

MIKE SAVIAGE

Good afternoon and thank you for joining us today. Joining me on the call are Adobe's President and CEO, Shantanu Narayen; Mark Garrett, Executive Vice President and CFO; and David Wadhvani, Senior Vice President and General Manager, Digital Media.

In the call today, we will discuss Adobe's second quarter fiscal year 2015 financial results. We will also review announcements made earlier today regarding our latest Creative Cloud release, and our new Adobe Stock offering. By now, you should have a copy of our earnings press release which crossed the wire approximately one hour ago. We've also posted PDFs of our earnings call prepared remarks and slides, our financial targets and an updated investor datasheet on Adobe.com. If you would like a copy of these documents, you can go to the Investor Relations page and find them listed under Quick Links.

Financial Disclaimer

Some of the information discussed in this presentation, particularly our revenue, subscription and operating model targets, and our forward-looking product plans, is based on information as of today, June 16, 2015, and contains forward-looking statements that involve risk and uncertainty. Actual results may differ materially from those set forth in such statements.

For a discussion of these risks and uncertainties, you should review the Forward-Looking Statements Disclosure in our press release issued today, and Adobe's SEC filings, including our annual report on Form 10-K for fiscal 2014, and our quarterly reports filed on Form 10-Q in fiscal 2015.

During this presentation, we will discuss non-GAAP financial measures. The GAAP financial measures that correspond to non-GAAP financial measures, as well as the reconciliation between the two, are available on our [Website](#).

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Before we get started, we want to emphasize that some of the information discussed in this call, particularly our revenue and operating model targets, and our forward-looking product plans, is based on information as of today, June 16th, 2015, and contains forward-looking statements that involve risk and uncertainty. Actual results may differ materially from those set forth in such statements. For a discussion of these risks and uncertainties, you should review the Forward-Looking Statements Disclosure in the earnings press release and financial targets document we issued today, as well as Adobe's SEC filings.

During this call, we will discuss GAAP and non-GAAP financial measures. A reconciliation between the two is available in our financial targets document and in our updated investor datasheet on Adobe's Investor Relations website.

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I will now turn the call over to Shantanu.



SHANTANU NARAYEN

Adobe delivered strong results in Q2, with revenue of 1 billion 162 million dollars and non-GAAP earnings per share of 48 cents. Momentum across our Creative Cloud, Document Cloud and Marketing Cloud businesses drove these results.

As digital continues to disrupt industries, Adobe is uniquely positioned to help brands, media companies, government agencies and educational institutions create digital experiences that are unique, relevant, and effective across every touch point. We are the only company with the vision and assets to address the entire content lifecycle – from creation and delivery, to optimization and monetization. We are accelerating the pace of innovation in each of our Cloud offerings, and customers are looking to us to provide a complete, integrated platform for their digital transformation.



Adobe Marketing Cloud is the industry's most comprehensive offering. We had strong bookings in Q2 and reported revenue of \$327 million, representing 15 percent year-over-year growth.

We continued to drive Adobe Marketing Cloud adoption across all eight solutions in Q2, and saw a significant uptick in customers acquiring multiple solutions. In fact, two thirds of our top customers this quarter licensed multiple solutions. Key customer wins included Saks & Co, The Gap, DirecTV, Fox Entertainment and Canadian Imperial Bank of Commerce.

The breadth of Adobe Marketing Cloud has been extended with two new solutions, Adobe Audience Manager and Adobe Primetime. Adobe Audience Manager is a data management platform that integrates online and offline data, enabling marketers to create and target audience segments in their multi-channel campaigns. Adobe Primetime is a multiscreen TV platform that helps broadcasters, cable networks and service providers create and monetize engaging and personalized TV and film experiences. Primetime has emerged as the global leader in powering TV content across screens, including over-the-top devices such as Apple TV and Roku, and we're partnering with content owners, programmers and pay-TV providers such as Major League Baseball Advanced Media to offer innovative programming across all screens.

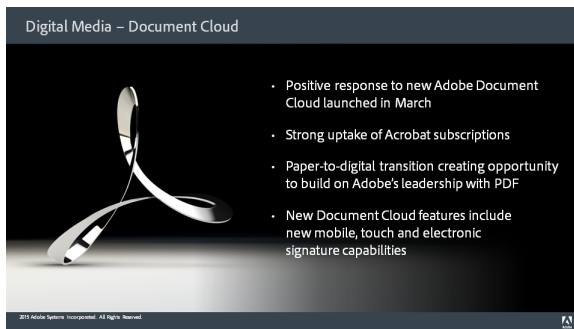
The integration of the creative and marketing workflow is a unique differentiator for Adobe Marketing Cloud. In Q2, we announced a common asset management foundation across Adobe Marketing Cloud and Creative Cloud, which will make it easier and more efficient for creative and marketing teams to work together.

In Q2 we acquired Tumri's advertising technology to add dynamic creative optimization to Adobe Media Optimizer, extending Adobe's lead in the programmatic advertising space.

We continue to build a vibrant ecosystem of industry partners for Adobe Marketing Cloud. In Q2 we announced a strategic partnership with Microsoft to integrate Adobe Marketing Cloud into Microsoft's Dynamics CRM to help enterprises better engage with customers.

Our Digital Marketing events around the world provide inspiration, education and networking opportunities for leading brands and marketers around the world. In Q2, the Digital Marketing Summits in Salt Lake City, London, and New Delhi were all sold out, and this summer, we will host thousands more at our Digital Marketing Symposia in Sydney and Singapore.

Industry analysts continue to recognize our solutions as market-leading in their categories. In April, Gartner recognized Adobe's leadership in its 2015 Magic Quadrant for Multichannel Campaign Management.



In Digital Media, we launched the Document Cloud in March, and early response has been positive. We saw strong Acrobat DC subscription uptake during the quarter. As the paper-to-digital transition continues, Adobe has a tremendous opportunity to capitalize on our leadership with the PDF and Acrobat franchise. Document Cloud features new mobile and touch capabilities, and has built-in electronic signature tools for all users.

We reported Document Cloud revenue of \$197 million in Q2, and exited the quarter with \$329 million of Document Cloud Annualized Recurring Revenue, or "ARR".

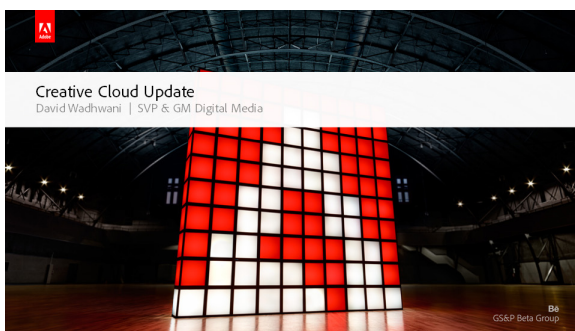


Creative Cloud continues to be the preeminent destination for Creatives. We are migrating customers from our Creative Suite installed base as well as attracting new users. In Q2, Creative ARR surpassed the 2 billion dollar mark, driven by strong adoption across our Individual, Team and Enterprise offerings. Net new Creative Cloud subscriptions grew by 639 thousand in the quarter to over 4.6 million, and represents 38% year-over-year growth.

Across our Creative and Document Cloud businesses, total Digital Media ARR grew to \$2.35 billion as of the end of Q2.

Today we launched our 2015 release of Creative Cloud, featuring innovation in desktop and mobile apps, and Creative Sync technology to enable seamless integration between the two. We unveiled Adobe Stock, a new service that enables Creatives to buy and sell stock content as part of the Creative Cloud experience. Now I would like to turn it over to David to provide an update on our Creative Cloud strategy and more details on today's announcements.

David.



DAVID WADHWANI






Thanks Shantanu. Our Creative Cloud strategy focuses on three growth drivers: the continued migration of Creative Suite customers to Creative Cloud; the expansion of our market through tiered offerings that attract new customers; and the introduction of value-added services that increase ARPU. We are executing well in each of these areas.

Our strategy to migrate Creative Suite customers to Creative Cloud is working. We are delivering constant innovation in our Creative Cloud desktop apps; we are expanding our family of connected mobile apps; and we are delivering powerful, integrated asset management capabilities that connect our mobile and desktop app workflows. These cross device workflows are resonating with our customers and have been improving both trial conversion and customer retention.

In addition to migration, we are successfully attracting new customers to Creative Cloud through our family of mobile apps and the Creative Cloud Photography Plan (“CCP”). In Q2 we delivered a milestone release of CCP featuring a simplified user experience and new mobile features. CCP is ideal for all photographers and a large percentage of the subscribers are first time Adobe customers.

Finally we remain focused on expanding the value of Creative Cloud through services that drive stickiness, conversion and increased ARPU. Today's introduction of Adobe Stock builds on our Creative Marketplace and represents an estimated 3 billion dollars of incremental addressable market.

Creative Cloud 2015 Release

<p>Unified experience across desktop and mobile</p>  <ul style="list-style-type: none"> • New Adobe magic • Up to 10X faster performance • Connects and extends desktop features to mobile apps 	<p>Constant access to creative assets</p>  <ul style="list-style-type: none"> • Exclusive CreativeSync technology to intelligently synch creative assets • Users can start where they left off in any app they launch 	<p>New enterprise capabilities</p>  <ul style="list-style-type: none"> • Enterprise administration and management • Private storage and encrypted asset collaboration • Integrates with Adobe Marketing Cloud
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Now, I'm happy to share a bit about today's 2015 release of Creative Cloud.

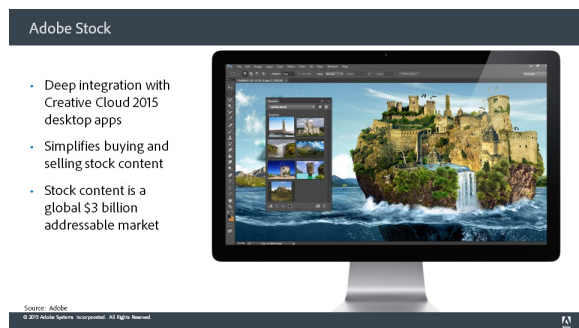
The release includes major updates to all our flagship desktop apps – including significant breakthroughs in productivity, performance and new features. We also updated our family of mobile apps across iPhone, iPad and, now for the first time, Android. And we announced significant updates to CreativeSync, the technology that enables our mobile and desktop apps to work together seamlessly.

The combination of these capabilities unlock new creative workflows that will motivate CS customers to upgrade, and drive active use and retention of existing members.

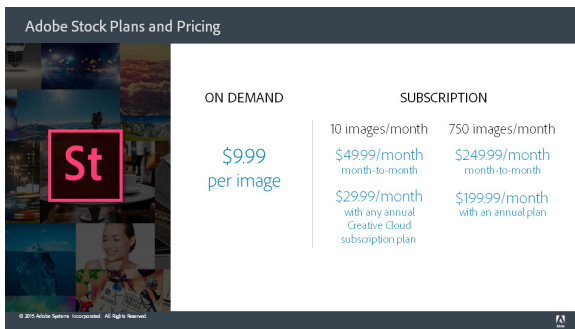
Enterprise customers will benefit from all the new Creative Cloud features. In addition, they will get expanded security options, and deeper connections between Creative Cloud and our Digital Publishing and Marketing Cloud offerings.



Finally, we're introducing Adobe Stock, a brand new service based on our acquisition of Fotolia. We estimate that 85% of Creatives who buy stock content use Adobe tools; and more than 90% of stock content sellers use Adobe software in the preparation of their photos and images.



Adobe Stock is the first stock marketplace embedded into the way Creatives work. Deep integration with our Creative Cloud desktop apps – including Photoshop, Illustrator and InDesign – makes buying and using stock photos, images and illustrations incredibly easy.



The global launch of Adobe Stock shakes up the multi-billion dollar stock content market. Customers can buy images on demand or as part of a subscription plan. Most importantly, existing and new Creative Cloud members are also able to add Adobe Stock to their subscription plan at a special rate – driving increased ARPU over time.

Adobe Stock extends the value of Creative Cloud to subscribers who want to monetize their assets and participate in a large, global Creative Marketplace.

In just a few short years we have successfully reimagined the entire creative process driving over \$2 billion of ARR. Today’s announcements significantly advance all three of our growth objectives. We’re excited this innovation is now available to all our subscribers, and we can’t wait to see what they do with it.

Mark.



MARK GARRETT

In the second quarter of FY15, Adobe achieved record revenue of 1 billion 162 million dollars. GAAP diluted earnings per share were 29 cents and non-GAAP diluted earnings per share were 48 cents.

Q2 FY2015 Results

Revenue	\$1.16 billion	
EPS	GAAP: \$0.29	Non-GAAP: \$0.48

- Grew Creative ARR to \$2.02 billion and Digital Media ARR to \$2.35 billion
- Delivered Marketing Cloud revenue of \$327 million
- Strong year-over-year growth in operating and net income
- Record deferred revenue and strong cash flow from operations of \$471 million
- Exited Q2 with a record 72% of recurring revenue

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Highlights in our second quarter include:

- Growing Creative ARR to \$2.02 billion exiting Q2. ARR has now grown to the point where it has exceeded the peak annual revenue achieved from our legacy Creative Suite perpetual offering;
- Achieving total Digital Media ARR of \$2.35 billion, which is the sum of Creative ARR plus another strong quarter of Document Cloud ARR growth;
- Delivering Adobe Marketing Cloud revenue of \$327 million;
- Showing leverage in our model, with strong year-over-year growth in operating and net income;
- Growing deferred revenue to a record \$1.23 billion;

- Achieving strong cash flow from operations of \$471 million;
- And exiting Q2 with a record 72% recurring revenue.

Digital Media Results – Creative Cloud

Metric	Q2 FY14	Q1 FY15	Q2 FY15
Total paid subscriptions exiting the quarter (thousands)	2,308	3,971	4,610
Creative ARR (millions)		\$1,790	\$2,020

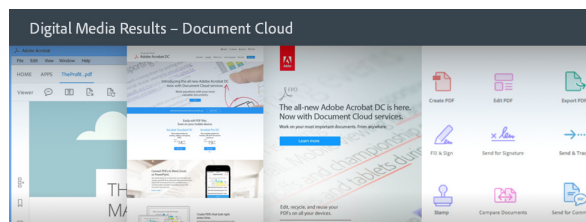
- Creative ARR grew by \$230 million
- Net new Creative Cloud subscriptions increased by 639 thousand, resulting in 4.61 million subscriptions exiting Q2
- Retention continues to be strong

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In Digital Media we achieved revenue of \$748 million. This segment has two major components of revenue: Creative Cloud, and Document Cloud.

The best overall measure of the health of our Creative business is Creative ARR, and we grew ARR by \$230 million during Q2. Net new Creative Cloud subscriptions increased by 639 thousand, and we exited Q2 with 4 million 610 thousand Creative Cloud subscriptions. Retention rates remain strong.

Digital Media Results – Document Cloud



- Document Cloud revenue of \$197 million
- Document Cloud ARR grew to \$329 million exiting Q2

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With our Document Cloud products, we achieved revenue of \$197 million. The benefits of subscription and Enterprise Term Licensing Agreements, or “ETLAs” – which is a core go-to-market focus with our new Document Cloud offering that shipped during the quarter – helped to grow Document Cloud ARR to a record \$329 million exiting Q2.

Digital Marketing Results

Segment Revenue (Millions)	Q2 FY14	Q1 FY15	Q2 FY15
Adobe Marketing Cloud	\$283	\$312	\$327
LiveCycle + Web Conferencing	\$47	\$46	\$40

- Marketing Cloud revenue grew 15% year-over-year
- Marketing Cloud bookings accelerated during Q2
- Multi-solution adoption is growing

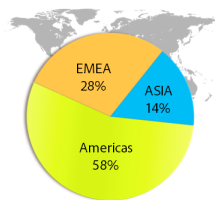
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In our Digital Marketing segment, there are two components. The first is revenue from our Adobe Marketing Cloud offering, and we achieved Adobe Marketing Cloud revenue of \$327 million, up 15% year-over-year. Bookings accelerated in Q2, driven by strong pipeline creation at our Digital Marketing Summit user conferences across the world during the quarter. Multi-solution adoption is growing the size of customer engagements.

The second component of our Digital Marketing segment is revenue from the LiveCycle and Connect businesses, which contributed \$40 million in Q2 revenue, consistent with our expectations.

Print and Publishing segment revenue was \$48 million in Q2.

Q2 FY2015 Results (continued)



- Experienced stable demand across our major geographies
- Net sequential quarterly decrease to revenue considering hedging was \$18 million
- Net year-over-year decrease to revenue considering hedging was \$28 million

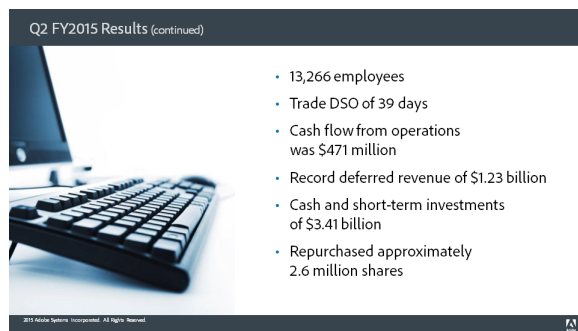
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Geographically, we experienced stable demand across our major geographies.

From a quarter-over-quarter currency perspective, FX decreased revenue by \$16 million. We had \$22 million in hedge gains in Q2 FY15, versus \$24 million in hedge gains in Q1 FY15; thus the net sequential currency decrease to revenue considering hedging gains was \$18 million.

From a year-over-year currency perspective, FX decreased revenue by \$48 million. Considering the \$22 million in hedge gains in Q2 FY15, versus roughly \$2 million in hedge gains in Q2 FY14, the net year-over-year currency decrease to revenue considering hedging gains was \$28 million.

In Q1, Adobe's effective tax rate was 18.5% on a GAAP-basis and 21% on a non-GAAP basis. The GAAP rate was lower than targeted primarily due to tax benefits recognized as a result of the completion of certain tax examinations.



Q2 FY2015 Results (continued)

- 13,266 employees
- Trade DSO of 39 days
- Cash flow from operations was \$471 million
- Record deferred revenue of \$1.23 billion
- Cash and short-term investments of \$3.41 billion
- Repurchased approximately 2.6 million shares

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Employees at the end of Q2, including summer interns, totaled 13,266 versus 12,698 at the end of last quarter.

Our trade DSO was 39 days, which compares to 45 days in the year-ago quarter, and 44 days last quarter.

Cash flow from operations was \$471 million in the quarter.

Deferred revenue grew to \$1.23 billion, up 32% year-over-year. Our ending cash and short-term investment position was \$3.41 billion, compared to \$3.18 billion at the end of Q1.

In Q2, we repurchased approximately 2.6 million shares at a cost of \$200 million, of which \$133 million was done under the new \$2 billion authorization approved by our Board of Directors in January, 2015.

Updated FY2015 Financial Targets		
June 16, 2015		
Revenue	Approximately \$4.845 billion	
Earnings per share	GAAP: \$1.12	Non-GAAP: \$2.05

- Factors an estimated \$80 million of negative impact to revenue due to foreign currency in the second half of FY2015
- Expect FY2015 exiting Digital Media ARR of approximately \$2.925 billion
- Expect Adobe Marketing Cloud annual bookings growth of approximately 30%
- Expect Adobe Marketing Cloud second half FY2015 year-over-year revenue growth of approximately 24%

The information discussed on this slide contains forward looking statements that involve risk and uncertainty. Actual results may differ materially. For a discussion of these risks and uncertainties, you should review Adobe's SEC filings. Please see our [website](#) for a discussion of these targets and a detailed reconciliation between GAAP and non-GAAP targets.

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Now, I would like to provide our financial outlook, covering both Q3 as well as the rest of FY15.

We have executed well in the first half of FY15 – meeting or exceeding key targets that we set at the outset of the year – and we expect our momentum to continue in the second half of this year and into FY16.

Adobe has a global business, where currently more than 40% of our revenue comes from outside the U.S. As we've explained, our hedging efforts focus on three quarters out, and that strategy has served us well over time.

Based on the rolling approach of our hedging program, our hedges maturing in the second half of FY15 and early FY16 were struck at current rates. Therefore, moving forward, our hedges will not mitigate the FX impact against our FY15 and FY16 revenue targets provided in December 2014.

With the strengthening US dollar, on a revenue weighted average basis, FX rates have moved approximately 9% from December of 2014 until today. We expect approximately \$900 million of foreign currency denominated revenue in the second half of FY15. Applying the 9% rate change to the expected \$900 million of revenue yields an estimated \$80 million of impact due to FX that we expect will not be offset by hedging. We estimate \$30 million of this impact will occur in our third quarter.

Our FY15 annual revenue target was \$4.925 billion. This revenue target was the sum of our original guidance of \$4.85 billion in December plus the additional \$75 million of expected FY15 revenue from our acquisition of Fotolia in January.

We are now targeting FY15 annual revenue of \$4.845 billion, solely due to the estimated \$80 million impact of FX in the second half of FY15. We also expect second half year-over-year Adobe Marketing Cloud reported revenue growth of approximately 24%.

Given our business momentum, we are increasing our Digital Media ARR target to approximately \$2.925 billion exiting FY15, which as a reminder is measured on a constant currency basis. This updated ARR target does not include any benefit from our newly launched Adobe Stock service.

Despite the impact of currency, we continue to expect Adobe Marketing Cloud bookings growth of approximately 30% for the year, and non-GAAP earnings per share of approximately \$2.05.

Q3 FY2015 Financial Targets		
June 16, 2015		
Revenue	\$1.175 billion to \$1.225 billion	
Non-operating other expense	\$14 million to \$16 million	
Tax Rate	GAAP: 25%	Non-GAAP: 21%
Earnings per share	GAAP: \$0.23 to \$0.29	Non-GAAP: \$0.45 to \$0.51
Share count	506 million to 508 million shares	

- Factors an estimated \$30 million of negative impact to revenue due to foreign currency
- Expect Digital Media segment revenue to grow on a sequential basis
- Expect Adobe Marketing Cloud revenue to grow ~21% on a year-over-year basis
- Expect LiveCycle and Connect, and Print & Publishing segment revenue to be relatively flat on a sequential basis

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Taking into account the negative impact of \$30 million from FX, in Q3 of FY15 we are targeting a revenue range of \$1 billion 175 million to \$1 billion 225 million dollars.

In Q3, we expect the sequential increase in Digital Media ARR to be similar to what we achieved in Q2; we expect Digital Media segment revenue to grow sequentially; and we expect approximately 21% year-over-year reported revenue growth for Adobe Marketing Cloud.

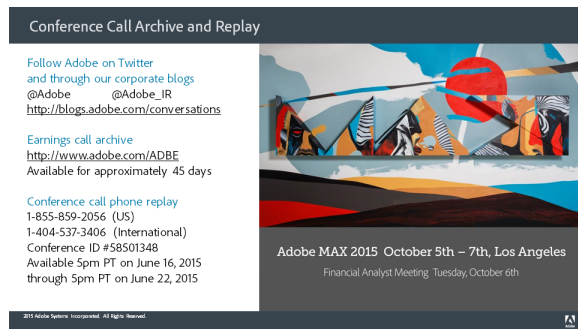
We are targeting our Q3 share count to be 506 million to 508 million shares. We are targeting net non-operating expense to be between \$14 million and \$16 million on both a GAAP and non-GAAP basis. We are targeting a Q3 tax rate of approximately 25% on a GAAP basis and 21% on a non-GAAP basis.

These targets yield a Q3 GAAP earnings per share range of 23 cents to 29 cents per share, and a Q3 non-GAAP earnings per share range of 45 cents to 51 cents.

In summary, our strong execution continued in Q2, and Adobe's P&L now reflects the positive impact from the growth of our Cloud-enabled solutions.

Mike.

MIKE SAVIAGE



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Adobe MAX 2015 October 5th – 7th, Los Angeles
Financial Analyst Meeting Tuesday, October 6th

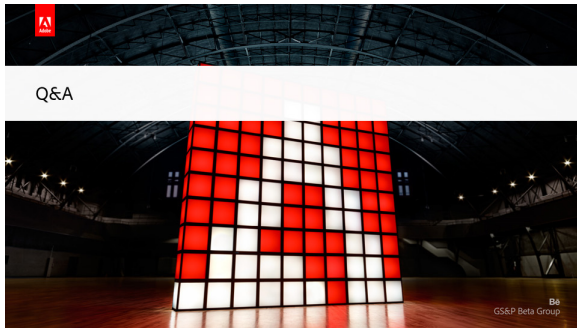
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Thanks Mark.

As part of our Adobe MAX conference this fall in Los Angeles, we will host an analyst meeting on the afternoon of Tuesday October 6th. Registration information for MAX and the analyst meeting will be sent out later this month. The main keynote presentation at MAX will be on Monday October 5th, and more information about our user conference is available at max.adobe.com.

For those who wish to listen to a playback of today's conference call, a web-based archive of the call will be available on our IR site later today. Alternatively, you can listen to a phone replay by calling 855-859-2056; use conference ID #58501348. Again, the number is 855-859-2056 with ID #58501348.

International callers should dial 404-537-3406. The phone playback service will be available beginning at 5pm Pacific Time today, and ending at 10am Pacific Time on Monday June 22nd, 2015.



We would now be happy to take your questions, and we ask that you limit your questions to one per person. Operator.