

MIKE SAVIAGE

Good afternoon and thank you for joining us today on short notice. Joining me on the call are Shantanu Narayen, Adobe's President and CEO; John Murphy, Executive Vice President and CFO; and Brad Rencher, Executive Vice President and General Manager of Adobe's Digital Experience business.

In the call today, we will discuss Adobe's announcement of our intent to acquire Magento. We will also provide comments on our capital return strategy and our announcement today of a significant expansion of our stock repurchase authority. We've posted copies of these press releases on our Investor Relations page under Quick Links for reference.

Before we get started, we want to emphasize that some of the information discussed in this call, particularly the timing of closing and the potential benefits of our acquisition of Magento, is based on information as of today, May 21st, 2018, 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 Disclosures in today's press releases, as well as Adobe's SEC filings.

Call participants are advised that the audio of this conference call is being recorded for playback purposes, and an archive of the call will be made available later today for reference.

I will now turn the call over to Shantanu.

SHANTANU NARAYEN

Thanks Mike and good afternoon.

Adobe's strategy to "Empower people to create" and "Transform how businesses compete" continues to drive our momentum. Across the globe, individuals and companies recognize that great experiences have become the basis of differentiation in an increasingly competitive and complex world. With the world's best digital media and digital experience cloud-based solutions, Adobe has become the go-to-company for developing and delivering transformative customer experiences.

Commerce is an integral part of an end-to-end customer experience. Consumers and businesses now expect every interaction to be shoppable – whether on the web, mobile, social, in-product or in-store.

Today we are announcing our intent to acquire Magento Commerce, a market-leading commerce platform, for \$1.68 billion. The addition of the Magento Commerce Cloud will enable commerce to be seamlessly integrated into Adobe Experience Cloud, delivering a single platform that serves both B2B and B2C customers globally. The Magento Platform brings together digital commerce, order management and predictive intelligence into a unified commerce platform enabling shopping experiences across a wide array of industries.

Adobe is the only company with leadership in content creation, marketing, advertising, analytics and now commerce – enabling real-time personalized experiences across the entire customer journey.

When combined with our world-class content and data platform and leveraging our Sensei machine learning and AI framework, this latest capability will further differentiate Adobe Experience Cloud as the leading platform for Experience Businesses.

We are excited about the acquisition of Magento – the market opportunity, the product offerings and the great team – and we have ambitious plans to deliver additional value to our customers.

Brad will walk you through the strategy and then John will comment on the financials of the transaction.

Brad.

BRAD RENCHER

Thanks Shantanu.

In this new experience-driven era, organizations have one clear imperative – they must “Make Experience Their Business”.

Adobe Experience Cloud is the most comprehensive, integrated, and actionable set of solutions in the market, designed to help companies deliver consistent, continuous and compelling experiences to customers across the globe – across every touch point and channel.

At our recent Summit events, Adobe revealed its next-generation Cloud Platform, the underlying cross-cloud architecture that unifies content and data, and offers artificial intelligence through Adobe Sensei, as well as new capabilities across Adobe Experience Cloud.

As we looked at our current portfolio of Adobe Analytics, Advertising and Marketing cloud offerings, we saw an opportunity to add a next-generation commerce capability to Adobe Experience Cloud. One that could serve both B2B and B2C customers, across physical and digital goods, and provide the flexibility to scale to serve mid-market and large enterprise customers.

Magento Commerce Cloud brings together digital commerce, order management and predictive intelligence into a unified commerce platform.

The Magento Platform is a flexible, modern, cloud-based commerce solution enabling shopping experiences across the widest range of markets and industries globally including consumer packaged goods, retail, wholesale, manufacturing and the public sector. The Platform is built on proven, scalable technology supported by a vibrant community of more than 300,000 developers. The Magento partner ecosystem provides thousands of pre-built extensions, including payment, shipping, tax and logistics. This level of flexibility gives businesses the ability to quickly ramp and iterate their commerce capabilities for their unique business needs.

Magento Commerce has a diverse range of customers, including Canon, Helly Hansen, Paul Smith, and Rosetta Stone. Adobe and Magento share joint customers that will benefit from the addition of Magento to Adobe Experience Cloud, including Coca-Cola, Warner Music Group, Nestle and Cathay Pacific.

We have an existing, certified integration between Magento Commerce Cloud and Adobe Experience Cloud that has been successful in the market and will serve as a catalyst to build out deeper integration over time.

The addition of Magento increases our addressable market opportunity by an estimated \$13 billion according to Gartner and IDC, growing our Adobe Experience Cloud TAM to more than \$65 billion in 2020.

Magento has a strong executive team and technologists that we look forward to integrating into the Adobe family.

And now for more details on the financials of the acquisition, I'll turn it over to John.

JOHN MURPHY

Thanks Brad.

Today I'd like to cover a few items.

We are excited about the acquisition of Magento, adding another growth component to our Digital Experience business. We believe the addition of Magento expands our available market opportunity, builds out our product portfolio, addresses a key underserved customer need, and brings a great team of people to Adobe.

We intend to fund the acquisition price of \$1.68 billion through our current cash position. Magento is private and while their financials are not regularly disclosed, they achieved revenue of approximately \$150 million in calendar year 2017.

Given Magento's revenue and growth rate, we believe the acquisition represents a fair valuation. The transaction is subject to typical government approvals and the satisfaction of other customary conditions, and we expect it to close in Q3 which is Adobe's August quarter.

Like many enterprise software companies, Magento's business is driven by bookings and much of their near-term revenue is recognized from their balance sheet. Due to purchase accounting rules, a majority of the next twelve months of booked Magento revenue will not be reported as part of Adobe's results post closing as we write down a large portion of their deferred revenue balance.

Because of the anticipated lost revenue due to purchase accounting, we expect the transaction to be slightly dilutive to our earnings in FY2018. However, we do not expect the impact to be material to our previously provided earnings targets.

Finally, we made another important announcement today. Our Board of Directors has authorized an \$8 billion stock repurchase program, which is designed to return value to Adobe's stockholders, offset dilution from stock issuances, and reduce share count over time. The new stock repurchase authority is a significant expansion of the company's previous program authorizing the repurchase of up to \$2.5 billion in common stock through fiscal year 2019 that is expected to be exhausted later this year.

The new program is expected to be funded from Adobe's future cash flow from operations and is not expected to have a material impact on the company's fiscal year 2018 earnings.

I'll now turn the call back over to Mike.

MIKE SAVIAGE

Thanks John.

If you wish to listen to a replay of today's call, you can access it by calling 855-859-2056; use conference ID #9448279. International callers should dial 404-537-3406. The phone playback service will be available beginning at 4:45pm Pacific Time today, and ending at 5:00pm Pacific Time on June 1st, 2018.

We would now be happy to take a few questions related to today's announcements only. And as always, we ask that you limit your questions to one per person.

Operator.