

ADOBE INC.  
Form 10-K  
January 25, 2019

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended November 30, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
 OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-15175

Adobe Inc.

(Exact name of registrant as specified in its charter)

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Delaware 77-0019522  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

345 Park Avenue, San Jose, California 95110-2704  
(Address of principal executive offices)  
(408) 536-6000  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.0001 par value per share	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer”, “accelerated filer”, “smaller reporting company”, and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No   
The aggregate market value of the registrant’s common stock, \$0.0001 par value per share, held by non-affiliates of the registrant on June 1, 2018, the last business day of the registrant’s most recently completed second fiscal quarter, was \$96,776,869,889 (based on the closing sales price of the registrant’s common stock on that date). Shares of the registrant’s common stock held by each officer and director and each person who owns 5% or more of the outstanding common stock of the registrant have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. As of January 18, 2019, 487,725,915 shares of the registrant’s common stock, \$0.0001 par value per share, were issued and outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Proxy Statement for the registrant’s 2019 Annual Meeting of Stockholders (the “Proxy Statement”), to be filed within 120 days of the end of the fiscal year ended November 30, 2018, are incorporated by reference in Part III hereof. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as part hereof.

ADOBE INC.  
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### Forward-Looking Statements

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements, including statements regarding product plans, future growth, market opportunities, strategic initiatives, industry positioning, customer acquisition and retention, the amount of recurring revenue and revenue growth. In addition, when used in this report, the words “will,” “expects,” “could,” “would,” “may,” “anticipates,” “intends,” “plans,” “believes,” “targets,” “estimates,” “looks for,” “looks to,” “continues” and similar expressions, as well as statements regarding our focus for the future, are generally intended to identify forward-looking statements. Each of the forward-looking statements we make in this report involves risks and uncertainties that could cause actual results to differ materially from these forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section entitled “Risk Factors” in Part I, Item 1A of this report. You should carefully review the risks described herein and in other documents we file from time to time with the U.S. Securities and Exchange Commission (the “SEC”), including our Quarterly Reports on Form 10-Q to be filed in 2019. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document, except as required by law.

## PART I

### ITEM 1. BUSINESS

Founded in 1982, Adobe Inc. (formerly Adobe Systems Incorporated) is one of the largest and most diversified software companies in the world. We offer a line of products and services used by creative professionals, marketers, knowledge workers, students, application developers, enterprises and consumers for creating, managing, delivering, measuring, optimizing, engaging and transacting with compelling content and experiences across personal computers, devices and media. We market our products and services directly to enterprise customers through our sales force and local field offices. We license our products to end users through app stores and our own website at [www.adobe.com](http://www.adobe.com). We offer many of our products via a Software-as-a-Service (“SaaS”) model or a managed services model (both of which are referred to as hosted or cloud-based) as well as through term subscription and pay-per-use models. We also distribute certain products and services through a network of distributors, value-added resellers (“VARs”), systems integrators (“SIs”), independent software vendors (“ISVs”), retailers, software developers and original equipment manufacturers (“OEMs”). In addition, we license our technology to hardware manufacturers, software developers and service providers for use in their products and solutions. Our products run on personal and server-based computers, as well as on smartphones, tablets and other devices, depending on the product. We have operations in the Americas, Europe, Middle East and Africa (“EMEA”), and Asia-Pacific (“APAC”).

Adobe was originally incorporated in California in October 1983 and was reincorporated in Delaware in May 1997. Our executive offices and principal facilities are located at 345 Park Avenue, San Jose, California 95110-2704. Our telephone number is 408-536-6000 and our website is [www.adobe.com](http://www.adobe.com). Investors can obtain copies of our SEC filings from this site free of charge, as well as from the SEC website at [www.sec.gov](http://www.sec.gov). The information posted to our website is not incorporated into this Annual Report on Form 10-K.

### BUSINESS OVERVIEW

For over 35 years, Adobe’s innovations have transformed how individuals, teams, businesses and governments interact. We help our customers create and deliver the most compelling experiences in a streamlined workflow and optimize those experiences for greater return on investment. Our solutions turn ordinary interactions into valuable digital experiences, across media and devices, anytime, anywhere.

While we continue to offer a broad portfolio of products, services, and solutions, we focus our investments in two strategic growth areas:

Digital Media—providing products, services and solutions that enable individuals, teams and enterprises to create, publish and promote their content anywhere. Our customers include content creators, web designers, app developers,

enthusiasts, and digital media professionals, as well as management in marketing departments and agencies, companies and publishers. Our customers also include knowledge workers who create, collaborate on and distribute documents. This is the core of what we have delivered for over 25 years, and we have evolved our business model to provide our customers with a range of flexible solutions that allow them to reach their full creative potential anytime, anywhere, on any device on projects of all types.

Digital Experience—providing enterprises and brands a comprehensive and integrated suite of products, services and solutions for creating, managing, executing, measuring and optimizing customer experiences that span from advertising to

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commerce. Our customers include marketers, advertisers, agencies, publishers, merchandisers, merchants, web analysts, data scientists, developers, marketing executives, information management executives, product development executives, and sales and support executives. Our robust Adobe Experience Platform provides enterprises and brands a profile that enables deep customer insights and personalized digital experiences delivered with our Adobe Experience Cloud solutions. By combining the creativity of our Digital Media business with the science of our Digital Experience offerings, we help our customers more efficiently and effectively make, manage, measure and monetize their content across channels and devices with an end-to-end workflow and feedback loop.

We believe we are uniquely positioned to be a leader in both the Digital Media and Digital Experience markets, where our mission is to change the world through digital experiences. By integrating products from each of these areas, our customers are able to utilize a comprehensive suite of solutions and services that no other company currently offers. In addition, our ability to deliver innovation and productivity improvements across customer workflows involving the creation, management, delivery, measurement and optimization of engaging content favorably positions Adobe as our customers continue investing in engaging their constituents digitally.

## SEGMENTS

Our business is organized into three reportable segments: Digital Media, Digital Experience, and Publishing. These segments provide Adobe's senior management with a comprehensive financial view of our key businesses. Our segments are aligned around our two strategic growth opportunities described above, placing our Publishing business in a third segment that contains some of our mature products and solutions.

## MARKET OVERVIEW

This overview provides an explanation of our markets and a discussion of strategic opportunities in fiscal 2019 and beyond for each of our segments. See "Results of Operations" within Part II, Item 7 titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further segment information.

### Digital Media

#### Digital Media Opportunity

Recent technology trends in digital communications continue to provide a significant market opportunity for Adobe in digital media. In today's world where the velocity of creation and consumption of digital content is ever increasing, customers are looking for a way to meet demand with engaging online experiences. Adobe is in a strong position to capitalize on this opportunity by driving modernization and innovation that will accelerate the creative process across all platforms and devices, deepen engagement with communities, and accelerate long-term revenue growth by focusing on cloud-based offerings, which are licensed on a subscription basis.

The flagship of our Digital Media business is Adobe Creative Cloud—a subscription service that allows members to use Adobe's creative products integrated with cloud-delivered services across desktop, web and mobile devices. Creative Cloud members can download and access the latest versions of our creative products such as Photoshop, Illustrator, Premiere Pro, Lightroom CC, InDesign, Adobe XD and many more creative applications. To expand our reach and improve the way we serve the needs of our customers, we create different combinations of these services, including our launch of a mobile photography offering that has brought new customers into our franchise and grown the amount of our photography subscriptions. In addition, members can access built-in templates to jumpstart designs and step-by-step tutorials to sharpen skills and get up to speed quickly. Through Creative Cloud, members can access online services to sync, store, and share files across users' machines, access marketplace, social and community-based features within our Adobe Stock and Behance services, and create apps and websites, all at affordable subscription pricing for cost-sensitive customers.

Adobe continues to redefine the creative process with Adobe Creative Cloud so that our customers can obtain everything they need to create, collaborate and be inspired. A core part of our strategy is Adobe Sensei, a proprietary framework and set of intelligent services for dramatically improving the design and delivery of digital experiences. Adobe Sensei leverages Adobe's massive content and data assets, as well as its deep domain expertise in the creative, marketing and document segments, within a unified artificial intelligence ("AI") and machine learning framework to

help customers discover hidden opportunities, reduce tedious processes, and offer relevant experiences to every customer.

Adobe Creative Cloud addresses the needs of creative professionals such as artists, designers, developers, students and administrators. They rely on our products for publishing, web design and development, video and animation production, mobile

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app and gaming development, and document creation and collaboration. End users of our creative products work in businesses ranging from large publishers, media companies and global enterprises, to smaller design agencies, and individual freelancers. Moreover, our creative products are used to create much of the printed and online information people see, read and interact with every day, including video, animation, mobile and advertising content. Knowledge workers, educators, hobbyists and consumers also use our products to create and deliver content. We have introduced new products, features and services to address emerging categories of content creation, such as voice-based prototyping, refined content creation tools, 3D, augmented reality, virtual reality and user experience design. New projects announced and solutions offered include Project Gemini, a mobile drawing and painting application, featuring live brushes that mimic natural media like oil paint and watercolors in amazingly lifelike ways; Adobe Premiere Rush, an easy-to-use video editing app that simplifies video creation and sharing on platforms including YouTube and Instagram, while delivering professional quality video results for social media marketers, video bloggers and video enthusiasts; and Photoshop on iPad to enable a seamless experience across devices, and attract a new, mobile-centric audience.

Adobe's Digital Media segment includes our Adobe Document Cloud business, built around our Acrobat family of products, including Adobe Acrobat and Adobe Acrobat Reader, and a set of integrated, cloud-based document services, including Adobe Sign and Adobe Scan. Tens of millions of knowledge workers worldwide interact with documents daily. For over 25 years, Acrobat has provided for the reliable creation and exchange of electronic documents, regardless of platform or application source type. Users can collaborate on documents with electronic comments and tailor the security of a file in order to distribute reliable Adobe PDF documents that can be viewed, printed or filled out utilizing our free Acrobat Reader on any device. Acrobat provides essential electronic document capabilities and services to help knowledge workers accomplish a wide variety of tasks ranging from simple publications and forms to mission-critical engineering documentation and architectural plans. With our Acrobat product and its innovative cloud services, we have extended the capabilities of our solutions. Users can turn slow, manual signing processes into automated experiences and collect signatures with Adobe Scan and Adobe Sign. In addition, we have mobile apps such as Adobe Scan that allows any user to create a PDF with the camera on their phone.

### Digital Media Strategy

Our goal is to be the leading platform for creativity where we offer a range of products and services that allow individuals, teams and enterprises, both professionals and enthusiasts, to design and deliver amazing digital content. We believe there is significant opportunity for growth across all customer segments and expect Adobe Creative Cloud will drive sustained long-term revenue growth through a continued expansion of our customer base by acquiring new users in North America and international markets, especially in emerging markets where there is an opportunity to target new creative professionals and enthusiasts entering the market, and drive conversion of non-genuine Adobe users. Enabling students to create and tell their stories is another opportunity where Adobe Spark uniquely positions us to deliver on the needs of educators and students in and outside of classrooms.

We will continue to deepen our relationship with existing users through meeting their needs holistically and delivering additional features and value, including data-driven customer engagement, AI and machine learning through Adobe Sensei, and new design categories. As appropriate, we plan to optimize our pricing strategy and move our customers to higher priced and better value offerings and continue to employ targeted promotions that attract past customers and potential users to try out and ultimately subscribe to Adobe Creative Cloud. To target new customers and better address the needs of our existing customers, we will continue to invest in driving innovation to maintain the leadership position that we have established. We offer a marketplace for Creative Cloud subscribers to enable the delivery and purchase of stock content in our Adobe Stock service. Overall, our strategy with Creative Cloud is designed to enable us to increase our revenue with users, attract more new customers, and grow a recurring and predictable revenue stream that is recognized ratably.

As part of our Adobe Creative Cloud strategy, we utilize a data-driven operating model and our Adobe Experience Cloud solutions to drive customer awareness and licensing of our creative products and services through our website and across other channels. Adobe.com is increasingly becoming the destination site where we engage individual and small business customers to sign up for and renew Creative Cloud subscriptions. We offer free apps and trials to



attract new customers and through a data-driven model, we optimize conversion of these trialists to paid subscribers. We utilize channel partners to target mid-size creative customers with our Creative Cloud for teams offering. Our direct sales force is focused on building relationships with our largest customers and driving adoption of our Creative Cloud for enterprise offering.

We offer many of the products included in Adobe Creative Cloud on a standalone basis, including subscriptions to the Creative Cloud version of certain point products. We also offer a range of other creative tools and services, including our hobbyist products such as Photoshop Elements and Premiere Elements, Adobe Fonts (formerly Typekit) and mobile apps such as Photoshop Mix, Photoshop Sketch, Photoshop Fix, Adobe Capture, and Adobe Spark. Further descriptions of our Digital Media products are included below under “Principal Products and Services.”

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In our Adobe Document Cloud business, Adobe Acrobat has achieved strong market adoption and a leadership position in document-intensive industries such as government, financial services, pharmaceutical, legal, aerospace, insurance and technical publishing. We believe there remain tens of millions of users - both individuals and enterprises - who need the capabilities provided by Acrobat and the service capabilities found in Document Cloud. We plan to build out a data driven operating model to market the benefits of our Document Cloud solutions, combined with the low entry point of subscription-based pricing, to individuals as well as small and medium-sized businesses, large enterprises and government institutions around the world. We intend to continue promoting the capabilities of our cloud-based document solutions and Adobe Sensei features to millions of Acrobat users and hundreds of millions of Acrobat Reader users. We aim to increase our seat penetration in our key markets through the utilization of our corporate and volume licensing programs. We also intend to increase our focus on marketing and licensing Acrobat in targeted vertical markets such as education, financial services, telecommunications and government, as well as on expanding into emerging markets. We will continue to engage in strategic partnerships to help drive the enterprise business, including our partnership with Microsoft. Our Adobe Sign service provides a green alternative to costly paper-based solutions, and is a more modern and convenient way for customers to digitally manage their documents, processes, and contract workflows. The Adobe Scan app for mobile devices can be used to capture paper documents as images and transform them into full-featured PDFs via Document Cloud services that can be shared immediately, essentially putting scanning capabilities in the pocket of every person. We believe that by growing the awareness of electronic signatures in the broader contract delivery and signing market, utilizing Adobe Sensei to enhance customer experiences through machine learning and AI, and continuing to add new capabilities to our Adobe Scan and Adobe Sign offerings, we can help our customers migrate away from paper-based express mailing and adopt our solution to modernize and digitize document experiences, growing our revenue with this business in the process.

### Digital Experience

#### Digital Experience Opportunity

Consumers today increasingly demand compelling experiences in their digital interactions, that are seamless across channels and devices. Enterprises and brands recognize that customers have more choices and lower switching costs than ever before. In this new hyper-connected digital environment, it is the customer experience that differentiates brands and ultimately determines customer loyalty. As a result, businesses must determine how to best attract, engage, acquire and retain customers in a digital world where the reach and quality of experiences directly impact success. Delivering the best experience to a consumer at a given moment requires the right combination of data, insights and content. Executives are increasingly demanding solutions that optimize their consumers' experiences and deliver the greatest return on marketing and IT spend so they can demonstrate the business impact of their programs using objective metrics.

We believe there is a significant opportunity to address these challenges and help customers transform their businesses. The world's leading brands are increasingly steering their marketing, advertising, and development budgets toward digital experiences. As enterprises make this move to digital, our opportunity is accelerating as brands seek vendors to help them navigate this transition. Enterprises have a mandate to deliver meaningful experiences to their consumers across digital channels and in areas such as sales, support, and product interactions where consumers expect experiences to be consistent and personalized.

Our Adobe Experience Cloud business targets this large and growing opportunity by providing comprehensive solutions that include analytics, targeting, advertising optimization, digital experience management, marketing automation and engagement, cross-channel campaign management, content management, asset management, audience management, premium video delivery, digital commerce enablement, order management, predictive intelligence and monetization. These comprehensive solutions enable marketers to measure, personalize and optimize digital experiences across channels for optimal performance.

We believe the market for Adobe Experience Cloud is large and rapidly growing as more businesses and enterprises invest in solutions that aid their goals to transform how they engage with their customers and constituents digitally.

#### Digital Experience Strategy

Our goal is to be the leading provider of solutions that enable our customers to provide exceptional digital experiences and enable digital transformation. Our integrated cloud-based solutions enable enterprises to build personalized

campaigns, offer shoppable experiences, manage advertising, and gain deep intelligence about their customers. Our content and data platform provides differentiation and competitive advantage.

Adobe Experience Cloud consists of the following cloud offerings:

Adobe Advertising Cloud—delivers an end-to-end platform for managing advertising across traditional TV and digital formats, and simplifies the delivery of video, display and search advertising across channels and screens; uses Adobe Sensei to enable machine learning and predictive intelligence, automates digital media buying to traditional TV advertising; automates ad creation and integrates with Adobe Creative Cloud products; and combines capabilities

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from the Adobe Advertising Cloud Demand-Side Platform, Adobe Advertising Cloud Search, Adobe Advertising Cloud TV, and Adobe Advertising Cloud Creative offerings.

Adobe Analytics Cloud—enables businesses to move from insights to actions in real time by uniquely integrating audiences as the core system of intelligence for the enterprise; makes data available across all Adobe clouds through the capture, aggregation, rationalization and understanding of vast amounts of disparate data and then translating that data into singular customer profiles; includes Adobe Analytics and Adobe Audience Manager.

Adobe Marketing Cloud—provides an integrated set of solutions to help marketers differentiate their brands and engage their customers, helping businesses manage, personalize, and orchestrate campaigns and customer journeys across business-to-business (“B2B”) and business-to-consumer (“B2C”) use cases; includes Adobe Experience Manager (“AEM”), Adobe Campaign, Adobe Target, Marketo Engagement Platform, and Adobe Primetime.

Magento Commerce Cloud—offers digital commerce enablement and order orchestration for both physical and digital goods across a range of industries, including consumer packaged goods, retail, wholesale, manufacturing and the public sector, and brings together digital commerce, order management and predictive intelligence to enable shopping experiences that scale from mid-market to enterprise businesses.

Adobe acquired Magento on June 18, 2018 and integrated it into the Adobe Experience Cloud as the Magento Commerce Cloud. Adobe acquired Marketo on October 31, 2018 and began integrating it into the Adobe Marketing Cloud as the Marketo Engagement Platform. Marketo Engagement Platform is a cloud platform for global business-to-business marketers driving new business growth by personalizing complex buyer journeys and empowering go-to-market teams to optimize the enterprise buyer experience. As part of the Adobe Marketing Cloud, the Marketo Engagement Platform simplifies how companies plan, orchestrate and measure engagement with prospects and customers at every stage of their experience through both lead and account-based marketing strategies, while uniquely aligning marketing and sales teams across every channel through a single, enterprise-grade platform. We believe the AI and machine learning framework enabled by our strategy with Adobe Sensei enhances the delivery of digital experiences. By building on existing features such as Enhanced Anomaly Detection, Auto-Target, and other capabilities, we believe Adobe Sensei will increase the value we provide our customers and create a competitive differentiation in the market.

To drive growth of Adobe Experience Cloud, we also intend to focus on customer engagement, growing within existing customer accounts, and product differentiation. We are also investing in the Adobe Experience Platform, which is powered by Adobe Sensei to help users weave all their data together so they can better understand customer behavior and deliver the best experiences in real time. Our Open Data Initiative is an open alliance among Adobe, Microsoft and SAP, that enables a seamless flow of customer data within the Adobe Experience Platform. We utilize a direct sales force to market and license our Experience Cloud solutions, as well as an extensive ecosystem of partners, including marketing agencies, SIs and ISVs that help license and deploy our solutions to their customers. Strategic partnerships, such as the one we have formed with Microsoft, continue to increase our market reach. We have made significant investments to broaden the scale and size of all of these routes to market, and believe these investments will result in continued growth in revenue in our Digital Experience segment in fiscal 2019 and beyond.

### **Publishing**

Our Publishing segment contains legacy products and services that address diverse market opportunities including eLearning solutions, technical document publishing, web conferencing, document and forms platform, web application development and high-end printing. Graphics professionals and professional publishers continue to require quality, reliability and efficiency in production printing, and our Adobe PostScript and Adobe PDF printing technologies provide advanced functionality to meet the sophisticated requirements of this marketplace. As high-end printing systems evolve and transition to fully digital, composite workflows, we believe we are well positioned to be a supplier of software and technology based on the Adobe PostScript and Adobe PDF standards for use by this industry. We generate revenue by licensing our technology to OEMs that manufacture workflow software, printers and other output devices. In fiscal 2018, we maintained a relatively consistent quarterly revenue run-rate with the mature products we market and license in our Publishing business.



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### COMPETITION

The markets for our products and services are characterized by intense competition, new industry standards, evolving distribution models, disruptive technology developments, frequent product introductions, short product life cycles, price cutting with resulting downward pressure on gross margins and price sensitivity on the part of consumers. Our future success will depend on our ability to enhance and better integrate our existing products, introduce new products on a timely and cost-effective basis, meet changing customer needs, provide best-in-class information security to build customer confidence and combat cyber-attacks, extend our core technology into new applications and anticipate emerging standards, business models, software delivery methods and other technological changes.

#### Digital Media

No single company has offerings that match the capabilities of our Adobe Creative Cloud products and services, but we face collective competition from a variety of point offerings, free products and downloadable apps. Our competition includes offerings from companies such as Apple, Autodesk, Avid, Corel, Microsoft, Affinity, Quark and others, as well as from many lower-end offerings. We believe our greatest advantage in this space is the performance and scope of our integrated solutions, which work together as part of Creative Cloud. With Creative Cloud, we compete favorably on the basis of features and functionality, ease of use, product reliability, value and performance characteristics.

Professional digital imaging, drawing and illustration products are characterized by feature-rich competition, brand awareness and price sensitivity. Competition in this space is also emerging with drawing and illustration applications on tablet and smartphone platforms. The demand for professional web page layout and professional web content creation tools is constantly evolving and highly volatile. In this area, we face direct and indirect competition from desktop software companies and various proprietary and open source web-authoring tools.

We face competition from device, hardware and camera manufacturers as they try to differentiate their offerings by bundling, for free, their own digital imaging software or those of our competitors. Similarly, we face potential competition from operating system manufacturers as they integrate or offer hobbyist-level digital imaging and image management features with their operating systems. We also face competition from smartphone and tablet manufacturers that integrate imaging and video software into their devices to work with cameras that come as part of their smartphone and tablet offerings. In addition, social networking platforms such as Facebook (including Instagram), Snapchat, Twitter and Pinterest, as well as portal sites such as Google, Bing and Yahoo! are becoming a direct means to post, edit and share images, bypassing the step of using image editing and sharing software. Online storage and synchronization are becoming free and ubiquitous. Consumers will be encouraged to use the image and video editing software offered by those storage products, thus competing with our software.

In addition, the needs of digital imaging and video editing software users are constantly evolving due to rapid technology and hardware advancements in digital cameras, digital video cameras, printers, personal computers, tablets, smartphones and other new devices. Our imaging and video offerings, including Photoshop, Lightroom, After Effects, Premiere Pro, and Premiere Rush, face competition from established and emerging companies offering similar products.

New image editing applications for mobile devices and tablets with features that compete with our professional tools are also emerging as adoption of these devices grows. Our consumer digital imaging and video editing offerings are subject to intense competition, including customer price sensitivity and competitor brand awareness. We face direct and indirect competition in the consumer digital imaging space from a number of companies whose market software competes with our offerings.

The stock content marketplace has significant competition, especially in the microstock segment, where Adobe primarily operates today with our Adobe Stock offering. Key competitors in this segment include Shutterstock, Getty Images and a number of smaller companies. Deep product integration with Adobe Creative Cloud and superior reach and relationships with creative professionals around the world differentiate our Adobe Stock offerings.

The nature of traditional digital document creation, storage, and collaboration has been rapidly evolving as knowledge workers and consumers shift their behavior increasingly to non-desktop workflows. Competitors like Microsoft,

Google, Box and Dropbox all offer competitive alternatives to our Adobe Document Cloud business for creating and managing PDFs. In addition, other PDF creation solutions can be found at a low cost or for free on the web or via mobile applications. To address these competitive threats, we are working to ensure our Document Cloud applications stay at the forefront of innovation in emerging opportunities such as PDF document generation, document collaboration and document security, document workflow management, easeful software integrations, enablement of paper to digital transformations, and accessibility and usability on multiple devices, including mobile and desktop.

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E-signatures have quickly become a core element of digital documents and are inherently part of a company's digital document transformation efforts. Partnerships and integrations between these companies and third-parties create an increasingly competitive landscape in this space. Competitors to Adobe Sign include DocuSign.

### Digital Experience

The markets in which our Digital Experience business unit competes are growing rapidly and characterized by intense competition. Our Adobe Experience Cloud solutions face competition from large companies such as Google, IBM, Oracle, salesforce.com, SAP, SAS, Teradata, Shopify and others, in addition to point product solutions and focused competitors. Additionally, new competitors are constantly entering these markets. Some of these competitors provide SaaS solutions to customers, generally through a web browser, while others provide software that is installed by customers directly on their servers. In addition, we compete at times with our customers' or potential customers' internally developed applications. Of the competitors listed above, no single company has products identical to our Adobe Experience Cloud offerings. Adobe Experience Cloud competes in a variety of areas, including: reporting and analytics; cross-channel marketing and optimization; online marketing; audience management; advertising and real-time bidding technology; video delivery and monetization; marketing automation; digital commerce enablement; order management; web experience management and others.

Large software, internet and database management companies have expanded their offerings in the digital experience area, either by developing competing services or by acquiring existing competitors or strategic partners of ours. We believe competitive factors in our markets include the proven performance, security, scalability, flexibility and reliability of services; the strategic relationships and integration with third-party applications; the intuitiveness and visual appeal of user interfaces; demonstrable cost-effective benefits to customers; pricing; the flexibility of services to match changing business demands; enterprise-level customer service and training; perceived market leadership; the usability of services; real-time data and reporting; independence from portals and search engines; the ability to deploy the services globally; and success in educating customers in how to utilize services effectively. We believe we compete favorably with both the enterprise and low-cost alternatives based on many of these competitive factors including our strong feature set, the breadth of our offerings, our focus on global, multi-brand companies, our superior user experience, tools for building multi-screen, cross-channel applications, standards-based architecture, scalability and performance and leadership in industry standards efforts.

Creative and digital agencies, as well as SIs, are increasingly investing in acquiring their own digital experience technology to complement their creative services offerings. Adobe may face competition from these agencies and SIs as they come to market with best-of-breed offerings in one or more digital experience capabilities, or if agencies attempt to create a more complete technology platform offering. We believe our creative tools heritage differentiates us from our competitors. We have worked closely with marketing and creative customers for over 30 years. We also believe we have leadership in this space, with current customers representing leading global brands. Our comprehensive solutions extend more broadly than any other company in serving the needs of marketers and addressing this market opportunity; we integrate content and data, analytics, personalization, digital experience management, marketing automation, cross-channel campaign management, digital commerce, audience management, video delivery and monetization and social capabilities in our Adobe Experience Cloud. Most importantly, we provide a vision for our digital experience customers as we engage with them across the important aspects of their business, extending from their use of Adobe Creative Cloud and Adobe Document Cloud to how they manage, deliver, measure and monetize their content, participate in digital commerce, and create highly personalized and engaging shoppable experiences with our Experience Cloud.

### Publishing

Our Publishing product offerings face competition from large-scale publishing systems, XML-based publishing companies, as well as lower-end desktop publishing products. Similarly, our web conferencing product faces competition from a number of established products from other companies, including Cisco, Citrix and Microsoft.



Competition involves a number of factors, including: product features, ease-of-use, printer service support, the level of customization and integration with other publishing system components, the number of hardware platforms supported, service and price. We believe we can successfully compete based upon the quality and features of our products, our strong brand among users, the widespread adoption of our products among printer service bureaus, and our extensive application programming interfaces.

In printing technologies, we believe the principal competitive factors for OEMs in selecting a page description language or a printing technology are product capabilities, market leadership, reliability, price, support and engineering development assistance. We believe that our competitive advantages include our technology competency, OEM customer relationships and our intellectual property portfolio.

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### PRINCIPAL PRODUCTS AND SERVICES

#### Digital Media Offerings

##### Creative Cloud

Adobe Creative Cloud is a cloud-based subscription offering that enables creative professionals and enthusiasts alike to express themselves with apps and services that connect across devices, platforms and geographies. Members have access to a vibrant creative community, publishing services to deliver apps and websites, cloud storage to easily access their work, the ability to sync their files to virtually any device, collaboration capabilities with team members, and new products and exclusive updates as they are developed. Creative Cloud members can build a Creative Profile which persists wherever they are. A user's Creative Profile moves with them via Creative Cloud services from app to app and device to device, giving them immediate access to their personal files, photos, brushes, graphics, colors, fonts, text styles, desktop setting customizations and other important assets. Creative Cloud subscriptions include all of the applications listed below and many more.

##### Photoshop and Lightroom

Adobe Photoshop is the world's most advanced digital imaging and design app. It is used by photographers, designers, animators, web professionals, and video professionals, and is available to Adobe Creative Cloud subscribers.

Lightroom CC, our cloud-based photo service for editing, organizing, storing and sharing photos, is also available to Creative Cloud subscribers. Customers can also subscribe to Photoshop or Lightroom CC as individual cloud-enabled subscription products, or through our Photography Plan, which is a cloud-enabled offering targeted at photographers and photo hobbyists and includes Lightroom CC, integrated cloud services, and Lightroom Classic, a desktop-only version of the photo service app.

We also offer Photoshop Elements, which is targeted at consumers who desire the brand and power of Photoshop through an easy-to-use interface. For tablet and smartphone users, we offer several mobile apps including Photoshop Sketch, Photoshop Mix, Photoshop Express, Lightroom for mobile and Photoshop Fix—all of which enable sophisticated photo editing and content creation using a touch-based interface on tablet and mobile devices.

##### Illustrator

Adobe Illustrator is our industry-standard vector graphics app used worldwide by designers of all types who want to create digital graphics and illustrations from web icons and product packaging to book illustrations and billboards, and for all kinds of media: print, web, interactive, video, and mobile. Illustrator is available to Adobe Creative Cloud subscribers, and customers can also subscribe to use it as an individual subscription product. Users can also utilize mobile apps such as Illustrator Draw to gain access to Illustrator capabilities on their tablets and mobile devices, and sync their work through Adobe CreativeSync for use with Illustrator on their desktop.

##### InDesign

Adobe InDesign is the industry-leading design and layout app for print and digital media. Our customers use it to design, preflight, and publish a broad range of content including newspapers and magazines for print, online, and tablet app delivery. From stationery, fliers and posters to brochures, annual reports, magazines and books with professional layout and typesetting tools, customers can create multicolumn pages that feature stylish typography and rich graphics, images, and tables. Tight integration with other Adobe offerings such as Photoshop, Illustrator and Acrobat enables customers to work productively in print and digital workflows. InDesign integrates seamlessly with Adobe InCopy, so customers can work on layouts simultaneously with writers and editors. Customers can also access Adobe digital publishing capabilities from within InDesign to create and publish engaging apps for a broad range of devices, including iOS, Android and Amazon-based devices. InDesign is available to Adobe Creative Cloud subscribers, and customers can also subscribe to use InDesign as an individual cloud-enabled subscription product.

##### Adobe Stock

Adobe Stock provides designers and businesses with access to millions of high-quality, curated, royalty-free photos, vectors, illustrations, videos, templates, and 3D assets, for all their creative projects. Adobe Stock is built into Adobe Creative Cloud apps, including Photoshop, Illustrator, and InDesign, enabling users to search, browse, and add images to their Creative Cloud Libraries, and obtain instant access to assets across desktop and mobile devices. Adobe Stock assets may be licensed directly within the Creative Cloud desktop apps, through [stock.adobe.com](http://stock.adobe.com), or as a multi-asset subscription.

Adobe XD

Adobe XD is our all-in-one experience design (XD) solution used to build user experiences (UX) and user interfaces (UI) when designing websites, mobile apps and more; Adobe XD enables users to go from concept to prototype faster. It contains intuitive tools that deliver precision and performance using timesaving features like Repeat Grid and flexible artboards to create

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everything from low-fidelity wireframes to fully interactive prototypes for any screen in minutes. Adobe XD also makes it easy to share prototypes with teammates via the web and show colleagues how multiscreen experiences look, feel and work with a single click. Adobe XD allows designers to design, prototype, and share digital experiences that extend beyond the screen, including triggers and speech playback to create audio interactions for voice-based smart assistants and other similar platforms. Adobe XD is available to Adobe Creative Cloud subscribers, and customers can also subscribe to use it as an individual cloud-enabled subscription product.

### Adobe Premiere Pro and Adobe Premiere Rush

Adobe Premiere Pro is a leading nonlinear video editing tool used by filmmakers, videographers, and designers. Customers can import and combine various types of media, from video shot on a smartphone to 8K to virtual reality, and then edit in its native format without transcoding. Premiere Pro supports a vast majority of formats, and customers can use multiple graphics cards to accelerate render and export times. Premiere Pro is the only nonlinear editor that lets users have multiple projects open while simultaneously collaborating on a single project with their team. Workflows for color, graphics, audio, and immersive 360/VR in Premiere Pro take customers from first edit to final credits faster than ever. Adobe Premiere Rush (formerly Project Rush) is an all-in-one, easy-to-use video editing app that simplifies video creation and sharing on platforms including YouTube and Instagram, while delivering professional quality video results. Premiere Rush is uniquely positioned toward social media marketers, video bloggers, and video enthusiasts who are looking for an all-in-one app to create and share online videos. As part of Adobe Creative Cloud, Premiere Pro and Premiere Rush tightly integrates with other Adobe creative applications. Customers can also subscribe to use Premiere Pro and Premiere Rush as an individual cloud-enabled subscription product, or they can download the free Premiere Rush starter plan.

### After Effects

Adobe After Effects is our industry-leading animation and creative compositing app used by a wide variety of motion graphics, visual effects artists, animators, designers and compositors. It offers superior control, a wealth of creative options, and integration with other post-production applications. After Effects works together seamlessly with other Adobe apps such as Premiere Pro, Photoshop, Illustrator, and Audition. After Effects is available to Adobe Creative Cloud subscribers, and customers can also subscribe to use it as an individual cloud-enabled subscription product.

### Adobe Dimension

Adobe Dimension is designed to make it easy for graphic designers to create high-quality, photorealistic 3D images. Users can composite 2D and 3D assets to build product shots, scene visualizations, and abstract art. Dimension integrates well with other Adobe apps. Users can drag and drop background images from Photoshop and 3D models from Adobe Stock - without leaving Dimension. Dimension is available to Adobe Creative Cloud subscribers, and customers can also subscribe to use it as an individual cloud-enabled subscription product.

### Adobe Fonts

Adobe Fonts brings thousands of fonts from foundry partners into one library for quick browsing, easy use on the web or on the user's desktop, and endless typographic inspiration. Our full library of commercially-licensed fonts is offered through Adobe Creative Cloud. In addition, customers may subscribe to the standalone Adobe Fonts portfolio plan, or license individual fonts in the Adobe Fonts Marketplace.

### Behance

Behance is the leading social community to showcase and discover creative work online. Adobe Portfolio allows users to quickly and simply build a fully customizable and hosted website that seamlessly syncs with Behance.

### Adobe Spark

Adobe Spark is our integrated web and mobile software for creating and sharing impactful visual stories. Designed for everyday communication, Adobe Spark empowers users to transform words, images, and videos into dynamic web stories that engage audiences across multiple channels and on any device. The Adobe Spark web app seamlessly syncs

with Spark Post, Spark Page and Spark Video iOS mobile apps, allowing users to create, edit and share their story from any location regardless of their design experience. Adobe Spark with premium features allows users to apply custom branding to anything they create; the premium product is offered as part of any Adobe Creative Cloud plan or as a standalone subscription. A free version is also still available to attract new users.

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### Acrobat and Adobe Document Cloud

Adobe Document Cloud modernizes document experiences by offering a complete portfolio of secure digital document solutions that speed business transactions through streamlined digital workflows. With Document Cloud, users can create, review, approve, sign and track documents, whether on a desktop or mobile device.

At the heart of Adobe Document Cloud is Adobe Acrobat DC, the industry standard for PDF creation and conversion. Acrobat enables users to create secure, reliable and compact Adobe PDF documents from desktop authoring applications such as Microsoft Office software, graphics applications and more. Acrobat enables automated collaborative workflows with a rich set of commenting tools and review tracking features and includes everything needed to create and distribute rich, secure electronic documents that can be viewed easily within leading web browsers or on computer desktops via the free Adobe Acrobat Reader.

Adobe Acrobat is available to both Adobe Creative Cloud and Adobe Document Cloud subscribers. Customers can also license Acrobat Pro or Acrobat Standard (which has a subset of Acrobat Pro features) as individual point products, either as a cloud-enabled subscription or in the form of desktop software. Adobe Acrobat Reader is also available as a free mobile app that allows users to view, annotate, and scan documents. Acrobat Reader is our free software for reliable viewing, searching, reviewing and printing of Adobe PDF documents on a variety of hardware and operating system platforms. Users of both Acrobat and Acrobat Reader can also access, edit and save changes to their PDF files stored on the Dropbox website or mobile app.

Our Adobe Scan app can be used for free on mobile devices to provide scanning capabilities in the pocket of every person. It captures paper documents as images and transforms them into full-featured and versatile PDFs via Adobe Document Cloud services for instant sharing with others.

Our Adobe Sign e-signature service allows users to securely electronically send and sign any document from any device. Adobe Sign has a mobile app companion allowing users to e-sign documents and forms, send them for signature, track responses in real-time, and obtain instant signatures with in-person signing. It integrates with users' enterprise systems through a comprehensive set of applicable programming interfaces, and Adobe Experience Manager Forms and Advanced Workflows for Adobe Sign, to create forms and provide seamless experiences to customers across web and mobile sites. Adobe Sign is Microsoft's preferred e-sign solution and is integrated into Microsoft Office 365, Microsoft Dynamics 365, and Microsoft SharePoint.

### Adobe Experience Cloud Products and Services

Adobe Experience Cloud includes our Advertising Cloud, Analytics Cloud, Marketing Cloud, and Magento Commerce Cloud offerings, which are each described below.

#### Adobe Advertising Cloud

Adobe Advertising Cloud is an independent ad platform that unifies and automates all media, screens, data, and creativity at scale. With Adobe Advertising Cloud and its use of Adobe Sensei AI and data integrations, customers can identify and amplify their high-value audiences for more personal and accurate targeting; seamlessly unite creative, data, and media buying across all screens and formats; protect their brand by preventing their campaigns from mixing with content and properties that do not align with their image; scale bidding and optimization strategies; implement programmatic creative management using automated advertisement creation for both prospecting and retargeting customers; generate advertisements at scale using Adobe Creative Cloud apps; and use data insights that reveal customers' interests and past behaviors to create relevant, targeted ads. Adobe Advertising Cloud includes Adobe Advertising Cloud Demand Side Platform, Adobe Advertising Cloud Search, Adobe Advertising Cloud TV, and Adobe Advertising Cloud Creative offerings described below.

#### Adobe Advertising Cloud Demand-Side Platform (DSP)

Adobe Advertising Cloud DSP uses data to build identities and find optimal mixes to reach audiences. Adobe Advertising Cloud DSP manages tactics that span multiple sites simultaneously, effortlessly, and nearly instantly. It is the first independent demand-side platform that brings cross-screen and cross-channel integrations for planning, buying, measurement, and optimization. It is the only omnichannel demand-side platform that supports all forms of TV (linear, addressable