



# Adobe Systems Earnings Call

Q1 FY2013 Results





# Introduction

Mike Saviage, Vice President of Investor Relations



## 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, March 19, 2013, 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 2012, and our quarterly reports filed on Form 10-Q in fiscal 2013.

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](#).



# Q1 FY2013 Results

Shantanu Narayen, President and CEO





- Strong Creative Cloud adoption
  - Exited Q1 with 479k paid subscriptions
  - On track to achieve 1.25 million subscribers exiting FY13
  - Over 2 million free and trial members
- Expanding the Creative Cloud value proposition
  - Behance acquisition brings great community features
  - Recent new product updates including Photoshop and HTML5 tooling
- Exciting announcements to come at Adobe MAX in May

# Digital Marketing



- Strong Adobe Marketing Cloud momentum
  - Drove 20% year-over-year annual revenue growth in Q1
  - On pace to achieve over 25% bookings growth for the year
- Record attendance at Adobe Summit
  - Focus on five Adobe Marketing Cloud solutions
  - New product announcements
  - Strong partner ecosystem
- Adobe is the partner of choice for CMOs



# Q1 FY2013 Financial Results

Mark Garrett, Executive Vice President and CFO



# Q1 FY2013 Results

Q1 FY2013		
Revenue	\$1.008 billion	
EPS	GAAP: \$0.13	Non-GAAP: \$0.35

## Quarter Highlights

- Exited Q1 with 479k paid Creative Cloud subscriptions and \$233 million of Creative Annualized Recurring Revenue ("ARR")
- Grew Adobe Marketing Cloud revenue 20% year-over-year
- Grew deferred revenue to a record \$700 million
- Exited Q1 with 31% of Q1 revenue as recurring, up from 26% in Q4 FY12



# Digital Media Results



- Achieved Q1 Digital Media revenue of \$688 million
- Adoption of Creative Cloud accelerated, with the addition of 153 thousand net new paid subscriptions
- Larger enterprise customers migrating to Enterprise Term License Agreements (“ETLAs”)
- ETLAs represent first phase of engaging enterprise customers with Creative Cloud

# Digital Media Results – Calculating Creative ARR

## Creative Cloud ARR

Number of current  
paid individual  
and team  
subscriptions

X

Average monthly  
revenue per  
subscription

X

12

+

Annual contract value of Creative ETLAs

=

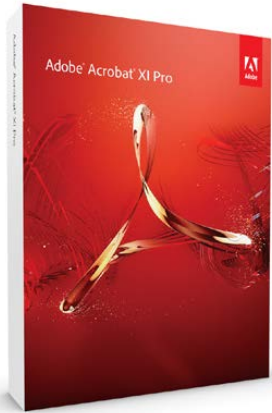
Total Creative Annualized Recurring Revenue ("ARR")

# Digital Media Results – Creative Cloud Metrics

Metric	Q1 FY13	Q4 FY12	Q3 FY12
Total paid subscriptions exiting the quarter (thousands)	479	326	194
Creative ARR (millions)	\$233	\$153	\$90
Percentage on Annual (vs. month-to-month)	92%	90%	88%
Percentage with full Creative Cloud (vs. point products)	81%	81%	79%

- Added 153,000 net new subscriptions in Q1
  - Excludes enterprise ETLA users
- Achieved Creative ARR of \$233 million
- 92% are on Annual plan and 81% have full Creative Cloud offering

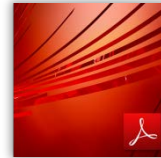
# Digital Media Results – Document Services



**Acrobat**



**Reader**



**EchoSign**



**Forms Central**



- Achieved Q1 Document Services revenue of \$188 million
- Grew Document Services ARR to \$64 million
- Performance driven by continued adoption of recent Acrobat release, and growth with EchoSign and Acrobat Cloud services

# Digital Marketing Results

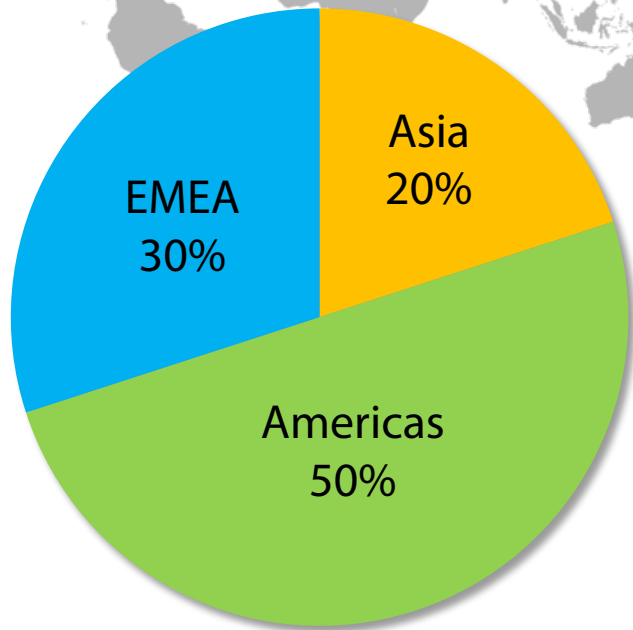


(Millions)

Business Segment	Q1 FY13	Q4 FY12	Q1 FY12
Digital Marketing Segment	\$268	\$299	\$266
Adobe Marketing Cloud	\$215	\$229	\$180
LiveCycle + Web Conferencing	\$52	\$70	\$86

- Adobe Marketing Cloud achieved 20% year-over-year growth
- Analytics growth driven by mobile transactions
- Focus on five Adobe Marketing Cloud solutions is resonating with customers

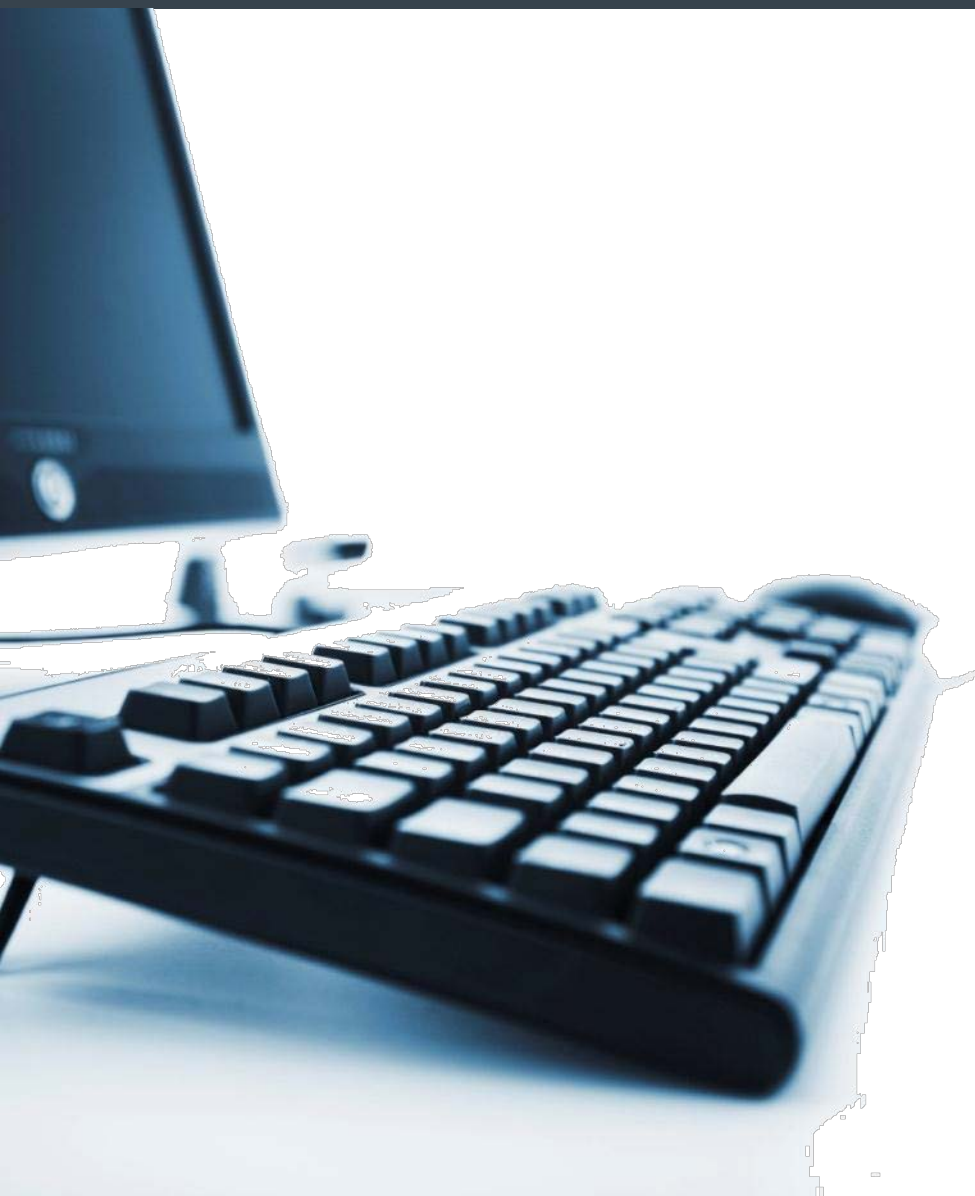
# Q1 FY2013 Results (continued)



Q1 Revenue by Geography

- Experienced stable demand across our major geographies
- Net sequential quarterly currency decrease to revenue considering hedging gains was \$1 million
- Net year-over-year currency decrease to revenue considering hedging gains was \$16 million

## Q1 FY2013 Results (continued)



- 11,196 employees
- Trade DSO of 44 days
- Cash flow from operations was \$322 million
- Cash and short-term investments of \$3.66 billion
- Repurchased approximately 2.7 million shares

# Financial Targets

March 19, 2013

Q2 FY2013 Targets		
Revenue	\$975 million to \$1.025 billion	
Creative ARR*	~\$340 million	
Document Services ARR	~\$80 million	
Total Digital Media ARR	~\$420 million	
Earnings per share	GAAP: \$0.08 – \$0.14	Non-GAAP: \$0.29 – \$0.35

\* Targeted Creative ARR exiting Q2 is based on adding slightly more Creative Cloud paid subscriptions than what was achieved in Q1, with a sequential quarterly increase in the net new number of subscriptions through the year to achieve our 1.25 million subscription target by the end of the fiscal year

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# Financial Targets

March 19, 2013

Fiscal Year 2013 Targets		
Revenue	Approximately \$4.1 billion	
Creative ARR	~\$685 million	
Document Services ARR	~\$115 million	
Total Digital Media ARR	~\$800 million	
Earnings per share	GAAP: ~\$0.62	Non-GAAP: ~\$1.45

- Expect to exit FY13 with ~1.25 million Creative Cloud subscribers
- Targeting Adobe Marketing Cloud annual revenue growth of over 20%, based on driving over 25% bookings growth

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# Closing Comments

Shantanu Narayen, President and CEO





# Wrap-Up

Mike Saviage, Vice President of Investor Relations



# Conference Call Archive and Replay

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Available for approximately 45 days

**Conference call phone replay**

1-855-859-2056 (US)

1-404-537-3406 (International)

Conference ID #16765134

Available 4pm PT on

March 19, 2013 through

4pm PT on March 22, 2013





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# Q&A





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