,718	$ 1,440

[1] During fiscal 2024, 2023 and 2022, we recorded tax benefits related to stock-based compensation costs of $372 million, $299 million and $291 million, respectively.

NOTE 13. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income (loss) and activity, net of related taxes, for fiscal 2024 were as follows:

(in millions)	December 1, 2023	Increase / Decrease	Reclassification Adjustments	November 29, 2024
Net unrealized gains / losses on available-for-sale securities	$ (12)	$ 11	$ — [1]	$ (1)
Net unrealized gains / losses on derivative instruments designated as hedging instruments	(26)	89	17 [2]	80
Cumulative foreign currency translation adjustments	(247)	(33)	—	(280)
Total accumulated other comprehensive income (loss), net of taxes	$ (285)	$ 67	$ 17	$ (201)

[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) were immaterial for the fiscal years presented.

NOTE 14. 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 December 2020, our Board of Directors granted authority to repurchase up to $15 billion in our common stock, which became fully utilized during fiscal 2024. In March 2024, our Board of Directors granted additional authority to repurchase up to $25 billion in our common stock through March 14, 2028.

During fiscal 2024, 2023 and 2022, we entered into accelerated share repurchase agreements (“ASRs”) with large financial institutions whereupon we provided them with prepayments totaling $9.5 billion, $1.4 billion and $2.4 billion, respectively. Under the terms of our ASRs, the financial institutions agree to deliver a portion of shares to us at contract inception and the remaining shares at settlement. The total number of shares delivered and average purchase price paid per share are determined upon settlement based on the Volume Weighted Average Price (“VWAP”) over the term of the ASR, less an agreed upon discount.

During fiscal 2023 and 2022, we also entered into structured stock repurchase agreements with large financial institutions whereupon we provided them with prepayments totaling $3 billion and $4.15 billion, respectively. Under the terms of these structured stock repurchase agreements, the financial institutions agree to deliver shares to us at monthly intervals during the respective contract terms, and the number of shares delivered each month are determined based on the total notional amount of the contracts, the number of trading days in the intervals and the VWAP during the intervals, less an agreed upon discount.

Share repurchase activities for fiscal 2024, 2023 and 2022 were as follows:

	Number of Shares Delivered (in millions)	Average Price Paid Per Share
Fiscal 2024		
Structured stock repurchase agreement entered into in fiscal 2023	0.6	$ 626.68
ASR entered into in December 2023	3.5	$ 578.11
ASR entered into in March 2024	5.2	$ 475.94
ASR entered into in June 2024	4.6	$ 546.30
ASR entered into in September 2024	3.6	$ — [1]
Total shares delivered	17.5	
Fiscal 2023		
Structured stock repurchase agreements entered into in fiscal 2023 and 2022	7.5	$ 429.65
ASR entered into in December 2022	4.0	$ 348.46
Total shares delivered	11.5	
Fiscal 2022		
Structured stock repurchase agreements entered into in fiscal 2022 and 2021	10.4	$ 375.03
ASR entered into in December 2021	5.3	$ 451.55
Total shares delivered	15.7	

(1) During fiscal 2024, we received the initial delivery of shares under the ASR entered into in September 2024, which remained outstanding as of November 29, 2024. Subsequent to November 29, 2024, the outstanding ASR was settled which resulted in total repurchases of 5.0 million shares at an average price of $501.37.

Prepayments for stock repurchases are classified as treasury stock, a component of stockholders' equity on our 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 November 29, 2024, a portion of the $2.5 billion prepayment under the ASR entered into in September 2024 was evaluated as an unsettled forward contract indexed to our own stock, classified within stockholders' equity.

Subsequent to November 29, 2024, as part of the March 2024 stock repurchase authority, we entered into stock repurchase arrangements with a large financial institution which totaled $3.25 billion, including a $2.75 billion ASR and a trading plan under which we may execute up to $500 million in open market repurchases. Under the ASR, we received an initial delivery of 4.5 million shares, which represents approximately 75% of our $2.75 billion prepayment.

NOTE 15. 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 fiscal 2024, 2023 and 2022:

(in millions, except per share data)	2024	2023	2022
Net income	$ 5,560	$ 5,428	$ 4,756
Shares used to compute basic net income per share	447.1	457.1	469.5
Dilutive potential common shares from stock plans and programs	2.6	2.0	1.4
Shares used to compute diluted net income per share	449.7	459.1	470.9
Basic net income per share	$ 12.43	$ 11.87	$ 10.13
Diluted net income per share	$ 12.36	$ 11.82	$ 10.10
Anti-dilutive potential common shares	1.9	2.7	4.2

NOTE 16. COMMITMENTS AND CONTINGENCIES

Unconditional Purchase Obligations

Our principal commitments consist of purchase obligations resulting from agreements to purchase goods and services in the ordinary course of business. The following table summarizes our non-cancellable unconditional purchase obligations for each of the next five years and thereafter as of November 29, 2024, primarily relating to contracts with vendors for third-party hosting and data center services:

(in millions) Fiscal Year	Purchase Obligations
2025	$ 1,523
2026	1,227
2027	1,269
2028	1,345
2029	416
Thereafter	9
Total	$ 5,789

Royalties

We have royalty commitments associated with the licensing of certain offerings and products. Royalty expense is generally based on a dollar amount per unit or a percentage of the underlying revenue. Royalty expense, which was recorded in our cost of revenue on our Consolidated Statements of Income, was approximately $259 million, $246 million and $228 million in fiscal 2024, 2023 and 2022, respectively.

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 November 29, 2024, 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.

ADOBE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 17. DEBT

The carrying value of our borrowings as of November 29, 2024 and December 1, 2023 were as follows:

(dollars in millions)	Issuance Date	Due Date	Effective Interest Rate	2024	2023
1.90% 2025 Notes	February 2020	February 2025	2.07%	$ 500	$ 500
3.25% 2025 Notes	January 2015	February 2025	3.67%	1,000	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	—
4.80% 2029 Notes	April 2024	April 2029	4.93%	750	—
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	—
Total debt outstanding, at par				$ 5,650	$ 3,650
Less: Current portion of debt, at par				(1,500)	—
Unamortized discount and debt issuance costs				(21)	(16)
Carrying value of long-term debt				$ 4,129	$ 3,634
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 2015, we issued $1 billion of senior notes due February 1, 2025. The related discount and issuance costs are amortized to interest expense over the term of the notes using the effective interest method. Interest is payable semi-annually, in arrears, on February 1 and August 1.

In February 2020, we issued $500 million of senior notes due February 1, 2025, $850 million of senior notes due February 1, 2027 and $1.30 billion of senior notes due February 1, 2030. The related discount and issuance costs are amortized to interest expense over the respective terms of the notes using the effective interest method. Interest is payable semi-annually, in arrears, on February 1 and August 1.

In April 2024, we issued $500 million of senior notes due April 4, 2027, $750 million of senior notes due April 4, 2029 and $750 million of senior notes due April 4, 2034. Our total proceeds were approximately $1.99 billion, net of an issuance discount of $3 million and total issuance costs of $9 million. The related discount and issuance costs are amortized to interest expense over the respective terms of the notes using the effective interest method. Interest is payable semi-annually, in arrears, on April 4 and October 4.

During the first quarter of fiscal 2024, we reclassified the senior notes due February 1, 2025 as current debt in our Consolidated Balance Sheets. As of November 29, 2024, the carrying value of our current debt was $1.50 billion, net of the related discount and issuance costs.

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 January 2015 and 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, which replaced our previous five-year $1 billion senior unsecured revolving credit agreement entered into in October 2018. 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. At our election, loans under the Revolving Credit Agreement will bear interest at either (i) term Secured Overnight Financing Rate (“SOFR”), plus a margin, (ii) adjusted daily SOFR, plus a margin, (iii) alternative currency rate, plus a margin, or (iv) base rate, which is defined as the highest of (a) the federal funds rate plus 0.50%, (b) the agent’s prime rate, or (c) term SOFR plus 1.00%. The margin for term SOFR, adjusted daily SOFR and alternative currency rate loans is based on our debt ratings, and ranges from 0.460% to 0.900%. In addition, facility fees determined according to our debt ratings are payable on the aggregate commitments, regardless of usage, quarterly in an amount ranging from 0.040% to 0.100% per annum. We are permitted to permanently reduce the aggregate commitment under the Revolving Credit Agreement at any time. Subject to certain conditions stated in the Revolving Credit Agreement, Adobe and any of its subsidiaries designated as additional borrowers may borrow, prepay and re-borrow amounts at any time during the term of the Revolving Credit Agreement.

The Revolving Credit Agreement contains customary representations, warranties, affirmative and negative covenants, including events of default and indemnification provisions in favor of the lenders. The negative covenants include restrictions regarding the incurrence of liens and indebtedness, certain merger transactions, dispositions and other matters, all subject to certain exceptions.

The facility will terminate and all amounts owing thereunder will be due and payable on the maturity date unless (a) the commitments are terminated earlier upon the occurrence of certain events, including an event of default, or (b) the maturity date is further extended upon our request, subject to the agreement of the lenders.

As of November 29, 2024, 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 November 29, 2024, there were no outstanding borrowings under the commercial paper program.

Term Loan Credit Agreement

In January 2023, we entered into a delayed draw term loan credit agreement (the “Term Loan Credit Agreement”), providing for a senior unsecured term loan of up to $3.5 billion for the purpose of partially funding the purchase price for our intended acquisition of Figma and the related fees and expenses. During fiscal 2024, we entered into a mutual termination agreement with Figma to terminate the previously announced merger agreement. Consequently, the Term Loan Credit Agreement was terminated. There were no outstanding borrowings under the Term Loan Credit Agreement at the time of termination.

NOTE 18. LEASES

We lease certain facilities and data centers under non-cancellable operating lease arrangements that expire at various dates through 2034. We also have one land lease that expires in 2091. Our lease agreements do not contain any material residual value guarantees, material variable payment provisions or material restrictive covenants.

Operating lease expense was $106 million, $117 million and $121 million for fiscal 2024, 2023 and 2022, respectively. We recognized operating lease expense in cost of revenue and operating expenses in our Consolidated Statements of Income. Our operating lease expense includes variable lease costs and is net of sublease income, both of which are not material.

During fiscal 2024, we recognized impairment charges of $78 million associated with the optimization of our leased facilities, primarily for operating lease right-of-use assets and leasehold improvements, which were recorded as general and administrative expenses. There was no impairment recognized in the other periods presented.

Supplemental cash flow information for fiscal 2024, 2023 and 2022 related to operating leases was as follows:

(in millions)	2024	2023	2022
Cash paid for amounts included in the measurement of operating lease liabilities	$ 85	$ 97	$ 107
Right-of-use assets obtained in exchange for operating lease liabilities	$ 62	$ 32	$ 59

The weighted-average remaining lease term and weighted-average discount rate for our operating lease liabilities as of November 29, 2024 were 6 years and 2.69%, respectively.

As of November 29, 2024, the maturities of lease liabilities under operating leases were as follows:

(in millions) **Fiscal Year**	Operating Leases
2025	$ 85
2026	83
2027	83
2028	70
2029	52
Thereafter	90
Total lease liabilities	$ 463
Less: Imputed interest	(35)
Present value of lease liabilities	$ 428

NOTE 19. NON-OPERATING INCOME (EXPENSE)

Non-operating income (expense) for fiscal 2024, 2023 and 2022 included the following:

(in millions)	2024	2023	2022
Interest expense	$ (169)	$ (113)	$ (112)
Investment gains (losses), net:			
Realized investment gains	$ 12	$ 6	$ 11
Realized investment losses	—	—	(1)
Unrealized investment gains (losses), net	36	10	(29)
Investment gains (losses), net	$ 48	$ 16	$ (19)
Other income (expense), net:			
Interest income	$ 341	$ 269	$ 61
Foreign exchange gains (losses)	(29)	(17)	(21)
Realized losses on fixed income investments	(1)	(7)	—
Other	—	1	1
Other income (expense), net	$ 311	$ 246	$ 41
Non-operating income (expense), net	$ 190	$ 149	$ (90)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Adobe Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Adobe Inc. and subsidiaries (the Company) as of November 29, 2024 and December 1, 2023, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the fiscal years in the three fiscal year period ended November 29, 2024, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of November 29, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of November 29, 2024 and December 1, 2023, and the results of its operations and its cash flows for each of the fiscal years in the three fiscal year period ended November 29, 2024, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 29, 2024 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Performance obligations in cloud-enabled software subscriptions

As discussed in Note 1 to the consolidated financial statements, cloud-enabled services are highly integrated and interrelated with on-premise or on-device software licenses in the Company's Creative Cloud and Document Cloud subscription offerings. Because of this, the cloud-based services and the on-premise/on-device software licenses are not considered distinct from each other and the applicable subscription is accounted for as a single performance obligation.

We identified the assessment of performance obligations in these cloud-enabled software subscription offerings as a critical audit matter. A high degree of subjective auditor judgment was required to assess the nature of the Company's Creative Cloud and Document Cloud offerings, their intended benefit to customers as an integrated offering, and the level of integration that exists between the cloud-enabled services and the on-premise/on-device licenses.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of an internal control related to the assessment of distinct performance obligations. We read the Creative Cloud and Document Cloud subscription offering agreements to understand the contractual terms and conditions. We participated in product demonstrations and performed interviews with the Company's product and engineering department to both understand and observe specific functionalities of the integrated offering and evaluate the nature of the promise made to the Company's Creative Cloud and Document Cloud customers. We evaluated the features and functionalities of the Creative Cloud and Document Cloud subscription that can be accessed only when using the on-premise/on-device software while connected to the Adobe cloud to assess that customers receive the intended benefit from each solution only as an integrated offering.

/s/ KPMG LLP

We have served as the Company's auditor since 1983.

Santa Clara, California
January 13, 2025

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of November 29, 2024. Based on their evaluation as of November 29, 2024, 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 Annual Report on Form 10-K 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.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors 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.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our management assessed the effectiveness of our internal control over financial reporting as of November 29, 2024. In making this assessment, our management used the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our management has concluded that, as of November 29, 2024, our internal control over financial reporting is effective based on these criteria.

KPMG LLP, the independent registered public accounting firm that audited our financial statements included in this Annual Report on Form 10-K, has issued an attestation report on our internal control over financial reporting, which is included herein.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended November 29, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On January 9, 2025, Brett Biggs notified the Board of Directors of the Company (the "Board") that he has decided not to stand for re-election at the Company's 2025 Annual Meeting of Stockholders (the "Annual Meeting") but will serve out his term as a director until the Annual Meeting. The Board expresses its gratitude for Mr. Biggs, and his decision was not due to any disagreement with the Company or any refusal to stand for re-election.

Trading Arrangements

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item 10 of Form 10-K that is found in our 2025 Proxy Statement to be filed with the SEC in connection with the solicitation of proxies for Adobe’s 2025 Annual Meeting of Stockholders (“2025 Proxy Statement”) is incorporated herein by reference to our 2025 Proxy Statement. The 2025 Proxy Statement will be filed with the SEC within 120 days after the end of the fiscal year to which this report relates.

For information with respect to our executive officers, see the section titled “Executive Officers” in Part I, Item 1 of this report.

Adobe has an insider trading policy governing the purchase, sale and other dispositions of Adobe’s securities that applies to all personnel of Adobe and its subsidiaries, including directors, officers and employees and other covered persons, as well as Adobe itself. Adobe believes that its insider trading policy is reasonably designed to promote compliance with insider trading laws, rules and regulations, as well as applicable listing standards. A copy of Adobe’s insider trading policy is filed as Exhibit 19.1 to this report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 of Form 10-K is incorporated herein by reference to our 2025 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 of Form 10-K is incorporated herein by reference to our 2025 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 of Form 10-K is incorporated herein by reference to our 2025 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item 14 of Form 10-K is incorporated herein by reference to our 2025 Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

1. Financial Statements. See Index to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

		Incorporated by Reference				
Exhibit Number	Exhibit Description	Form	Filing Date	Exhibit Number	SEC File No.	Filed Herewith
2.1	Agreement and Plan of Merger, dated as of September 15, 2022, by and among Adobe Inc., Figma, Inc., Saratoga Merger Sub I, Inc., Saratoga Merger Sub II, LLC and Fortis Advisors LLC	8-K	9/15/22	2.1	000-15175	
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	Specimen Common Stock Certificate	10-K	1/25/19	4.1	000-15175	
4.2	Form of Indenture dated as of January 25, 2010 by and between Adobe and Wells Fargo Bank, National Association, as trustee	S-3	2/26/16	4.1	333-209764	
4.3	Forms of Global Note for Adobe Inc.'s 1.700% Notes due 2023, 1.900% Notes due 2025, 2.150% Notes due 2027, and 2.300% Notes due 2030, together with an Officer's Certificate setting forth the terms of the Notes	8-K	2/3/20	4.1	000-15175	
4.4	Form of Global Note for Adobe's 3.250% Notes due 2025, together with Form of Officer's Certificate setting forth the terms of the Note	8-K	1/26/15	4.1	000-15175	
4.5	Forms of Global Note for Adobe Inc.'s 4.850% Notes due 2027, 4.800% Notes due 2029, and 4.950% Notes due 2034, together with an Officer's Certificate setting forth the terms of the Notes	8-K	4/4/24	4.1	000-15175	
4.6	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	10-K	1/17/24	4.5	000-15175	
10.1	2020 Employee Stock Purchase Plan, as amended*	10-K	1/15/21	10.1	000-15175	
10.2A	2019 Equity Incentive Plan, as amended*	8-K	4/19/24	10.1	000-15175	
10.2B	2022 Performance Share Program, as amended and restated*	8-K	1/26/23	10.4	000-15175	
10.2C	Form of 2022 Performance Share Award Grant Notice and Award Agreement pursuant to 2022 Performance Share Program*	8-K	1/27/22	10.3	000-15175	
10.2D	2023 Performance Share Program*	8-K	1/26/23	10.2	000-15175	
10.2E	Form of 2023 Performance Share Award Grant Notice and Award Agreement pursuant to 2023 Performance Share Program*	8-K	1/26/23	10.3	000-15175	
10.2F	2024 Performance Share Program*	8-K	1/26/24	10.2	000-15175	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	Filing Date	Exhibit Number	SEC File No.	
10.2G	Form of 2024 Performance Share Award Grant Notice and Award Agreement pursuant to 2024 Performance Share Program*	8-K	1/26/24	10.3	000-15175	
10.2H	Form of Restricted Stock Unit Grant Notice and Award Agreement pursuant to 2019 Equity Incentive Plan, as amended*					X
10.2I	Form of Non-Employee Director Grant Restricted Stock Unit Grant Notice and Award Agreement pursuant to 2019 Equity Incentive Plan, as amended*					X
10.3	Retention Agreement between Adobe and Shantanu Narayen, effective December 5, 2014*	8-K	12/11/14	10.2	000-15175	
10.4	Form of Indemnity Agreement*	10-K	1/17/24	10.5	000-15175	
10.5A	Adobe Deferred Compensation Plan, as amended and restated*	10-K	1/20/15	10.19	000-15175	
10.5B	Amendment No. One to Adobe Deferred Compensation Plan, as amended and restated*	10-K	1/21/20	10.6B	000-15175	
10.6	Credit Agreement, dated as of June 30, 2022, among the Company, certain subsidiaries of the Company party thereto, Bank of America, N.A. as Administrative Agent and the other lenders party thereto	8-K	7/1/22	10.1	000-15175	
10.7	Adobe Inc. 2023 Executive Severance Plan in the Event of a Change of Control*	8-K	12/13/23	10.1	000-15175	
10.8	2024 Executive Annual Incentive Plan*	8-K	1/26/24	10.4	000-15175	
10.9	2023 and 2024 Non-Employee Director Compensation Policy*	10-K	1/17/23	10.11	000-15175	
10.10	2025 and 2026 Non-Employee Director Compensation Policy*					X
10.11	Form of Commercial Paper Dealer Agreement between the Company, as issuer, and the applicable Dealer party thereto.	8-K	9/14/23	10.1	000-15175	
10.12	Termination Agreement, dated as of December 17, 2023, by and among Adobe Inc., Saratoga Merger Sub I, Inc., Saratoga Merger Sub II, LLC and Figma, Inc.	8-K	12/18/23	10.1	000-15175	
19.1	Adobe Inc. Insider Trading Policy					X
21.1	Subsidiaries of the Registrant					X
23.1	Consent of Independent Registered Public Accounting Firm, KPMG LLP					X
24.1	Power of Attorney (set forth on the signature page to this Annual Report on Form 10-K)					X
31.1	Certification of Chief Executive Officer, as required by Rule 13a-14(a) of the Securities Exchange Act of 1934					X

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date	Exhibit Number	SEC File No.	Filed Herewith
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
97	Adobe Inc. Incentive Compensation Recovery Policy*	10-K	1/17/24	97	000-15175	
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 Annual Report on Form 10-K, 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-K, irrespective of any general incorporation language contained in such filing.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: January 13, 2025

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Shantanu Narayen and Daniel Durn, and each or any one of them, his or her lawful attorneys-in-fact and agents, for such person in any and all capacities, to sign any and all amendments to this report and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that either of said attorneys-in-fact and agent, or substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ SHANTANU NARAYEN Shantanu Narayen	Chair of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	January 13, 2025
/s/ DANIEL DURN Daniel Durn	Chief Financial Officer and Executive Vice President, Finance, Technology, Security and Operations (Principal Financial Officer)	January 13, 2025
/s/ JILLIAN FORUSZ Jillian Forusz	Senior Vice President, Chief Accounting Officer and Corporate Controller (Principal Accounting Officer)	January 13, 2025
/s/ FRANK CALDERONI Frank Calderoni	Director	January 13, 2025
/s/ CRISTIANO AMON Cristiano Amon	Director	January 13, 2025

Signature	Title	Date
/s/ AMY BANSE Amy Banse	Director	January 13, 2025
/s/ BRETT BIGGS Brett Biggs	Director	January 13, 2025
/s/ MELANIE BOULDEN Melanie Boulden	Director	January 13, 2025
/s/ LAURA DESMOND Laura Desmond	Director	January 13, 2025
/s/ SPENCER NEUMANN Spencer Neumann	Director	January 13, 2025
/s/ KATHLEEN OBERG Kathleen Oberg	Director	January 13, 2025
/s/ DHEERAJ PANDEY Dheeraj Pandey	Director	January 13, 2025
/s/ DAVID RICKS David Ricks	Director	January 13, 2025
/s/ DAN ROSENSWEIG Dan Rosensweig	Director	January 13, 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-K:

Acrobat
Acrobat AI Assistant
Acrobat Reader
Acrobat Sign
Adobe
Adobe Audition
Adobe Campaign
Adobe Commerce
Adobe Experience Cloud
Adobe Express
Adobe Firefly
Adobe Fonts
Adobe Fresco
Adobe GenStudio
Adobe Mix Modeler
Adobe Premiere
Adobe Scan
Adobe Sensei
Adobe Stock
Adobe Target
After Effects
Behance
Camera to Cloud
Creative Cloud
Document Cloud
Frame.io
Illustrator
InCopy
InDesign
Journey Optimizer
Lightroom
Marketo Engage
Photoshop
PostScript
Premiere Pro
Reader
Sensei
Substance 3D
Substance 3D Designer
Substance 3D Modeler
Substance 3D Painter
Substance 3D Sampler
Substance 3D Stager
Workfront

All other trademarks are the property of their respective owners.