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# Adobe Inc. (ADBE)

Q2 2026 Earnings Call

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*Chair & Chief Executive Officer, Adobe Inc.*

### David Wadhvani

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good day and welcome to the Q2 FY 2026 Adobe Earnings Conference Call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Doug Clark, Vice President of Investor Relations. Please go ahead.

### Doug Clark

*Vice President-Investor Relations, Adobe Inc.*

Good afternoon and thank you for joining us. With me on the call today are Shantanu Narayen, Adobe's Chair and CEO; David Wadhvani, President of Creativity & Productivity; Anil Chakravarthy, President of Customer Experience Orchestration; and Steve Day, Senior Vice President, Corporate Finance and CFO of Customer Experience Orchestration.

On this call, which is being recorded, we will discuss Adobe's second quarter fiscal year 2026 financial results. You can find our press release, as well as PDFs of our prepared remarks and financial results, on Adobe's Investor Relations website.

The information discussed on this call, including our financial targets and product plans, is as of today, June 11, and contains forward-looking statements that involve risk, uncertainty, and assumptions. Actual results may differ materially from those set forth in these statements. For more information on those risks, please review today's earnings release and Adobe's SEC filings.

On this call, we will discuss GAAP and non-GAAP financial measures. Our reported results include GAAP growth rates and non-GAAP growth rates, including constant currency rates. During this presentation, Adobe's executives will refer to revenue growth in constant currency rates unless otherwise stated. Non-GAAP reconciliations are available in our earnings release and on Adobe's Investor Relations website.

I will now turn the call over to Shantanu.

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## Shantanu Narayen

*Chair & Chief Executive Officer, Adobe Inc.*

Thanks, Doug. Good afternoon, everyone and thank you for joining us. We achieved \$6.62 billion in revenue in Q2, representing 11% year-over-year growth. GAAP earnings per share for the quarter was \$4.25, representing 8% year-over-year growth, and non-GAAP earnings per share was \$5.96, representing 18% year-over-year growth. Strong revenue growth was driven by subscription bookings to revenue conversion. We drove EPS growth through record top line revenue and disciplined investments across the company.

At Adobe, we continue to be driven by our mission to Empower Everyone to Create and deliver innovative products to delight users based on our customer strategy. We're focused on Business Professionals & Consumers, Creators & Creative Professionals, and Marketing Professionals.

For Business Professionals & Consumers, we're delivering AI-powered, quick and easy apps to stand out through creativity and productivity; for Creators & Creative Professionals, we're delivering power and precision to bring creative visions to life across any media type and surface; for Marketing Professionals, we're delivering Customer Experience Orchestration to create, deliver, and optimize personalized digital experiences.

As we reflect on the market context and our first half performance, it is clear that relative even to the beginning of fiscal 2026, AI is accelerating customer behavior at an unprecedented speed, and we need to evolve our strategy and execution to address these changing expectations. Much like how developers have embraced and expanded the AI-coding market, there's a transformation underway for how consumers are discovering, experiencing, onboarding, and purchasing products across all categories, including creativity, productivity, gaming, and entertainment.

As it relates to creativity and productivity, there is an unprecedented demand across additional surfaces for the combination of content consumption and content creation. Conversational interfaces and agents now orchestrate across tools to achieve outcomes faster. The proliferation of media generation models is reshaping and democratizing content workflows from ideation through delivery. AI-first applications that will serve broader audiences need to provide free, intuitive onboarding that drive usage and monetization through paywalls. Big picture, the immediate opportunity for Adobe is to accelerate new user acquisition and lifetime value through a freemium offering.

As it relates to Business Professionals & Consumers, we've dramatically increased Acrobat and Express MAU from greater than 700 million to greater than 850 million year-over-year. The opportunity is to serve billions of business professionals and consumers through a comprehensive freemium funnel, building on the success of the Adobe Reader model. Over the last year, we've delivered tremendous innovation across AI Assistant, PDF Spaces, Express, and conversational interfaces, and made these innovations available across surfaces including AI mode in Reader, Edge, Chrome, and WhatsApp.

Business Professional & Consumers traffic on Adobe.com seeking Adobe capabilities is growing 35% year-over-year. We believe this traffic is better served through a customized, friction-free onboarding experience without immediate paywalls, and will result in greater customer acquisition and deeper engagement over time. Based on the early success and MAU adoption of freemium journeys for Acrobat and Express, we're ready to expand this experience more aggressively.

For next generation creators, the opportunity is to deliver an AI production studio across web and mobile that seamlessly integrates with the power and precision capabilities of Creative Cloud. We have increased our creative freemium MAU from 50 million to 90 million year-over-year. The opportunity is to attract hundreds of millions of additional creators through a freemium funnel based on the early success of Firefly.

Over the last year, we have delivered tremendous innovation across ideation through Boards, generation with support for multiple media models, semantic image and video editing, and conversational interfaces that are available across surfaces, including mobile, web, and flagship Creative Cloud applications, such as Photoshop, Illustrator, and Premiere.

The new personalized journeys for creators drove approximately 50% increase in Firefly ARR quarter-over-quarter through Firefly apps and credit packs. Based on this early success, we are confident that we should expand the Firefly freemium experience to acquire and delight the next generation of creatives.

Creative Cloud continues to perform well as the best-of-breed offering for creative and marketing professionals globally. While we focus on accelerating creator acquisition through the freemium Firefly funnel, we have made the decision to defer previously planned Creative Cloud second half line optimizations.

As it relates to the Customer Experience Orchestration, agentic opportunity in the enterprise, marketing professionals are looking to automate and rapidly create, deliver, and personalize content at scale across every channel in a way that drives customer engagement and elevates their brand. Content creation designed specifically for marketing use cases is exploding.

New AI coworkers and agents offer organizations the ability to deliver automation and outcomes powered by context, data, MCPs, and skills. These address the dual needs of enterprises to expand consumer centricity and cost savings in the era of AI. Business models are expanding to include consumption and outcome-based pricing along with subscriptions. The total marketing opportunity across people, software, agency, and channel spend is enormous.

AI is changing enterprise behavior as they're increasingly bringing more marketing capabilities in-house through their adoption of software platforms and the creation of custom models that uniquely capture their brand intelligence. IT organizations are looking to Adobe to accelerate their provisioning, deployment and customization to serve their consumers through the availability of headless and agentic capabilities with pricing models that address outcomes, as well as AI usage.

Customer Experience Orchestration AI-first ARR grew 4x year-over-year, reflecting how Adobe is the leader in both the traditional marketing category and the emerging Customer Experience Orchestration category. The introduction of Adobe CX Enterprise and CX Enterprise Coworker at Adobe Summit expands the vision and delivery of our category-defining CXO solutions.

The successful acquisition of Semrush unifies our search engine optimization, generative engine optimization, and AEM solutions to further extend our CXO offering. We will deliver this integrated offering that addresses brand visibility at the Cannes Lions Festival of Creativity later this month.

This combination of creativity and marketing uniquely differentiates Adobe. No other company brings together what creatives and marketers can do across our applications and delivery platforms. Adobe GenStudio ARR grew over 25% year-over-year, reflecting enterprise demand for an end-to-end solution that spans workflow and planning, creation and production, asset management, activation and delivery, and reporting and insights. Adobe's AI innovation has driven an impressive 3x year-over-year increase in AI-first ARR to greater than \$500 million. We believe now is the time to aggressively acquire the next generation of Adobe loyalists.

The strategic shift to acquire more freemium customers through Acrobat and Firefly lowers our second half ARR growth expectations from individual subscribers. We believe these changes do make Adobe even stronger. We continue to target double-digit total ARR growth for Adobe, which now includes the Semrush acquisition. Based on our strong first half revenue performance and the inclusion of Semrush, we are pleased to raise our fiscal year revenue and non-GAAP EPS targets.

As we announced, Dan Durn has decided to pursue a new opportunity outside the software industry. I'd like to thank Dan for his contributions to Adobe and wish him well. I'm pleased that Steve Day, who has been at Adobe for 20 years serving in numerous financial leadership roles, will serve as Interim CFO upon Dan's departure.

I continue to be incredibly energized by Adobe's long-term AI opportunity and the innovative products we are delivering to a broader set of customers. Given my decision to transition to board Chair, I wanted to provide an update on the CEO search, which is progressing well. The board has been actively engaged in a comprehensive process. While we all continue to be ruthlessly focused on driving execution, our goal is to have Adobe's next CEO in place to put their stamp on planning for fiscal 2027 and beyond.

I'll now turn it over to David.

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## David Wadhwani

*President-Creativity & Productivity Business, Adobe Inc.*

Thanks, Shantanu. Hello everyone. AI is rewriting how the world creates and gets work done, and the audience for creativity and productivity tools is bigger now than at any point in our history. From social creators and students to business professionals and large enterprises, the opportunity for Adobe is massive. These customers are looking for a range of products, from easy-to-use creative tools to professional levels of power and precision, and are increasingly turning to conversational experiences to accelerate their work. Adobe is the only company that has the portfolio breadth to meet this broad range of creativity and productivity needs.

We see this interest manifest in traffic growth, signaling demand for our existing products, and accelerating demand for new AI-first experiences. The demand for these new AI experiences begins with LLM conversations and intent-based searches, and requires immediate gratification, so is best served with friction-free experiences. This shift in user behavior is playing out across Business Professionals & Consumers and Creators & Creative Professionals.

While we continue to attract strong traffic to Adobe.com, which grew over 40% year-over-year, our traditional direct-to-paid journeys may not always fulfill visitor intent, as a growing number of new users are first looking to quickly complete their intended task as they begin their relationship with Adobe. Given products like Adobe Firefly, Express, and Acrobat AI Assistant have friction-free onboarding and significant adoption, we can now

rebalance our journeys to better serve this new generation of users, rather than send them predominantly to direct-to-paid journeys. This shift will come at the cost of short-term ARR, but will accelerate user acquisition and MAU, while building the foundation for long-term growth by removing friction from user onboarding, enabling deeper user engagement and driving stronger lifetime value.

In Q2, subscription revenue for Business Professionals & Consumers was \$1.85 billion, growing 15% year-over-year. BP&C traffic grew 35% year-over-year, with MAU growing from greater than 700 million to greater than 850 million in Q2 year-over-year, with significant contributions from AI Assistant, Express creation, and PDF Spaces sharing.

This quarter, we introduced the Adobe productivity agent, shifting Acrobat from a static document tool to an interactive experience. The productivity agent is an AI experience built into Acrobat that draws on Adobe Acrobat's document intelligence and Adobe Express' AI-first creation capabilities to help business professionals understand, create, and share information. It can turn documents into rich outputs like presentations, podcasts, and social content, support conversational PDF editing, and power the new sharing capabilities in PDF Spaces.

Customers get the agent through Acrobat AI plans. Users can also now share branded PDF Spaces with customizable AI assistants tailored to a specific audience, whether for sales prospecting, content marketing, or research delivery. Early adopters of PDF Spaces, including Vice Media, Kid Cudi, Jessica Yellin, and Mindy Weiss, are using PDF Spaces to move audiences from passive reading to interactive engagement.

Additional Business Professional & Consumer highlights include Acrobat AI Assistant paid MAU grew over 150% year-over-year, and lifetime AI users in Acrobat tripled year-over-year, showing both monetization traction and broad-based engagement. Express MAU grew more than 20% quarter-over-quarter and Express users in Acrobat exported 9 times more content year-over-year, demonstrating that the integration is driving creative output at scale.

Acrobat Student Spaces launched this quarter to strong early adoption. The number of higher education students with access to Express premium through their schools has grown more than 60% year-over-year. And customer wins this quarter include Accenture, Datev, KPMG, Merck, NHL, New York state court system, The Church of Jesus Christ of Latter-Day Saints, Defense Information Systems Agency, and US Department of Housing & Urban Development.

In Q2, subscription revenue for Creative & Marketing Professionals was \$4.54 billion, growing 11% year-over-year. Demand for AI content creation is exploding across ideation, generation, and semantic editing, and generative creative consumption continues to show strong growth. Our strategy is to empower everyone to create, from first-time creators to seasoned professionals to large enterprises seeking to scale content production.

In Q2, C&CP traffic to Adobe.com grew over 50% year-over-year, with Creative freemium MAU growing from greater than 50 million to greater than 90 million. This immense volume of traffic drawn to the Adobe brand includes users seeking to purchase Creative Cloud, Photoshop, and other CC apps, and an increasing number of new users who are looking for Adobe magic to complete a creative task with a friction-free experience.

Firefly freemium users who convert to our paid plans are highly engaged, with early indications of significant credit consumption. Firefly ARR grew approximately 50% quarter-over-quarter through Firefly apps and credit packs.

We were excited to launch the Adobe Creative Agent beta in Q2. The agent is available as part of Creative Cloud and Firefly subscriptions, and provides a conversational experience to achieve complex and repetitive creative

tasks. Agent usage will be monetized through our existing credit consumption model. The Adobe Creative Agent is also available in Claude, ChatGPT, and soon Copilot and Gemini.

Additional Creators & Creative Professionals highlights include, in Premiere, we launched a brand-new Color Mode, a first-of-its-kind color grading experience built specifically for video editors. We continue to deepen AI capabilities across our flagship Creative Cloud applications. Photoshop added Rotate Object and Illustrator released Turntable, both enabling subscribers to turn 2D photos and illustrations into 3D renditions they can rotate and harmonize into their work. Capabilities like these drove record AI usage within our flagship applications.

Firefly continues to support third-party models, now with Kling 3.0 and Kling 3.0 Omni. Firefly ending ARR, across Firefly app, Firefly credit packs, and Firefly Enterprise is approaching \$300 million exiting Q2. Firefly Enterprise, spanning Firefly Services, Adobe Firefly Foundry, and Brand Intelligence, is helping the world's largest brands industrialize content production with brand-safe custom models. The number of generated assets grew more than 4 times year-over-year, making it an AI content engine for marketing at scale.

Our announced NVIDIA partnership will bring accelerated computing to Adobe Firefly Foundry for faster, higher-performing custom models across image, video, audio, vector, and 3D, plus a cloud-native 3D digital twin built on Omniverse and OpenUSD. And Enterprise wins this quarter include Merck, SAP, ServiceNow, Tesco, The Coca-Cola Company, Workday, and Xfinity.

In summary, demand for creativity and productivity in the AI era is dramatically increasing, as evidenced by our record traffic on Adobe.com. While we will continue to fulfill demand for Acrobat and Creative Cloud, the early success of Firefly, Express, and Acrobat AI Assistant gives us conviction that this is the time to aggressively serve new users with a friction-free freemium journey. We're confident that driving MAU, which has an impact on ARR, is the right trade off and will drive future business growth.

I'll now turn it over to Anil.

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## Anil Chakravarthy

*President-Customer Experience Orchestration Business, Adobe Inc.*

Thanks, David. Hello, everyone. In Q2, AI continued to be a tailwind for our enterprise business, enabling us to deliver Creative & Marketing Professional subscription revenue of \$4.54 billion, growing 11% year-over-year. These results underscore the continued explosion in content and the imperative to deliver personalized customer experiences at scale. The opportunity for AI-powered marketing automation and Customer Experience Orchestration is large and growing, and we are continuing to gain market share and expand our leadership. We are focused on three critical, AI-first solutions: Adobe Experience Platform and native apps for customer engagement, Adobe GenStudio for content supply chain, and Adobe Experience Manager agentic web apps for brand visibility.

Q2 highlights included GenStudio ending ARR grew over 25% year-over-year, as leading brands and agencies continue to standardize on Adobe to power their content supply chain. Subscription revenue for AEP and native apps grew over 30% year-over-year. AEP delivers over 70 billion profile activations and 35 trillion segment evaluations per day, as well as more than 1 trillion experiences per year. Over 80% of AEP and AEM customers are now using agentic capabilities built into our products. Over 1,500 customer trials are underway for our agentic web offerings, Adobe LLM Optimizer, Sites Optimizer, and Brand Concierge. 60% quarter-over-quarter growth for Forward Deployed Engineering and Integrated Services offerings designed to co-innovate and deliver customized AI-powered CXO solutions.

Q2 industry analyst recognition, being named a leader in two Gartner Magic Quadrants, including Customer Journey Analytics and Orchestration, and Content Marketing Platforms; and two Forrester Waves, including Email Marketing Service Providers and Customer Analytics Technologies. And global enterprise customer wins in Q2 included dentsu Merkle, Defense Information Systems Agency, Diriyah Company, Kaiser Foundation Hospitals, Merck, Sharp & Dohme, NHL, SAP, ServiceNow, Stagwell, Stellantis, Tesco, and The Coca-Cola Company.

In April, we closed the acquisition of Semrush, a leading provider of search engine optimization and generative engine optimization solutions. Semrush added \$480 million ARR to our book of business and expands our ability to serve marketers of every scale. We are rapidly integrating Semrush into Adobe, uniting Semrush's discoverability intelligence with Adobe's agentic web apps. We look forward to unveiling a comprehensive brand visibility solution combining Semrush with Adobe at the Cannes Lions Festival of Creativity later this month.

At Adobe Summit in April, where we hosted over 14,000 in-person attendees, we launched Adobe CX Enterprise, a new end-to-end agentic AI system that simplifies how enterprises manage their entire customer lifecycle, from acquiring and engaging prospects to driving conversion and lasting loyalty. Adobe CX Enterprise brings together AI agents, agent skills, and Model Context Protocol endpoints, with an intelligence and governance layer, to deliver reliable and auditable agentic workflows that enable highly personalized, differentiated customer experiences. Over 20,000 global brands have built their business on Adobe, and CX Enterprise will help usher them into the era of agentic AI.

As part of CX Enterprise, we announced CX Enterprise Coworker, a specialized AI agent that executes tasks based on business goals, dramatically increasing productivity and campaign execution. CX Enterprise Coworker has garnered tremendous customer interest since launch, with over 150 leading enterprises in the early adoption program prior to general availability this week.

At Adobe Summit, we also introduced Adobe Brand Intelligence, a continuous learning system that helps enterprises create and validate on-brand content faster and with less effort. Adobe Brand Intelligence learns from creative and marketing team feedback, approvals, and rejections in real time. It is a headless platform exposed through APIs, so it can integrate with existing first- and third-party apps rather than running as a separate app.

Customer experience is one of the first areas of AI-powered transformation for enterprises. Around the world, our conversations with C-level executives reflect how they view Adobe as the trusted partner for this transformation in the era of agentic AI. In Q2, we announced native integrations with major enterprise AI platforms, including Microsoft Copilot, Anthropic, OpenAI, and Google Gemini.

Our partnership with NVIDIA brings CX Enterprise Coworker capabilities into the NemoClaw enterprise agent platform, enabling brands to deploy Adobe's customer experience intelligence within NVIDIA's secure, policy-governed OpenShell runtime. Leading global agencies, including dentsu, Havas, Omnicom, Publicis, Stagwell, and WPP are standardizing on Adobe, combining our AI-powered capabilities with their unique IP and industry expertise to co-develop innovative, differentiated solutions for joint clients.

Our vision, deep expertise in creativity and marketing, track record of innovation, and broad partner ecosystem uniquely position Adobe as the partner of choice for AI-powered Customer Experience Orchestration. Our extensive customer base, innovative CXO products, and robust pipeline give us confidence for a seasonally strong second half.

I'll now pass it to Steve.

## Steve Day

*Senior Vice President-Corporate Finance & Chief Financial Officer-Customer Experience Orchestration Business Unit, Adobe Inc.*

Thanks, Anil. Today, I will start by summarizing Adobe's performance in Q2 FY 2026, highlighting growth drivers across our customer groups, and I'll finish with our financial targets. In Q2, Adobe achieved record revenue of \$6.62 billion, growing 13% year-over-year as reported and 11% in constant currency. Diluted earnings per share was \$4.25 on a GAAP basis and \$5.96 on a non-GAAP basis. Our GAAP results reflected a \$70 million, or \$0.17 per share, of a noncash goodwill impairment charge related to our Publishing & Advertising reporting unit.

Q2 financial highlights included: total Adobe ending ARR of \$27.10 billion, growing 12.5% year-over-year, including approximately \$480 million from the acquisition of Semrush; total Customer Group subscription revenue of \$6.39 billion, growing 14% year-over-year or 12% in constant currency, including approximately \$40 million from the addition of Semrush; RPO of \$22.27 billion, exiting the quarter with RPO and cRPO both growing 13% year-over-year, or 12% in constant currency; cash flows from operations in the quarter were \$2.17 billion, and ending cash and short-term investments exiting Q2 was \$5.63 billion; and repurchasing approximately 8.5 million shares of our stock during the quarter. Exiting Q2, we have approximately \$27 billion remaining under our authorizations, including the new \$25 billion authorization announced in April.

Customer Group results and insights. Business Professionals & Consumers subscription revenue was \$1.85 billion, increasing 16% year-over-year as reported, or 15% in constant currency. Q2 growth drivers for Business Professionals & Consumers included: sustained double-digit ending ARR year-over-year growth across all geographies; Acrobat and Express MAU surpassed 850 million, growing approximately 20% year-over-year; Acrobat AI Assistant ARR growing approximately 3x year-over-year; and strong performance in the enterprise across both commercial and government.

Creative & Marketing Professionals subscription revenue was \$4.54 billion, increasing 13% year-over-year, or 11% in constant currency. Q2 growth drivers for Creative & Marketing Professionals included: growth in Creative Cloud driven by the CC Pro offering; Creative freemium MAU, which includes web and mobile versions of Firefly, Express, Premiere, Photoshop, and Lightroom, crossed 90 million, growing over 70% year-over-year; continued strong generative credit consumption driven by video and audio; Firefly ending ARR, including Firefly apps and credit plans and Enterprise Firefly offerings approaching \$300 million, with the intent to drive more traffic to Firefly freemium in H2; ending ARR across GenStudio, AEP and apps, and AEM and agentic web growing over 20% year-over-year; enterprise customers with over \$10 million in ARR growing greater than 20% year-over-year; and continued strength in retention across the enterprise customer base.

Let me now turn to our financial targets, which include Semrush and assume current macroeconomic conditions. Given strong year-to-date performance, we are raising full-year revenue and non-GAAP EPS targets. For FY 2026, we are targeting: total Adobe revenue of \$26.5 billion to \$26.6 billion; Business Professionals & Consumers subscription revenue of \$7.44 billion to \$7.48 billion; Creative & Marketing Professionals subscription revenue of \$18.21 billion to \$18.27 billion, which now includes approximately \$280 million from Semrush; total Adobe ending ARR book of business growth of 10.2% year-over-year compared to our FY 2026 beginning book of business of \$25.66 billion; GAAP EPS of \$17.90 to \$18.00 and non-GAAP EPS of \$24.35 to \$24.45.

Our FY 2026 targets assume non-GAAP operating margin of approximately 45%, a GAAP tax rate of approximately 22.5%, and a non-GAAP tax rate of approximately 18%. Our FY 2026 total Adobe ARR growth target of 10.2% now reflects both the addition of the Semrush book of business, as well as the strategic choice to accelerate MAU freemium growth and defer previously planned Creative Cloud line optimizations. We believe this is the right long-term strategy to expand our customer base and strengthen the foundation for durable growth.

For Q3 FY 2026, we are targeting total Adobe revenue of \$6.67 billion to \$6.72 billion, Business Professionals & Consumers subscription revenue of \$1.87 billion to \$1.89 billion; Creative & Marketing Professionals subscription revenue of \$4.61 billion to \$4.64 billion, GAAP EPS of \$4.40 to \$4.45 and non-GAAP EPS of \$6.05 to \$6.10. For Q3, we assume non-GAAP operating margin of approximately 44%, and a GAAP tax rate of approximately 23%, and a non-GAAP tax rate of approximately 18%.

We believe Adobe is well-positioned to capitalize on the expanding AI opportunity. Our focus remains on helping customers achieve better outcomes through innovation, relentless execution, and deep integration of AI across our portfolio. We are expanding our user base, deepening engagement, and investing with discipline in the opportunities that will drive Adobe's next phase of growth.

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## Shantanu Narayen

*Chair & Chief Executive Officer, Adobe Inc.*

Thanks, Steve. We are at a transformative moment in the industry and for the company. The convergence of AI, agentic workflows, and the explosion of content demand is creating significant opportunities that play directly to Adobe's strength. My focus continues to be driving execution against our product road map and successfully expanding to new monetization models that reflect how the diversity of our customers want to engage with Adobe. I'm committed to driving this as we finalize the right leader for Adobe's next chapter of growth.

What gives me confidence beyond our products and ground-breaking technology is our people. Adobe remains one of the greatest places to work in the industry, and the talent and culture we have built over decades is the foundation for this transformation.

Thank you. We will now take your questions.

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## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] And the first question will come from Michael Turrin with Wells Fargo Securities.

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### Michael Turrin

*Analyst, Wells Fargo Securities LLC*

Q

Hey, great. Thanks very much. Appreciate you taking the question. And I guess just realize it wasn't planned, but with Dan leaving, I think we're going to field questions on how the company manages through this level of transition in a world where there are a lot of questions around just disruption or changes to the market across software. So, maybe you can just speak to how you maintain continuity with both the CEO search and CFO transition in motion, and maybe also touch on the profile of what you're looking towards or think the company needs and its next stage at this point.

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### Shantanu Narayen

*Chair & Chief Executive Officer, Adobe Inc.*

A

Sure, Michael, let me take that, and I will first start off by saying the leadership team that exists in the finance organization is absolutely, absolutely seasoned and top notch. So, I wish Dan well. It's clear that where he's going is where his background and expertise has been, but I'm confident that we won't miss a beat.

I think, as it relates to any other questions associated with the transition, I'm happy to answer that, but my short answer is, we have an incredibly seasoned leadership team, and I will continue to work with them closely, as I have in the past, to make sure that we drive all our strategic objectives,

**Michael Turrin**

*Analyst, Wells Fargo Securities LLC*

Q

And just, if I may, a follow-up just on the decision to defer line optimizations on Creative Cloud. I assume we're coming up on just potential price increase there, so maybe speak to why that's the right decision for Adobe today, and how you think that kind of sets the Creative business up for future growth.

**Shantanu Narayen**

*Chair & Chief Executive Officer, Adobe Inc.*

A

Yeah, happy to, Michael. I think if we really look at it, we just look at what's happening with the AI opportunity for creativity as this incredible opportunity that is upon us right now, and no other company is as well-positioned, given what we have across our models, across our products, and across our interfaces to take advantage of it. So, this is really about saying what we have done as it relates to capturing MAU with Acrobat and Express, what we've done with respect to Firefly, the entire creative market.

Sometimes I like to also characterize this much like what's happened with the code opportunity. If you think about what's happened with the code opportunity across AI, it's just completely been turned upside down, and every company is thinking about how they can add to all of the billions that is already spent in code. The same opportunity exists, I think, in every single category, whether that's gaming, entertainment, and creativity. And this is an opportunity for us not just to focus on creative pros and communicators who've traditionally been the strength of this company, but to actually become that AI platform for all creativity across every single surface.

The success that we've seen associated with what we have done on these new products, we talked about the MAU, we've talked about the ARR that's coming. We want to just have a singular focus right now to make sure that we go capture that immense opportunity with a singular focus and a clear marketing message.

It also is based on a complete confidence that we have that the Creative business is extremely stable. The amount of innovation that we have delivered in that space continues to make us a category of one as it relates to our focus on that particular market, and so that one we can differ. It's not going away. But anything that comes in the way of the company aligning and the market understanding that we're going to go after that entire creative opportunity right now, I think, will detract from what is the real price for this company.

So, hopefully that gives you some color. And I think in terms of the impact on ARR, you can think of it as maybe half of the impact of ARR is as a result of what we are doing around deferring that Creative price line optimizations, and the other half is about going full steam on what it takes to deliver the freemium experience.

**Michael Turrin**

*Analyst, Wells Fargo Securities LLC*

Q

Appreciate the candor in those responses. Thanks, Shantanu.

**Shantanu Narayen**

*Chair & Chief Executive Officer, Adobe Inc.*

A

Thanks, Michael.

**Operator:** And the next question comes from Alex Zukin with Wolfe Research.

**Alex Zukin**

*Analyst, Wolfe Research LLC*

Q

Hey, guys. Appreciate taking my question and apologize for any background noise. Maybe just at the risk of redundancy or simplification, just why now to accelerate the freemium MAU motion? I think before we were thinking that – the previous messaging was that it could actually positively impact second half ARR of the freemium motion, and now it's turning into a headwind as they convert. So, maybe just simplify why now is the right time, and then I've got a quick follow-up.

**Shantanu Narayen**

*Chair & Chief Executive Officer, Adobe Inc.*

A

Sure. I think you should think of it more in terms of does that early success that we're having across all of them give you confidence to actually go even more aggressively about this, so that's how I think about this, Alex, in terms of why now. We all recognize that when you look at the traffic that's coming to the Adobe site, that traffic is just gushing, and so when we think about how we can capture that with a unique value proposition associated with delighting them and making sure we have a friction-free experience, anything that comes – when we take a step back, we have built this incredible business, but it's a balanced business. We're always trying to figure out what we send to the freemium and what we send to ARR.

I think this singular clarity will enable us to capture way more people in the audience. And so, the why now has more to do with the fact that we are seeing the success associated with what we've done. The products, whether it's Acrobat Express or Firefly, are there. The ability to support third-party models is there, and I'll have David also add. So, it's really the success that we're seeing, and the incredible amount of traffic that says, if we don't take advantage of this opportunity right now, we will just unnecessarily diffuse it, and we will send people other places when they want to come, have that engagement with Adobe, and are looking for the Adobe brand and Adobe magic to help them solve their creativity needs. David?

**David Wadhvani**

*President-Creativity & Productivity Business, Adobe Inc.*

A

Yeah. And maybe Alex, I'll just add on a couple examples to what Shantanu was saying to demystify what we mean by user behavior changing and evolving. Let me give you one example with Acrobat and one example with Creativity and Firefly to hopefully cement this a bit.

So, what we see is a shift in – or an emergence in terms of LLM usage, and that is driving a lot more intent-based search. So, what is an intent-based search? Someone might type into a search engine, summarize this PDF, right? And what we do is we are using SEO and SEM, and some of Anil's SEMrush capabilities now to make sure that we're ranking high when someone types in something like summarize PDF. When the user clicks on our link, instead of taking them to Adobe.com and talking to them about Acrobat, we're now taking them directly into Acrobat web with a single call to action, which is upload your PDF, and then we summarize it for them.

And when we summarize it for them, we then introduce them to this idea that they can use AI Assistant to even ask some questions, and we use this process to let them build habit before we start giving them paywall. So, that's an evolution. If we just took that traffic direct to a paid flow to buy Acrobat and download Acrobat, it wouldn't produce as much opportunity long term for Adobe.

Similarly in Firefly, we see things like a growth in terms like generate pixel art for social media posts. Again, we rank really high in SEO/SEM. Then we take them directly into Firefly, so they can upload an image of themselves, create this pixelated version, maybe introduce them to this idea that you can convert that to video, but it's a very different flow, and that's where the world is going. That's how users are engaging. We want to lean into that, and we think, as Shantanu said, we have the right products for that now. So, this is the moment to go for it.

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**Shantanu Narayen**

*Chair & Chief Executive Officer, Adobe Inc.*

A

Maybe the last thing I'll say to that, to just punctuate what David said, is not only are we seeing the MAU increase, but we're seeing the engagement increase then as a result of serving that first experience, because they're looking for Adobe. So, I think it's the satisfaction associated with completing their task that wants them to engage with Adobe more, and those signals that give us confidence that now is the time.

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**Alex Zukin**

*Analyst, Wolfe Research LLC*

Q

And then maybe just to follow-up then. If we think about the combination of that action that you described, and the postponement of the line optimizations as driving roughly, I think, by our math, about \$0.5 billion adjustment to the organic ARR downward. Like, what is the payback period on that? So, that \$500 million, let's say, that you're investing in this motion, what is the payback period and multiple that you think you can get as a result of the successful strategy that you're – potential successful strategy that you're embarking on?

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**Shantanu Narayen**

*Chair & Chief Executive Officer, Adobe Inc.*

A

Well, let me give you some color. I think on the second one first, which is the Creative Pro line optimizations, we can introduce them as we continue to deliver value. So, that one is just a phase shift, and as we add that, we will actually think – we believe that we're going to have better offerings that are more differentiated the more these freemium offerings are successful. So, that one for us, we just look at it and say, we're deferring it, but not closing it. So, hopefully that gives you some color.

And then, in terms of the traffic, if the disproportionate amount of traffic is going to go to these freemium offerings, you're right about, hey, how does that sort of start to come back, and we're already seeing some of it as it relates to the MAU that we have on Firefly, so we shared some numbers on that, as well as on Express, which are growing well, but that will play out, I think, over 2027. More important, I think it sets the company up for the right – sort of really growing our customer base, which, like we've done with Reader, then pays off for decades.

And maybe the other thing, just to give color, because I'm sure people will ask this question. As you think about it in terms of how it plays out over the second half, maybe the way to think about it is, if you go back and look at our fiscal 2024 or our fiscal 2025 results, you can understand whatever our second half ARR expectations are. They probably typically pay out [ph] 40% and 60% (00:47:02) in Q3 and Q4, given we'll be making more of these changes in Q3 as it relates to changing the traffic patterns. And we expect our seasonal enterprise trend, the enterprise and everything we're doing around content continues to be an area of strength for us. That will be perhaps a little bit more proportionately in Q4 than it was in Q4 in the last few years.

So, hopefully that gives you both color on the line optimizations we can always introduce, but we wanted to be transparent with you. I think as it relates to the moving of the freemium, hopefully we gave you a lot of indication as to why now all of the early success that we're seeing. And I just wanted to make sure you had color as to how that might play out in Q3 and Q4 as you do your modeling,

**Operator:** [Operator Instructions] And we'll take our next question from Matt Swanson with RBC Capital Markets.

**Matthew Swanson**

*Analyst, RBC Capital Markets LLC*

Q

Great. Thank you guys so much for taking my question. Not to front run Cannes too much, but if we could focus a little bit on the brand visibility solution and kind of the broader idea of what Semrush brings to the Adobe platform, could you just kind of talk a little bit, maybe more holistically, on how that fits your broader portfolio and kind of what the maybe compounding benefit could be over time?

**Anil Chakravarthy**

*President-Customer Experience Orchestration Business, Adobe Inc.*

A

Thanks for the question, Matt. Brand visibility is a topic of huge interest to CMOs, as you just heard from David as well. We're seeing a lot of that play out in our own traffic patterns, and every brand across the world wants to have the right placement, regardless of which LLMs consumers are using, they want to have the right message, and they want to have their messages show up on LLMs, on social media, and all the other new platforms that consumers are going to.

And we believe that the best way to do that is to take their content that they have already within their content management system, like Adobe Experience Manager, and make sure it gets out there, whether it's the bots and the agents that these LLMs have, or third-party sites which have credibility with these LLMs, making sure that all the brand visibility shows up in the right places. That requires the integration of what Semrush brings, which is the outside in knowledge of how what is actually being prompted for, what's being searched for, and that database that they have of all of the prompts and search queries and so on, and combine it with the inside out intelligence that we have with all the content, marrying those two provides us the opportunity to bring the most comprehensive brand visibility solution in the market, and that's what we're introducing at Cannes later this month. So, we are super excited about that, and we believe that this is going to be a must have for every CMO.

**Matthew Swanson**

*Analyst, RBC Capital Markets LLC*

Q

Thank you.

**Operator:** And the next question will come from Brad Zelnick with Deutsche Bank.

**Brad Zelnick**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Oh, great. Thank you so much for taking the question. Maybe on a different topic, we saw the announcement on the creativity connector with Google Gemini. Wondering how you're thinking about relationships with companies like Google that are seemingly developing their own design tools versus making Adobe innovations available in their apps. And more broadly, how are you thinking about competition, partnerships, and cooperation in the age of AI?

**David Wadhvani**

*President-Creativity & Productivity Business, Adobe Inc.*

A

Yeah, thanks for asking that question. We've made a lot of progress in terms of how we think about the evolution of a creative agent and productivity agent, and Anil also introduced basic customer experience coworker at

Summit a couple of months ago. Overall, what we've done is we've taken all of our core capabilities in our Creative flagship applications, as an example, and we've used that to create a create a series of capabilities that are accessible to the endpoint. So, in other words, the creativity agent can now really access 50 creative tools across our ecosystem, and that AI Assistant is then available in Firefly and to our Creative Cloud subscribers.

But we've also – exactly to your point, we've also taken that AI Assistant, that creative agent, and made it available inside of both ChatGPT and inside of Claude, with Copilot and Gemini coming very soon. And what that lets us do is it lets us, again, similar to what we were talking about, go to where user experience and user intent actually initiate. So, if someone starts to want to do something with AI Assistant to create a logo, convert that logo to some merchandise, be able to post that merchandise across social media networks, you can do all of that conversationally at this point.

In that context, if you have anything you want to do that goes beyond what you can do conversationally, we use that opportunity to journey them over to Firefly for deeper, richer AI tooling experience. So, the whole end-to-end experience here is about getting to users where they are, letting them do a lot more conversationally, really reducing the bar to create more content, but then also leveraging the opportunity to monetize them by converting them over to Firefly, as an example.

And the last thing I'll say is the monetization model for these AI agents is similar, in that it's basically about credit consumption, and we think it drives a lot more credit consumption and opportunity for upsell.

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**Shantanu Narayen**

*Chair & Chief Executive Officer, Adobe Inc.*

A

And as it relates to your question on partnerships, maybe just add a couple more points. Firstly, you have to look at what the economic model is for a lot of these companies, so whether it's Amazon, Microsoft, or Google, we are huge users of their cloud services, which at the end of the day is a significant revenue stream for them. So, we have great partnerships with all three of them. I think with Google specifically, we also partner on how we can jointly go to media and entertainment. We are a big user of their Nano Banana within our application. So, I think there's a lot of synergy associated with that.

I think with OpenAI and with Anthropic, they are looking to say, how can they become more of a sort of platform of choice and provide us. I think all of their focus right now, I would say, Brad, is on code, and that's where everybody is doing a student body left on that. And I think creativity is an area that we not only have a passion for that we're uniquely qualified. And so, this is our time and our opportunity to leverage everything that they are providing. And so, with every one of them we have great partnership. But I think as it relates to the consumer side of creativity, which is where this is going after, we're I think a company of one in terms of the focus that we can have on that particular business.

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**Brad Zelnick**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Very helpful. Thank you both.

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**Operator:** And the next question will come from Billy Fitzsimmons with Piper Sandler.

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**Billy Fitzsimmons**

*Analyst, Piper Sandler & Co.*

Q

Hey, guys. Thanks for taking the question, fitting me in. I want to go back to discussion earlier. There's a lot of debates right now around kind of moats in software. And if I think back to Summit, there's a big focus on kind of what you're doing with AI agents internally, and I think there's an important emphasis on your differentiation of having 20 years of customer relationships and proprietary data around that, as well as being that governance and auditability layer for agentic workflows. Can you just talk of the importance of that in the ecosystem?

And then, if I could sneak another one in, and to be honest, I don't really know who this is for at this point, but you announced a \$25 billion share repurchase authorization at Summit. That's a significant chunk of your cap, but we're also in a much more – or it feels like a more relaxed regulatory environment. How do we think about kind of your ability and propensity to do kind of tuck-in M&A in this environment? Thanks guys.

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**Shantanu Narayen**

*Chair & Chief Executive Officer, Adobe Inc.*

A

Maybe I'll start with the second, and then we can all touch on the first, and we are all a team of one, so you can ask anybody that question, Billy, and we'll get the same answer. I think, as it relates to the stock buyback, I think you know we had a \$25 billion authorization previously. We added to that with another \$25 billion authorization in April of the first authorization. I think if you look at it, there's \$2 billion left, and we would have completed it in less than 11 quarters or so.

So, we're clearly showing a lot of confidence that we should be using our capital allocation to buy back our stocks. Semrush was a good acquisition. We're confident about our ability to monetize that. It further differentiates our marketing solutions, and I'll come to the marketing part. But we are continuously looking at a whole bunch of companies. There's going to be some very interesting tuck-ins as it relates to technology, because none of them have business models that are sustainable or monetizable. So, it is actually a good time for us to look at technology companies.

I think as it relates to differentiation, we always talk about content and the fact that we have these behaviors and we have the data as a huge differentiator for us. I know there's a lot of talk about what's happening in the enterprise. The number of CEOs and CFOs who are coming to us and talking about, hey, we have this transformation, a big, big component of that transformation is customer experience, and Adobe, you're the one who's going to help us with that in terms of both the content and the understanding of the customer. That's a huge differentiator. I think we're clearly focused on that, has separated us from anybody else in the customer experience orchestration.

On the Creative Pro, as I continue to say, our understanding of that customer base is unique, and this is now about saying, how do we extend both of those into also the consumer space in the era of AI, and so that's how we look at it. And to your point, our ability to take the depth of our technology, whether it's in audio, whether it's in video, whether it's in imaging, and bring that to Firefly, the speed and velocity by which we can bring it has to do a lot with what the technology code base is underlying and the understanding of behaviors. So, that's how I would describe our differentiation. Anybody who wants to create content and use it for marketing, that's Adobe.

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**Operator:** And our next question will come from Kirk Materne with Evercore ISI.

**Kirk Materne**

*Analyst, Evercore ISI*

Q

Yeah, thanks for taking the question. I guess this one's maybe for David. David, when we think about this push into freemium and changing that up a little bit, I guess, how do you get comfortable on sort of the long-term

economics in terms of lifetime value, I guess. What are you seeing in terms of those customers going through sort of a gestation period, then monetizing over a certain period of time? Can you add some more color to that? Because I get the idea of adding a lot more new users to the platform, but just trying to get a sense on how you guys get comfort about sort of the stickiness of those users after a certain period of time, and the ultimate monetization opportunity. Thanks.

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**David Wadhvani**

*President-Creativity & Productivity Business, Adobe Inc.*

A

Yeah, happy to take that. Again, just the foundation of the press here really starts with understanding user intent and user behavior. As I mentioned in the example of that transition to increasing intent-based expression when they're searching, that just gives us an opportunity to massively open up the top of funnel, which you're starting to see with the over 40% increase in traffic to Adobe.com through those activities.

And if you think about the journey the user goes from, they go from searching directly to using our product, which does result – and we see that in our stats, that results in higher engagement, which you then start to see in terms of monthly active user growth. And what we see is on the back end of that, when they convert to a paid user, they tend to have much higher engagement and usage patterns than those that go directly into paid, which translates into lifetime value and long-term value for the company.

And in terms of why now, again, that question was asked earlier, why now? Because we see all the right signals, right? The product is there. We see the traffic is up 40% year-over-year. We see the strong usage of the product. We see that MAU is up 70% year-over-year when looked at it. And we even talked about how that has started to translate into ARR growth, with 50%, as an example, ARR growth that you see quarter-over-quarter for Firefly.

So, all of those early indicators are there, and really what we're working to do as we bring more of that traffic over is that that just needs time to play out/ All of that sort of in the backdrop of this is where the world is going, the opportunity is bigger than ever. Instead of trying to balance both things, really go all in on this opportunity, because it's ours to win. We have all of the foundation here.

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**Operator:** And our next question will come from Brent Thill with Jefferies.

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**Brent Thill**

*Analyst, Jefferies LLC*

Q

Shantanu, one of the questions we get is just the reset for this next tectonic shift, and I realize you're guiding margins down a bit, but I think many investors believe that you could be doing more and putting a much bigger boat and investment in to protect yourself. I don't know if that view is right or wrong, but I'm curious, why not be a little more severe in terms of the push in the pivot? You went through this from perpetual subscription, and you obviously nailed it, and had incredible results from that pivot. Maybe it's not the right analogy, but I think we're doing a lot of questions on that.

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**Shantanu Narayen**

*Chair & Chief Executive Officer, Adobe Inc.*

A

Yeah, I think, Brent, this is actually indication that we are really going to pivot, as you – to use your words, into getting this acquisition and customers. I mean, perhaps what's not as evident is under the surface, how we're increasingly moving all of the expenses that we have and spend that we have, and the scrutiny on just making sure that we find the money to spend. So, we will not be short-term focused on this, Brent, in terms of spending money to make sure we capitalize on the opportunity. But we are spending on this, and we will continue to,

whether it's on the models, whether it's in marketing, whether it's in the product associated with these. We do not intend to be short term at all about trying.

As you point out correctly, Brent, this is not about balance. This is about saying, hey, be clear about your strategic intent, and we are saying it's about becoming that platform of choice for AI right now. It is about getting those users to engage with Adobe and partner with Adobe, but be assured that, as it relates to cloud spend, what we are doing on models, as well as what we are doing in marketing, we are spending the money. The good news is we get a lot of Anil's products relatively cheap in order to be able to use it, so our efficiency on that is probably better than anybody else in the industry.

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**Brent Thill**

*Analyst, Jefferies LLC*

Q

Thank you.

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**Operator:** And moving on to Saket Kalia with Barclays.

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**Saket Kalia**

*Analyst, Barclays Capital, Inc.*

Q

Okay, great. Hey, guys. Thanks for taking the question here. Maybe for Shantanu and David. If I think about the original freemium business at Adobe, it's really Acrobat, and I think the hope here is that some of your products, like Express and Firefly, can replicate that success. Maybe the question is, can you just compare and contrast maybe the next generation of freemium products in terms of what's similar, what's different than some of the really successful freemium businesses that we've built up over the years?

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**David Wadhvani**

*President-Creativity & Productivity Business, Adobe Inc.*

A

Yeah, thanks, Saket. Happy to share a little bit about this. For the broader context of folks that may not have been tracking us as long as you have, if you really take a step back, we've talked a lot in terms of the Acrobat funnel as part of our data-driven operating model. And the level of scrutiny and detail we understand around the breakup of when we talk about the 850 million monthly active users, many of them are on desktop Reader, some of them are in our Chrome extension, some of them are in Microsoft Edge extension, some of them are on mobile devices.

We're able to look at the utilization of all of that Reader experience in those free experiences and understand the specifics of how users are engaging in each of those, and look for the right opportunities in those surfaces to put up paywalls and opportunities to convert. So, we found in that process, things like edit PDF or redact PDF inquiries are a great opportunity to take a user that's built up a habit using these products and convert them to a long-term, paid customer.

A lot of that same learning, that infrastructure that we have in place for Acrobat that we've developed over the years, that same infrastructure applies to everything we're doing, as you said, with Express, with Firefly, with Acrobat AI Assistant. And the foundation of how we're taking that 90 million of Creative freemium MAU and converting that is identical.

Maybe the difference that we see as an opportunity, and this goes back to why we're investing so heavily right now in going after where we see user behavior is that that intent no longer just starts in the product. That intent now also starts as part of their search history and the things they're doing in search. And so, the investment in terms of driving a broader percentage of that search directly into the same flows and the same model that we've

done with Acrobat over the years, I think that's really the opportunity to fundamentally change and reshape this business for decades to come. So, very excited about what we've learned, and there's growth that we can apply to new experiences as well.

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## Shantanu Narayen

*Chair & Chief Executive Officer, Adobe Inc.*

A

Maybe I'll just add a little bit to it, Saket, having been there for that journey, which was, I think a lot of people may not remember that we actually tried to charge for the Acrobat Reader, and most customers told us that, hey, allow us to use it, and you'll find different ways to monetize it. And so, in addition to what David said, I would add that, I think what's common across all of these is product first and foremost, which is how do you get usage. In the Reader case, it was distribution; in this case, the new model is freemium, and that's the underlying theory behind both of those, is get the product right and get usage going, because that's the way to monetize it.

I think, as it relates to the two other things that are, I think, learnings from what we will continue to do on Firefly, how we can expand from Firefly into Creative Cloud, and we are doing a really great job of that, which is you try things in Firefly and you want to expand to Creative Cloud, that's pretty seamless. You want to start with Creative Cloud and have Firefly, that's also very seamless in terms of how much innovation we've delivered. It's slightly different with Acrobat Express, in that with Acrobat Express, it's a little bit more of paywalls in terms of how we are doing it.

So, what I look at when we see what we are doing is usage is common, getting the product is common, and then making sure that at the appropriate times, we find ways to add value and find ways to monetize it. And so, I think that's the learning that we have, but usage at the end of the day.

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## Shantanu Narayen

*Chair & Chief Executive Officer, Adobe Inc.*

And since I believe that's the last question, I mean, let me just – because I think the whole set of questions has really been around, hey, as you think about this era of AI, and as you think about what's happening with creativity, what gives you confidence associated with some of the things, and I'll repeat what I said, which is we really think this is this unique opportunity for creativity with everything that's changing with AI and user behavior and user intent, and how users discover products based on the early success to say now's the time to have the singular focus in the company, get the alignment, and go really drive.

The Creative Cloud business continues to do well. That is not where tweaking it is going to allow us to get the next hundreds of millions of customers. And on the marketing side, enterprises, we just continue to extend the offerings that we have, and tying together content between what we are doing on the client side and the enterprise. That entire economic pool, as I think Anil talked about, in terms of how much money is being spent across content creation, marketing folks, practitioners, the agencies, as well as the channels, that is only going to increase, and that's going to go. The benefit of that and the economic pool is going to go to folks who can help automate that and provide technology and software to do that.

So, that's why we feel really good about these changes, and we feel this is the way to continue to drive. We're also pleased with what we have done as it relates to the conversion of ARR to revenue. I should recognize that. That's why you've seen the overachievement, and so that speaks to, again, the stability I think that we see in the ARR from customers.

So, thank you for joining us today. And we look forward, for those of you who are going to be at Cannes, certainly stop by and see what Adobe has to offer. Otherwise, we'll see you at the next call. Thank you.

**Operator:** Thank you. That does conclude today's conference. We do thank you for your participation. Have an excellent day.

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