

MIKE SAVIAGE

Good afternoon and thank you for joining us today. Joining me on the call are Shantanu Narayan, Adobe's President and CEO; Mark Garrett, Executive Vice President and CFO; Brad Rencher, Executive Vice President and General Manager of Adobe's Digital Marketing business; and Brett Wilson, Vice President of Adobe's Advertising business.

In the call today, we will discuss Adobe's acquisition of TubeMogul and revisions to our financial targets which reflect the addition of TubeMogul. We've posted an updated financial targets document as well as our conference call prepared remarks 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 our revenue and operating model targets, and our forward-looking product plans, is based on information as of today, January 9th, 2017, 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 financial targets document, 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 on Adobe's Investor Relations website in the financial targets document and in our investor datasheet.

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 acquisition of TubeMogul closed on December 19th and we are hosting this call today to update our financial targets to reflect the addition of TubeMogul.

TubeMogul is a leader in video advertising, a natural adjacency for us. Video content consumption, and consequently video advertising, are exploding across the web and mobile devices. Adobe is the undisputed leader in video content creation applications with Creative Cloud's Premiere Pro and After Effects and we have deep expertise in video delivery with Adobe Primetime, a multiscreen TV platform in Adobe Marketing Cloud that enables broadcasters, cable networks and service providers to distribute and monetize their video content across devices.

TubeMogul's video advertising solution will be integrated with Adobe Marketing Cloud's Media Optimizer offering, a programmatic ad buying solution that helps advertisers both forecast the best mix of search, display, and social advertising as well as automate the execution of their media plans. The addition of TubeMogul will make Adobe a key player in the expansive adtech category.

Adobe Marketing Cloud continues to be the most comprehensive and integrated offering in the exploding digital marketing category. In addition to our leadership in media optimization and video content delivery, Adobe Marketing Cloud has best-in-class solutions in analytics, content management, cross-channel campaign management, data management and multivariate testing.

The world's biggest brands and agencies rely on Adobe every day to drive their digital businesses and we continue to see strong demand across all our solutions.

Brad will now provide you with more specifics about our TubeMogul strategy.

BRAD RENCHER

Thanks Shantanu.

Buying advertising today is not easy. There are a vast array of devices and content choices, resulting in audiences that are fragmented and hard to reach. Compounding that are the multiple disparate platforms that must be used to buy search, social, display and video campaigns. The category is crying out for some order.

The combination of TubeMogul and Adobe Marketing Cloud will address these challenges. TubeMogul is a leader in the video demand-side platform or "DSP" category. DSPs are used by advertisers and agencies to help them buy display, video, social and search ads, but up until now this process has been siloed.

TubeMogul's primary focus to date has been on orchestrating sophisticated programmatic video advertising campaigns across digital screens and television. By integrating TubeMogul's capabilities with Adobe Media Optimizer, Adobe will create an unprecedented end-to-end advertising solution within Adobe Marketing Cloud, enabling brands and agencies to plan, buy and optimize all their digital advertising across paid, owned and earned channels on desktops, mobile, streaming devices and TVs.

Working in concert with Adobe's Audience Manager data management platform, the TubeMogul demand-side platform will provide Adobe Marketing Cloud customers with a unified advertising and data management solution that can precisely identify the highest-value audience segments and plan, execute, measure and optimize their ad campaigns.

Integrating TubeMogul into the Adobe Marketing Cloud will help address the lingering concern that advertisers and agencies have had about the effectiveness of brand advertising on digital channels, and will consolidate brand and direct response media planning and buying into one platform. Traditionally, big brands like Coca Cola and McDonalds have relied on broadcast TV for their brand advertising. But, more recently, brands have been increasing their investment in digital video advertising, which can deliver the emotional impact of broadcast TV advertising but with more precise audience targeting and higher efficiency.

Adobe is currently a leader in the planning and delivery of search, display and social advertising – which are commonly referred to as direct-response media – with our Adobe Media Optimizer solution. We intend to combine the search, display and social capabilities of Adobe Media Optimizer with the video capabilities of TubeMogul into a single advertising platform, enabling planning and buying of both brand and direct response media with one independent platform.

TubeMogul's customers will gain access to Adobe's deep expertise in video, advertising, audience segmentation and marketing measurement. Adobe has a large customer base and global operational scale which will help grow the use of TubeMogul's solutions in current and potentially new markets. TubeMogul and Adobe have many customers in common. Existing Adobe Marketing Cloud customers can now extend the value of these investments to video advertising.

By acquiring TubeMogul, Adobe becomes a leader in adtech and gains a talented engineering, leadership and go-to-market team. Both companies are based in the San Francisco Bay Area, have similar cultures, and have a shared vision for the opportunity in both ad tech and the broader digital marketing category. I'm excited to have TubeMogul's CEO Brett Wilson join my team and lead our efforts in Advertising, an opportunity we have sized at more than \$7 billion by 2019.

The Adobe Marketing Cloud is the world's most comprehensive digital marketing platform. As the digital marketing category continues to grow, we are expanding our market-leading digital marketing offerings to address large sub-categories like advertising, analytics and personalization in order to accelerate revenue growth and stay well ahead of the competition.

With an estimated 2019 TAM of greater than \$40B, we remain very excited about the vast opportunity we have in digital marketing.

I'll now turn it over to Mark for more details on the financials.

MARK GARRETT

Thanks Brad. Since many of you are not familiar with TubeMogul's business model, I'll spend a couple of minutes on that, and how the integration of TubeMogul into our business will benefit our financials.

TubeMogul has two main product offerings: Platform Direct and Platform Services. Platform Direct is TubeMogul's self-serve software offering and is the strategic priority of this business. Platform Services is TubeMogul's managed services solution, primarily offered as a way to onboard clients accustomed to buying media on a campaign-by-campaign basis, and leveraged as a feeder for Platform Direct.

TubeMogul recognized revenue from their Platform Direct business on a net revenue basis, and revenue from their Platform Services business was recognized on a gross revenue basis. In their most recently reported quarter, Platform Direct was 37% of TubeMogul's business, achieving \$21 million in revenue. Platform Services was 63% of their business, achieving \$35 million in revenue.

At Adobe, we intend to build upon the strategic focus TubeMogul had with their Platform Direct software solution, given the future of advertising will be more automated and data-driven. In addition, we intend to transition Platform Services revenue recognition to be on a net basis as opposed to a gross basis, similar to our Adobe Media Optimizer solution.

The result of this strategy will mean driving accelerated revenue growth in the Platform Direct part of the business to over 30% annual growth. Due to the change from gross to net revenue recognition, as well as our emphasis on Platform Direct as our strategic priority, we expect Platform Services revenue to decline in the coming year.

It is important to note that in our Q1 and in FY17, we will only report the addition of TubeMogul for the stub period starting with the closing of the acquisition on December 19th. In addition, TubeMogul's business has always seen seasonal strength in December, much of which will not be reflected in our financials.

With this as context, I will now discuss the impact of TubeMogul's business to our financial targets.

We estimate TubeMogul will add approximately \$19 million of revenue in our first quarter of FY17, and for the year we estimate TubeMogul will add approximately \$140 million of revenue to fiscal 2017.

This increases our prior targets as follows:

We are targeting total Adobe Q1 FY17 revenue to be approximately \$1.644 billion, up from the prior target of \$1.625 billion provided on December 15th;

We are targeting total Adobe FY17 annual revenue to be approximately \$7.09 billion, up from the prior target of approximately \$6.95 billion.

With the addition of TubeMogul to our Adobe Marketing Cloud offering, we believe we will now achieve Q1 Adobe Marketing Cloud revenue growth of approximately 24 percent, up from the approximately 20 percent growth target we gave on our call in December. Similarly, we are now targeting greater than 25 percent annual Adobe Marketing Cloud revenue growth in FY17, up from the prior approximately 20 percent target.

As we previously stated, we expect the acquisition to be neutral to earnings in the first year, and as such we continue to target the same Q1 and FY17 non-GAAP earnings per share targets we provided in December. Please note the initial purchase accounting for the 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.

All of this information is reflected in the updated financial targets document on the investor relations page on Adobe.com.

We continue to be excited about the addition of TubeMogul and what lies ahead for Adobe.

Mike.

MIKE SAVIAGE

Thanks Mark.

If you wish to listen to a replay of today's call, you can access it by calling 855-859-2056; use conference ID #43571692. International callers should dial 404-537-3406. The phone playback service will be available beginning at 4:30pm Pacific Time today, and ending at 4:30pm Pacific Time on January 12, 2017.

We would now be happy to take a few questions related to the TubeMogul acquisition and our updated targets, and we ask that you limit your questions to one per person.

Operator.