

# Adobe Financial Targets

January 9, 2017

This document summarizes financial targets and target commentary provided by Adobe, and reconciles GAAP to non-GAAP targets.

## Fiscal Year 2017 Annual Targets

The following annual FY2017 targets were provided by Adobe on January 9, 2017 and reflect the inclusion of Adobe's acquisition of TubeMogul on December 19, 2016.

<b>Total Adobe revenue</b>	~\$7.090 billion	
<b>Digital Media segment revenue</b>	~20% year-over-year growth	
<b>Digital Media ARR</b>	~25% year-over-year growth	
<b>Adobe Marketing Cloud revenue</b>	Greater than 25% year-over-year growth	
<b>Adobe Marketing Cloud Annual Subscription Value ("ASV") bookings</b>	~30% year-over-year growth	
<b>Tax rate</b>	GAAP: ~21%	Non-GAAP: ~21%
<b>Earnings per share*</b>	GAAP: ~\$2.85	Non-GAAP: ~\$3.75
* Please note the initial purchase accounting for the TubeMogul transaction has not yet been completed given the short period of time from the acquisition date. The completion of the purchase accounting may result in an impact to our GAAP earnings per share.		

- Expect to add approximately \$225 million of net new Digital Media ARR in Q1, followed by sequential growth of net new ARR in Q2; anticipate seasonally-driven sequential decline in Q3, followed by strong seasonal growth in Q4 to achieve approximately \$1 billion of net new Digital Media ARR during the year
- Expect revenue and earnings per share to grow sequentially each quarter, with the largest sequential increase in Q4

## Q1 Fiscal Year 2017 Targets

The following first quarter FY2017 targets and target commentary were provided by Adobe on January 9, 2017 and reflect the inclusion of Adobe's acquisition of TubeMogul on December 19, 2016.

<b>Revenue</b>	~\$1.644 billion	
<b>Non-operating other expense</b>	~\$13 million	
<b>Tax rate</b>	GAAP: ~15%	Non-GAAP: ~21%
<b>Earnings per share*</b>	GAAP: ~\$0.71	Non-GAAP: ~\$0.87
<b>Share count</b>	~501 million shares	
* Please note the initial purchase accounting for the TubeMogul transaction has not yet been completed given the short period of time from the acquisition date. The completion of the purchase accounting may result in an impact to our GAAP earnings per share.		

- Expect to achieve approximately \$225 million of net new Digital Media ARR
- Expect Digital Media segment year-over-year revenue growth of approximately 19%
- Expect Adobe Marketing Cloud year-over-year revenue growth of approximately 24%

# Adobe Financial Targets

January 9, 2017

## Reconciliation of GAAP to Non-GAAP Financial Targets

(In millions, except per share data)

The following table shows Adobe's annual fiscal year 2017 earnings per share target reconciled to the non-GAAP financial target included in this document.

	<u>Fiscal Year 2017</u>
Diluted net income per share:	
GAAP diluted net income per share.....	\$ 2.85
Stock-based and deferred compensation expense.....	0.87
Amortization of purchased intangibles.....	0.26
Income tax adjustments.....	(0.23)
Non-GAAP diluted net income per share.....	<u>\$ 3.75</u>
Shares used to compute diluted net income per share.....	<u>501.0</u>

The following tables show Adobe's first quarter fiscal year 2017 financial targets reconciled to non-GAAP financial targets included in this document.

	<u>First Quarter Fiscal 2017</u>
Diluted net income per share:	
GAAP diluted net income per share.....	\$ 0.71
Stock-based and deferred compensation expense.....	0.20
Amortization of purchased intangibles.....	0.07
Income tax adjustments.....	(0.11)
Non-GAAP diluted net income per share.....	<u>\$ 0.87</u>
Shares used to compute diluted net income per share.....	<u>501.0</u>

	<u>First Quarter Fiscal 2017</u>
Effective income tax rate:	
GAAP effective income tax rate.....	15.0%
Stock-based and deferred compensation expense.....	0.7
Amortization of purchased intangibles.....	0.3
Income tax adjustments.....	5.0
Non-GAAP effective income tax rate.....	<u>21.0%</u>

## Use of Non-GAAP Financial Information

Adobe continues to provide all information required in accordance with GAAP, but believes evaluating its ongoing operating results may not be as useful if an investor is limited to reviewing only GAAP financial measures. Adobe uses non-GAAP financial information to evaluate its ongoing operations and for internal planning and forecasting purposes. Adobe's management does not itself, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Adobe presents such non-GAAP financial measures in reporting its financial results to provide investors with an additional tool to evaluate Adobe's operating results.

## Adobe Financial Targets

January 9, 2017

Adobe believes these non-GAAP financial measures are useful because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. This allows institutional investors, the analyst community and others to better understand and evaluate our operating results and future prospects in the same manner as management.

Adobe's management believes it is useful for itself and investors to review, as applicable, both GAAP information as well as non-GAAP measures, which may exclude items such as stock-based and deferred compensation expenses, restructuring and other charges, amortization of purchased intangibles and certain activity in connection with technology license arrangements, investment gains and losses, the related tax impact of all of these items, income tax adjustments, and the income tax effect of the non-GAAP pre-tax adjustments from the provision for income taxes. Adobe uses these non-GAAP measures in order to assess the performance of Adobe's business and for planning and forecasting in subsequent periods. Whenever such a non-GAAP measure is used, Adobe provides a reconciliation of the non-GAAP financial measure to the most closely applicable GAAP financial measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure as detailed above.

### Calculating Annualized Recurring Revenue ("ARR")

<b>Creative ARR</b>	Annual Value of Creative Cloud Subscriptions and Services + Annual Digital Publishing Suite Contract Value + Annual Creative ETLA Contract Value
<b>Document Cloud ARR</b>	Annual Value of Document Cloud Subscriptions and Services + Annual Document Cloud ETLA Contract Value
<b>Digital Media ARR</b>	Creative ARR + Document Cloud ARR

Note: ARR targets and results are adjusted for constant currency based on exchange rates in December each year.

### Forward-Looking Statements Disclosure

Our financial targets contain forward-looking statements and projections, including those related to revenue and bookings growth in our Digital Marketing business, growth in recurring revenue, revenue, earnings per share on a GAAP and non-GAAP basis, share count, non-operating other expense, operating cash flow, and tax rate on a GAAP and non-GAAP basis, which involve risks and uncertainties that could cause actual results to differ materially. Factors that might cause or contribute to such differences include, but are not limited to: failure to develop, market and offer products and services that meet customer requirements, introduction of new products, services and business models by competitors, failure to successfully manage transitions to new business models and markets, uncertainty in economic conditions and the financial markets, fluctuations in subscription renewal rates, complex and unpredictable sales cycles for some enterprise offerings, risks associated with cyber-attacks and information security, potential interruptions or delays in hosted services provided by us or third parties, changes in accounting principles, and failure to realize the anticipated benefits of past or future acquisitions.

For a discussion of these and other risks and uncertainties, please refer to Adobe's Annual Report on Form 10-K for our fiscal year 2015 and Adobe's Quarterly Reports on Form 10-Q issued in fiscal year 2016. Adobe assumes no obligation to, and does not currently intend to, update these forward-looking statements.