

Adobe Financial Targets

January 22, 2018

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

Fiscal Year 2018 Annual Targets

The following annual FY2018 targets and target commentary were provided by Adobe on January 22, 2018.

Adobe total revenue	~\$8.725 billion	
Digital Media segment revenue	~23% year-over-year growth	
Adobe Experience Cloud subscription revenue ¹	~20% year-over-year growth	
Adobe Experience Cloud total revenue	~15% year-over-year growth	
Earnings per share	GAAP: ~\$4.72	Non-GAAP: ~\$6.20
Net new Digital Media annualized recurring revenue ("ARR")	~\$1.1 billion	
Adobe Experience Cloud subscription bookings ²	~20% year-over-year growth	
¹ Includes revenue from SaaS, managed service and term offerings for Adobe Analytics Cloud and Adobe Marketing Cloud, as well as total revenue for Adobe Advertising Cloud ² Includes annualized subscription value of SaaS, managed service and term offerings under contract for Adobe Analytics Cloud and Adobe Marketing Cloud		

During fiscal year 2018, Adobe expects quarterly revenue, earnings per share and Digital Media ARR results to follow similar seasonality as was achieved in fiscal year 2017.

Calculating Annualized Recurring Revenue ("ARR")

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

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

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Reconciliation of GAAP to Non-GAAP Financial Targets

(In millions, except per share data)

The following table shows Adobe's annual fiscal year 2018 earnings per share target reconciled to the non-GAAP financial target included in this document.

	<u>Fiscal Year 2018</u>
Diluted net income per share:	
GAAP diluted net income per share.....	\$ 4.72
Stock-based and deferred compensation expense.....	1.21
Amortization of purchased intangibles.....	0.27
Impacts of the Tax Act.....	0.17
Income tax adjustments.....	(0.17)
Non-GAAP diluted net income per share	<u>\$ 6.20</u>
Shares used to compute diluted net income per share.....	<u>500.0</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 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.

Forward-Looking Statements Disclosure

Our financial targets contain forward-looking statements and projections, including those related to revenue, earnings per share on a GAAP and non-GAAP basis, annualized recurring revenue, subscription bookings, share count, non-operating other expense, 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, acquire, market and offer products and services that meet customer requirements, failure to compete effectively, introduction of new technology, complex sales cycles, risks related to the timing of revenue recognition from our subscription offerings, fluctuations in subscription renewal rates, potential interruptions or delays in hosted services provided by us or third parties, risks associated with cyber-attacks, information security and privacy, failure to realize the anticipated benefits of past or future acquisitions, changes in accounting principles and tax regulations, uncertainty in the financial markets and economic conditions in the countries where we operate, and other various risks associated with being a multinational corporation.

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 2017 ended Dec. 1, 2017, and Adobe's Quarterly Reports on Form 10-Q issued in fiscal year 2018.