- 10-K Redline PDF - Entire Filing
- ADBE's 10-K is **On Time** based on the prior three years
- **Earnings Transcript:** Navigator PDF | AI Summary

Summary of Key Disclosures and Changes

View On inFilings

Unexpected: • 9 Unusual Risk Factors • 13 *Small+* Changed Risk Factors • Quant Disclosure Update

Common: • Liquidity and Capital Resources • Forward-Looking Update

Exhibits:

4.5	Description of Adobe's Common Stock
10.5	Form of Indemnity Agreement
21	Subsidiaries
23.1	Consent of Independent Registered Public Accounting Firm, KPMG LLP
97	Adobe Inc. Incentive Compensation Recovery Policy

Management's Discussion & Analysis Summary (AI)

This content was generated by an Artificial Intelligence Large Language Model (AI LLM) - It may contain inaccurate or misstated information.

Key Financials

- Adobe Systems (ADBE) reported a positive financial performance for its fiscal year 2023, ending on December 1, 2023. The total revenue for the fiscal year 2023 was $19.41 billion, marking a 10% increase from $17.61 billion in fiscal 2022. This growth was primarily driven by an increase in subscription revenue, which rose from $16.39 billion in 2022 to $18.28 billion in 2023, representing a growth rate of 12%.
- The net income for the fiscal year 2023 was $5.43 billion, an increase of 14% from $4.76 billion in the previous fiscal year. The company's operating expenses also increased by 11% from $9.34 billion in fiscal 2022 to $10.41 billion in fiscal 2023. Cost of revenue increased by 9% during fiscal 2023, from $2.17 billion in fiscal 2022 to $2.35 billion.
- The company's cash flows from operations decreased by 7% from $7.84 billion in fiscal 2022 to $7.30 billion in fiscal 2023, while net cash used for financing activities was $5.18 billion in fiscal 2023.

KPIs

- Adobe uses Annualized Recurring Revenue (ARR) as a key performance metric for assessing the health and trajectory of its overall Digital Media segment. The total Digital Media ARR grew to $15.17 billion at the end of fiscal 2023, up from $13.26 billion at the end of fiscal 2022, representing a growth of 14%. Within this, Creative ARR exiting fiscal 2023 was $12.37 billion, up from $10.98 billion at the end of fiscal 2022, while Document Cloud ARR exiting fiscal 2023 was $2.81 billion, up from $2.28 billion at the end of fiscal 2022.
- The Digital Media segment delivered strong growth with revenue increasing by 11% from $12.84 billion in fiscal 2022 to $14.22 billion in fiscal 2023. Creative Cloud revenue was $11.52 billion in fiscal 2023, representing a 10% year-over-year growth, while Document Cloud revenue was $2.70 billion, representing a 13% year-over-year growth.
- The Digital Experience segment also saw a positive trend with revenue increasing by 11% from $4.42 billion in fiscal 2022 to $4.89 billion in fiscal 2023. Subscription revenue within this segment grew by 12% year-over-year to reach $4.33 billion in fiscal 2023.

Macroeconomic Conditions

Adobe operates on a global scale and is therefore subject to the risks and impacts of evolving macroeconomic conditions. These include the effects of increased global inflationary pressures and interest rates, potential economic slowdowns or recessions, and geopolitical pressures, including the impacts of current and future trade regulations. For instance, foreign currency exchange rate fluctuations negatively impacted Adobe's revenue and earnings during fiscal 2023 and may continue to do so in fiscal 2024.

Financial Performance Summary for Fiscal 2023

- Adobe's total Digital Media ARR increased by $1.91 billion, or 14%, from $13.26 billion in fiscal 2022 to $15.17 billion in fiscal 2023. The Creative revenue of $11.52 billion increased by $1.06 billion, or 10%, during fiscal 2023, from $10.46 billion in fiscal 2022. Document Cloud revenue of $2.70 billion increased by $316 million, or 13%, during fiscal 2023, from $2.38 billion in fiscal 2022.

- Digital Experience revenue of $4.89 billion increased by $471 million, or 11%, during fiscal 2023, from $4.42 billion in fiscal 2022. The remaining performance obligations of $17.22 billion as of December 1, 2023, increased by $2.02 billion, or 13%, from $15.19 billion as of December 2, 2022.

Outlook

Despite the positive financial performance, Adobe remains cautious about the potential impacts of macroeconomic events on its business and financial results, particularly in the long term. The company continues to monitor the direct and indirect impacts of these circumstances on its business and financial results. While Adobe's revenue and earnings are relatively predictable due to its subscription-based business model, the broader implications of these macroeconomic events on its business, results of operations, and overall financial position remain uncertain.

10-K / 10-Q Filing History

Click any cell to see disclosure detail

Filing Date	Form	New Risks	Changed Risks	New Notes	Changed Notes	Subsequent Events	Critical Acct	Quant Disc.	Properties	Legal	Controls	Other Info	Exec Comp	Related Party
Jan-17	**10-K**	1 New	22		19					BP	BP	BP	BP	
Sep-27	10-Q		4		13		BP	BP		BP	BP	BP		
Jun-28	10-Q		7		14		BP	BP		BP	BP	BP		

Disclosure Change Type: New Big Medium Small Tiny No Changes Not in Filing BP Boilerplate

ADBE Risk Factor Insights

ADBE's Jan-24 10-K has **significant Risk Factor updates**: 1 New; 18 Medium+ Changes; 9 Deleted

For the **first time in 6 years ADBE** had 9 Unusual 10-K Risk Factor Disclosures (Jan-24 10-K):

- **NEW** - We may be unsuccessful at innovating in response to rapid technological changes to meet customer needs, which could cause our o...
- Issues relating to the development and use of AI, including generative AI, in our offerings may result in reputational harm, li...
- We participate in rapidly evolving and intensely competitive markets, and, if we do not compete effectively, our operating resu...
- More

Risk Factor History

View on inFilings

Filing Date	Form	Unusual Risks	New Risks	Deleted Risks	Big Changed Risks	Medium Changed Risks	All Changed Risks	Total Risks	Word Count	WC %	Jaccard	Top Added Words	Top Deleted Words
Jan-17-24	**10-K**	9	1	9	16	2	22	23	9,707	-12%	0.718	ways (4) made (3)	contributor (5) devices (5)
Sep-27-23	10-Q						4	31	10,981	+0%	0.994	september (3)	june (2)
Jun-28-23	10-Q					1	7	31	10,940	-	0.990	june (2)	march (2)

Disclosure Change Type: New Big Medium Small Not in Filing

Key Disclosure Details

Search Changes Key: New Disclosure / Added Text ~~Text~~ Deleted Text

Unusual Risk Factors

Navigator

Description: Risk Factors deemed 'unusual' by our proprietary algorithm; we identify new / changed risks that are not typical of a company's risk disclosures.

We may be unsuccessful at innovating in response to rapid technological changes to meet customer needs, which could cause our operating results to suffer.

We operate in rapidly evolving markets and expect the pace of innovation to continue to accelerate. We must continually introduce new, and enhance existing, products, services and solutions to retain customers and attract new customers. Developing new products is complex and may not be profitable, and our investments in new technologies are speculative and may not yield the expected business or financial benefits. The commercial success of new or enhanced products, services and solutions depends on a number of factors, including timely and successful development; effective distribution and marketing; market acceptance; compatibility with existing and emerging standards, platforms, software delivery methods and technologies; accurately predicting and anticipating customer needs and expectations and the direction of technological change; identifying and innovating in the right technologies; and differentiation from other products, services and solutions. If we fail to anticipate or identify technological trends or fail to devote appropriate resources to adapt to such trends, our business could be harmed. For example, generative artificial intelligence technologies provide new ways of marketing, creating content and interacting with documents that could disrupt industries in which we operate, and our business may be harmed if we fail to invest or adapt. While we have released new generative artificial intelligence products, such as Adobe Firefly, and are focused on enhancing the artificial intelligence (“AI”) capabilities of such products and incorporating AI into existing products, services and solutions, there can be no assurance that our products will be successful or that we will innovate effectively to keep pace with the rapid evolution of AI across our Creative Cloud, Document Cloud and Experience Cloud. If we do not successfully innovate, adapt to rapid technological changes and meet customer needs, our business and our financial results may be harmed.

Unusual Risk Factors Navigator

Issues relating to the development and use of AI, including generative AI, in our offerings may result in reputational harm, liability and adverse financial results.

~~***Social and ethical issues relating to the use of new and evolving technologies, such as AI, in our offerings may result in reputational harm and liability.***~~

Social and ethical issues relating to the use of ~~new and evolving technologies such as artificial intelligence (“AI”)~~ AI, including generative AI, in our offerings may result in reputational harm, ~~and liability, and may cause us to incur additional research and development costs to resolve such issues. We are increasingly building AI~~ liability and additional costs. We are increasingly incorporating AI technologies into many of our offerings. ~~including generative AI such as with our recent announcement of Adobe Firefly. As with many innovations, AI presents risks and challenges that could affect its adoption, and therefore our business. If we enable or offer solutions that draw controversy due to their perceived or actual impact on society, we may experience brand or reputational harm, competitive harm or legal liability. Potential government regulation related to AI use and ethics may also increase the burden and cost of research and development in this area, and failure to properly remediate such issues may cause public confidence in AI to be undermined, which could slow adoption~~ If our AI development, deployment, content labeling or governance is ineffective or inadequate, it may result in incidents that impair the public acceptance of AI solutions or cause harm to individuals, customers or society, or result in our offerings not working as intended or producing unexpected outcomes.

Around the world, AI regulation is in the nascent stages of development. The evolving AI regulatory environment may increase our research and development costs, increase our liability related to the use of AI by our customers or users that are beyond our control and result in inconsistencies in evolving legal frameworks across jurisdictions. While we have taken a responsible approach to the development and use of AI in our offerings, there can be no guarantee that future AI regulations will not adversely impact us or conflict with our approach to AI, including affecting our ability to make our AI offerings available without costly changes, requiring us to change our AI development practices, monetization strategies and/or indemnity protections and subjecting us to additional compliance requirements, regulatory action, competitive harm or legal

~~of AI in our products and services. The rapid evolution of AI will require the application of resources to develop, test and maintain our products and services to help ensure that AI is implemented ethically in order to minimize unintended, harmful~~

liability. In addition, new competition regulation on AI development and deployment could impose new requirements on our markets that could impact our business and financial results.

Uncertainty around new and ~~emerging AI applications such as generative AI content creation~~ evolving AI use, including generative AI, may require additional investment ~~in the development of~~ to develop responsible use frameworks, develop or license proprietary datasets and machine learning models ~~development of~~ and develop new approaches and processes to ~~provide attribution or remuneration to content creators and building systems that enable creatives to have greater control over the use of their work in the development of AI, which may be costly and could impact our profit margin if we decide to expand generative AI into all our product offerings.~~ attribute or compensate content creators, which could be costly. Developing, testing and deploying AI systems may also increase the cost ~~profile of our offerings~~ of our offerings, including due to the nature of the computing costs involved in such systems. These costs could adversely impact our margins as we continue to add AI capabilities to our offerings and scale our AI offerings without assurance that our customers and users will adopt them. Further, as with any new offerings based on new technologies, consumer reception and monetization pathways are uncertain, our strategies may not be successful and our business and financial results could be adversely impacted. New AI offerings and technologies could disrupt workforce needs, result in negative publicity about AI and have the potential to affect demand for our existing products, services and solutions, all of which could adversely impact our business.

Unusual Risk Factors Navigator

We participate in rapidly evolving and intensely competitive markets, and, if we do not compete effectively, our operating results could suffer.

The markets for our products, services and solutions are rapidly evolving and intensely competitive. We expect competition to continue to intensify. Our competitors range in size from diversified global companies with significant sales and research and development resources, broad brand awareness, long operating histories or access to large customer bases to small, specialized companies whose narrow focuses may allow them to be more effective in deploying technical, marketing and financial resources. Our competitors may develop products, services or solutions that are similar to ours or that achieve greater acceptance, may undertake more far-reaching and successful product development efforts or marketing campaigns, or may adopt more aggressive pricing policies. As a result, current and potential customers may select the products, services or solutions of our competitors. Further, our future success depends on our continued ability to effectively appeal to businesses and consumers. New industry standards, evolving distribution models, limited barriers to entry, short product life cycles, customer price sensitivity, global market conditions and the frequent entry of new products or competitors may create downward pressure on pricing and gross margins and adversely affect our renewal, upsell and cross-sell rates as well as our ability to attract new customers.

~~***The markets in which we participate are intensely competitive, and if we cannot continue to develop, acquire, market and offer new products and services or enhancements to existing products and services that meet customer requirements, our operating results could suffer.***~~

~~The markets for our products and services are characterized by intense competition, new industry standards, evolving distribution models, limited barriers to entry, new technology developments, short product life cycles, customer price sensitivity, global market conditions and frequent product introductions (including alternatives with limited functionality available at lower costs or free of charge). Any of these factors could create downward pressure on pricing and gross margins and could adversely affect our renewal and upsell and cross-sell rates, as well as our ability to attract new customers.~~

~~Our future success will depend on our continued ability to enhance and integrate our existing products and services, introduce new products and services in a timely and cost-effective manner, meet changing customer expectations and needs, extend our core technology into new applications, and anticipate emerging standards, business models, software delivery methods and other technological developments. For example, consumers continue to migrate from personal computers to tablet and mobile devices~~

~~and from desktop to the web. While we offer our products on a variety of platforms, if we cannot continue adapting our products to tablet and mobile devices or the web, or if our competitors can adapt their products more quickly than us, our business could be harmed. In addition, releases of new devices or operating systems may make it more difficult for our products to perform or may require significant cost to adapt our solutions. The potential costs and delays incurred as a result could harm our business. If we fail to anticipate or misjudge customers' rapidly changing needs and expectations or adapt to emerging technological trends, our market share and results of operations could suffer.~~

~~Furthermore, some of our competitors and potential competitors enjoy competitive advantages such as greater financial, technical, sales, marketing and other resources, broader brand awareness and access to larger customer bases. As a result of these advantages, potential and current customers might select the products and services of our competitors, causing a loss of our market share. Our competitors, including large enterprises, may develop products, features or services that are similar to ours or that achieve greater acceptance, may undertake more far-reaching and successful product development efforts or marketing campaigns, or may adopt more aggressive pricing policies.~~

In addition, we expect to face more competition as AI continues to be integrated into the markets in which we compete. Our competitors or other third parties may incorporate AI into their offerings more successfully than we do and achieve greater and faster adoption, which could impair our ability to compete effectively and adversely affect our business and financial results. Further, we expect the markets for standalone AI offerings to be highly competitive and rapidly evolving. For example, we face increasing competition from companies offering text-to-image generative AI technology that may compete directly with our own creative offerings. If we are not able to provide products, services and solutions that compete effectively, we could experience reduced sales and our business could be adversely affected. *For additional information regarding our competition and the risks arising out of the competitive environment in which we operate, see the section titled “Competition” contained in Part I, Item 1 of this report.*

~~*For additional information regarding our competition and the risks arising out of the competitive environment in which we operate, see the section titled “Competition” contained in Part I, Item 1 of our Annual Report on Form 10-K.*~~

Unusual Risk Factors Navigator

If our ~~products or platforms are used to create or disseminate objectionable content, particularly misleading content intended to manipulate public opinion, our brand reputation may be damaged, and~~ reputation or our brands are damaged, our business and financial results may be ~~harmed.~~

~~We believe that our brands have significantly contributed to the success of our business. Maintaining and enhancing the brands within Adobe increases our ability to enter new categories, launch new and innovative products to better serve our customers and expand our customer base. Our~~ adversely affected.

We believe our reputation and brands have been, and we expect them to continue to be, important to our business and financial results. Maintaining and enhancing our brands may require us to make substantial investments and these investments may not be successful. There are numerous ways that our reputation or brands could be damaged, including, among other things, introduction of new products, features or services that do not meet customer expectations, our position on or approach to new and evolving technologies, backlash from customers, government entities or other stakeholders that disagree with our product offering decisions or public policy positions, significant litigation or regulatory actions that negatively reflect on our business practices, our action or inaction or actual or perceived failure to meet our commitments on environmental, social and governance, ethical or political issues, public scrutiny regarding our handling of user privacy, data practices or content, data security breaches or compliance failures, or our approach to AI. Further, our brands may be negatively affected by uses of our products, services or solutions, particularly our AI offerings, in ways that are out of our control, such as to create or disseminate content that is deemed to be misleading, deceptive or intended to manipulate public opinion, or for illicit, objectionable or illegal ends, or by our failure to respond appropriately and in a timely manner to such uses. Such uses may result in controversy or claims related to defamation, rights of publicity, illegal content, intellectual property infringement, harmful content, misinformation and disinformation, harmful bias, misappropriation, data privacy, derivative uses of third-party AI and personal injury torts. If we fail to appropriately respond to objectionable content created using our products, services or solutions or shared on our platforms, our users may lose confidence in our brands. Entry into markets with weaker protection of brands or changes in the legal systems in countries in which we operate may also impact our ability to protect our brands. If we fail to maintain, enhance or protect our brands, or if we incur excessive expenses in our efforts to do so, our business and financial results may be adversely affected.

~~brands may be negatively affected by the use of our products or services to create or disseminate newsworthy content that is deemed to be misleading, deceptive or intended to manipulate public opinion (e.g., “DeepFakes”), by the use of our products or services for illicit, objectionable or illegal ends, or by our failure to respond appropriately and expeditiously to such uses of our products and services. Such uses of our products and services may also cause us to face claims related to defamation, rights of publicity and privacy, illegal content, intellectual property infringement, misinformation and personal injury torts. Maintaining and enhancing our brands may require us to make substantial investments and these investments may not be successful. If we fail to appropriately respond to objectionable content created using our products or services or shared on our platforms, our users may lose confidence in our brands, and our business and financial results may be adversely affected. In addition, government regulation designed to address misleading content could adversely impact our product offerings.~~

Unusual Risk Factors Navigator

Security ~~vulnerabilities in our products and systems, or in our supply chain, could lead to reduced revenue or to liability claims.~~incidents, improper access to or disclosure of our customers' data or other cyber incidents may harm our reputation and materially and adversely affect our business.

Our products, services and solutions collect, store, manage and otherwise process third-party data, including our customers' data and our own data. Such products, services and solutions as well as our technologies, systems and networks have been subject to, and may in the future be subject to, cyberattacks, computer viruses, ransomware or other malware, fraud, worms, social engineering, denial-of-service attacks, malicious software programs, insider threats and other cybersecurity incidents that have in the past, and may in the future, result in the unauthorized access, disclosure, acquisition, use, loss or destruction of sensitive personal or business data belonging to us and our customers.

Cybersecurity incidents can be caused by human error from our workforce or that of our third-party service providers, by malicious third parties, acting alone or in groups, or by more sophisticated organizations, including nation-states and state-sponsored organizations. Such risks may be elevated in connection with geopolitical tensions, including the Russia-Ukraine war. Certain unauthorized parties have in the past managed, and may in the future manage, to overcome our security measures and those of our third-party service providers to access and misuse systems and software by exploiting defects in design or manufacture, including bugs, vulnerabilities and other problems that unexpectedly compromise the security

~~Maintaining the security of our products and services is a critical issue for us and our customers. Cyberthreats are constantly evolving and becoming increasingly sophisticated and complex, making it increasingly difficult to detect and successfully defend against them. Certain unauthorized parties have in the past managed, and may again in the future manage, to gain access to and misuse some of our systems and software,~~

~~or that of our third-party service providers, in order to access the authentication, payment and personal information of our end users and employees. In addition, cyber-attackers (which may include individuals or groups, as well as sophisticated groups with significant resources, such as nation-state and state-sponsored attackers) also develop and deploy viruses, worms, credential stuffing attack tools and other malicious software programs, some of which may be specifically designed to attack our products, services, information systems or networks. The frequency and sophistication of such threats continues to increase and often becomes further heightened in connection with geopolitical tensions. Hardware, software and operating system applications that we develop or procure from third parties have contained and may contain defects in design or manufacture, including bugs, vulnerabilities and other problems that could unexpectedly compromise the security of the system or impair a customer's ability to operate or use our products. Like other global companies, we face an increasingly difficult challenge to attract and retain highly qualified security personnel to assist us in combating~~

~~these security threats. The costs to prevent, eliminate, mitigate or alleviate cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities are significant, and our efforts to address these problems, including notifying affected parties, may not be successful or may be delayed and could result in interruptions, delays, cessation of service and loss of existing or potential customers. It is impossible to predict the extent, frequency or impact these problems may have on us.~~

~~Outside parties have in the past~~ or operation of a product or system. Further, malicious third parties have in the past attempted, and may in the future attempt, to fraudulently induce our employees or users of our products, ~~or services~~ services or solutions to disclose sensitive, personal or confidential information via illegal electronic spamming, phishing or other tactics, ~~This existing risk is compounded given the~~ and this risk is heightened in our current hybrid model working environment. ~~where a large portion of our workforce spends a portion of their time working in our offices and a portion of their time working from home.~~ Malicious actors may engage in fraudulent or abusive activities through our products, services and solutions, including unauthorized use of accounts through stolen credentials, use of stolen credit cards or other payment vehicles, failure to pay for services accessed, or other activities that violate our terms of service. While we actively combat such fraudulent activities, we have experienced, and may in the future experience, impacts to our revenue from such activities. Further, unauthorized parties may also ~~attempt to~~ gain physical access to our facilities ~~in order to~~ and infiltrate our information systems or attempt to gain

logical access to our products, services or information systems to access content and data. The loss of or unauthorized access to data, such as resulting from computer viruses, worms, ransomware or other malware may harm our systems, expose us to litigation or regulatory investigation and subject us to costly and time-intensive notification requirements.

We devote significant resources to address security vulnerabilities through engineering more secure products, enhancing security and reliability features in our products and systems, code hardening, conducting rigorous penetration tests, deploying updates to address security vulnerabilities, regularly reviewing our service providers' security controls, reviewing and auditing our products, services and solutions against information security control frameworks, providing resources, such as security training, to our workforce, and continually assessing and improving, as appropriate, our incident response process. Despite our preventative efforts, there is no assurance that our security measures will provide full effective protection from such events. The costs to prevent, eliminate, mitigate or remediate cybersecurity or other security problems and vulnerabilities are significant and may reduce our operating margins. Further, our efforts to address these problems, including notifying affected third parties when appropriate, have in the past

~~logical access to our products, services or information systems for the purpose of exfiltrating content and data. These actual and potential breaches of our security measures and the accidental loss, inadvertent disclosure or unauthorized dissemination of proprietary information or sensitive, personal or confidential data about us, our employees, our customers or their end users, including the potential loss or disclosure of such information or data could expose us, our employees, our customers or other individuals affected to a risk of loss or misuse of this information. This may result in litigation and liability or fines, costly and time-intensive notice requirements, governmental inquiry or oversight or a loss of customer confidence, any of which could harm our business or damage our brand and reputation, thereby requiring time and resources to mitigate these impacts. These risks will likely increase as we expand our hosted offerings, integrate our products and services and store and process more data.~~

~~These issues affect our products and services in particular because cyber-attackers tend to focus their efforts on popular offerings with a large user base, and we expect them to continue to do so. From time to time we have identified, and in the future we may identify other, vulnerabilities in some of our applications and services and those of our third-party service providers. In some cases, such vulnerabilities may not be immediately detected, which may make it difficult to recover critical services and lead to damaged assets. We continuously monitor and develop our information technology networks and infrastructure in an effort to prevent, detect, address and mitigate the risk of threats to our data, systems and networks, including malware and computer virus attacks, ransomware, unauthorized access, business email compromise, misuse, denial-of-service attacks, system failures and disruptions. These continued enhancements and changes, as well as changes designed to update and enhance our protective measures to address new threats, may increase the risk of a system or process failure or the creation of a gap in the associated security measures. Any such failure or gap could materially and adversely affect our business, results of operations and financial results. We devote significant resources to address security vulnerabilities through engineering more secure products, enhancing security and reliability features in our products and systems, code hardening, conducting rigorous penetration tests, deploying updates to address security vulnerabilities, regularly reviewing our service providers' security controls, reviewing and auditing our hosted services against independent security control frameworks (such as ISO 27001, SOC 2 and PCI), providing resources, such as mandatory security training, for our workforce and improving our incident response time, but security vulnerabilities cannot be totally eliminated. The cost of undertaking these efforts could reduce our operating margins, and we may be unable to implement these measures quickly enough to prevent unauthorized access into our systems and products in all circumstances. Despite our preventative efforts, there is no assurance that our security measures will provide full effective protection from such events, and actual or perceived security vulnerabilities in our products and systems may harm our reputation or lead to claims against us (and have in the past led to such claims) and could lead some customers to stop using certain products or services or to reduce or delay future purchases. If we do not make the appropriate level of investment in our technology systems and we are not able to deliver the quality of data security and privacy our customers require or that~~

~~meet our independent security control certification requirements, our business could be adversely affected.~~ been, and may in the future be, unsuccessful or delayed, which could result in business interruptions, cessation of service and loss of existing or potential customers.

Maintaining the security of our products, services and solutions is a critical issue for us and our customers. It is impossible to predict the extent, frequency or impact cybersecurity issues may have on us. Breaches of our security measures and the accidental loss, inadvertent disclosure or unauthorized dissemination of proprietary information or sensitive, personal or confidential data about us, our employees, our customers or their end users, including the potential loss or disclosure of such information or data could expose us, our employees, our customers or other individuals affected to a risk of loss or misuse of this information. Actual or perceived security vulnerabilities or incidents may result in claims or litigation and liability or fines (and have in the past led to such claims), costly and time-intensive notice requirements, governmental inquiry or oversight or a loss of customer confidence, any of which could harm our business and damage our brand and reputation. Our customers may also adopt security measures to protect their computer systems and their instances of our software from attack and may suffer a cybersecurity attack on their own systems, unrelated to our systems. Even if such breach is unrelated to our security systems, solutions or programs, such breach could cause us reputational harm and require us to incur significant economic and operational consequences to adequately assess and respond to their breach, and to implement additional safeguards designed to protect against future breaches.

~~Customers may also adopt security measures designed to protect their existing computer systems from attack, which could delay adoption of new~~

While we maintain insurance to cover operational risks, such as cyber risk and technology outages, our insurance may not be sufficient to cover all liability described herein. These risks will likely increase as we expand our hosted offerings, integrate our products, services and solutions and store and process more data. Moreover, delayed sales, lower margins or lost customers resulting from disruptions caused by cyberattacks, overly burdensome preventative security measures or failure to fully meet ~~independent~~ information security control certification requirements could materially and adversely affect our financial results, stock price and reputation.

Unusual Risk Factors	Navigator

If we are unable to develop, manage and maintain critical third-party relationships, such as our sales, partner and distribution channels, suppliers and service providers, our revenue and business may be adversely affected.

~~***Failure to manage our sales, partner and distribution channels effectively could result in a loss of revenue and harm our business.***~~

We contract with a number of software distributors and other ~~strategic partners,~~ third parties to distribute our products, services and solutions, none of which are individually responsible for a material amount of our total net revenue in any recent period. ~~Nonetheless,~~ Successfully managing our distribution channels and sales partners to reach various customers for our products, services and solutions is a complex and global process. If an agreement with one of our distributors ~~were~~ or partners was terminated, any prolonged delay in securing a replacement distributor or partner could have a negative impact on our results of operations.

~~Successfully managing our indirect distribution channel efforts to reach various customer segments for our products and services is a complex process across the broad range of geographies where we do business or plan to do business. Our distributors and other channel partners are independent businesses that we do not control. Notwithstanding the independence of our channel partners, we~~ We also face legal risk and potential reputational harm from the activities of these independent third parties including, but not limited to, export control violations, workplace conditions, corruption and anti-competitive behavior.

If our partner and distribution channels are not effective or if we stop or change our partner or distribution channels, we may lose sales opportunities, customers and revenue. We rely on third-party distribution platforms and are subject to changes in pricing structure, terms of service, privacy practices and other policies at the discretion of the platform provider. Any adverse changes to the terms with such third-party distribution platforms which we rely on to distribute our products, services and solutions may adversely affect our financial results. Additionally, our distribution channels may not continue to market or sell our products, services and solutions effectively and may favor products, services

and solutions of other companies.

~~We cannot be certain that our distribution channel will continue to market or sell our products and services effectively. If our partner distribution channels are not successful, we may lose sales opportunities, customers and revenue. If our distributors favor our competitors' products or services for any reason, they may fail to market our products or services effectively, which would cause our results to suffer. If our OEMs through which we distribute products and services decide not to bundle our applications on their devices, our results could suffer. Further, the financial health of our distributors and partners and our continuing relationships with them are important to our success. Some of these distributors and partners may be unable to withstand adverse changes in economic conditions, which could result in insolvency, the inability of such distributors and partners to obtain credit to finance access to or purchases of our products and services, a delay in paying their obligations to us.~~

~~We also sell some of our products and services~~

We sell many products, services and solutions through our direct sales force. Risks associated with this sales channel include ~~more extended sales and collection cycles,~~ challenges related to hiring, retaining and motivating our direct sales force, and substantial amounts of ongoing training for sales representatives. ~~Moreover, recent hires may not be as productive as we would like, as in most cases it takes significant time for them to achieve full productivity.~~ Our business could be ~~seriously harmed if our expansion efforts of our direct sales do not generate a corresponding significant increase in revenue and we are unable to achieve the efficiencies we anticipate.~~ harmed if our direct sales expansion efforts do not generate the corresponding efficiencies and revenue we anticipated from such investment. In addition, the loss of key sales employees could impact our customer relationships and future ability to sell to certain accounts covered by such employees.

We rely on third-party service providers and technologies to deliver our products, services and business operations and to operate critical business systems, such as cloud-based infrastructure, data center facilities, encryption and authentication technology and company email, communications with customers. If such third parties are negatively affected, if we fail to effectively develop, manage and maintain our relationships with such third parties, or if we are unable to renew our agreements with them on favorable terms or at all, our expenses could significantly increase, and we and our customers may experience service interruptions. Any disruption or damage to, or failure of our systems generally, including the systems of our third-party platform providers, could result in interruptions in our services and harm our business. Further, interruptions in our services caused by us or our third-party service providers may cause us to issue credits or pay penalties, cause customers to make warranty or other claims against us or to terminate their subscriptions or contracts, and adversely affect our attrition rates and our ability to attract new customers, all of which may adversely affect our financial results. Our business and reputation would also be harmed if our customers and potential customers believe our services are unreliable.

Unusual Risk Factors	Navigator

We ~~***may incur substantial costs defending against third parties alleging that we infringe their proprietary rights.***~~

~~We have been, are~~ are, and may in the future become, subject to litigation, regulatory inquiries and intellectual property infringement claims, which could result in an unfavorable outcome and have an adverse effect on our business, financial condition, results of operation and cash flows.

We are subject to various legal proceedings (including class action lawsuits), claims and regulatory inquiries that are not yet resolved and additional claims, enforcement actions and inquiries may arise in the future. Any proceedings, actions, claims or inquiries initiated by or against us, whether successful or not, may be time consuming; result in costly litigation, damage awards, consent decrees, injunctive relief or increased costs of business; require us to change our business practices or products; result in negative publicity; require significant amounts of management time; result in the diversion of significant operational resources, or otherwise harm our business and financial results.

Additionally, we are currently, and may in the future be subject to claims, negotiations and complex, protracted litigation relating to disputes regarding the validity or alleged infringement of third-party intellectual property rights, including patent rights. Intellectual property disputes and litigation are typically costly and can be disruptive to our business operations by diverting the attention of management and key personnel. ~~We may not prevail in every lawsuit or dispute.~~ Third-party intellectual property disputes, including those initiated by patent assertion entities, could subject us to significant liabilities, require us to enter into royalty and licensing arrangements on unfavorable terms, prevent us from offering certain products, ~~or services,~~ services or solutions, subject us to injunctions restricting our sales, cause severe disruptions to our operations or the markets in which we compete, or require us to satisfy indemnification commitments with our customers, including contractual provisions under various license arrangements and service agreements. In addition, we have incurred, and may in the future incur, significant costs in acquiring the necessary third-party intellectual property rights for use in our products, in some cases to fulfill contractual obligations with our customers. Any of these occurrences could significantly harm our business.

We have not prevailed, and may not in the future prevail, in every lawsuit or dispute. *For further information about specific litigation and proceedings, see the section titled "Legal Proceedings" contained in Part II, Item 8, Note 16 - [View in Navigator] - of our Notes to Consolidated Financial Statements of this report.*

Unusual Risk Factors	Navigator

If ~~***our customers fail to renew subscriptions in accordance with our expectations, our future revenue and operating results could suffer, and our subscription offerings may create additional risk related to the timing of revenue recognition.***~~***there is a change in subscriptions or renewals in a reporting period, this could cause our financial results to suffer and may not be immediately reflected in our revenue and financial results for that period because we recognize revenue over the subscription term.***

Our offerings are typically subscription-based, pursuant to product and service agreements. ~~Since our customers have no obligation to renew their subscriptions for our services after the expiration of their initial subscription period,~~ We generally recognize revenue from our subscription offerings ratably over the terms of their subscription agreements, which typically range from 1 to 36 months. ~~our customers may not renew their subscriptions at the same or a higher level of service, for the same number of seats or for the same duration of time, if at all. Our varied customer base and flexible duration complicates our ability to precisely forecast renewal rates. Our customers'~~ As a result, most of the subscription revenue we report each quarter is the result of subscription agreements entered into during previous quarters. Lower sales and subscriptions, reduced demand for our products, services and solutions, and increases in our attrition rate in any given period may not be fully reflected in our results of operations until future periods. Our subscription model could also make it difficult for us to rapidly increase our revenue from subscription-based or hosted services through additional sales in any period, as revenue from new customers will be recognized over the applicable subscription term. Our renewal rates may decline or fluctuate as a result of a number of factors, including ~~their level of satisfaction with our services, our~~ our customers' level of satisfaction, our ability to continue enhancing features and functionality, ~~the reliability (including uptime) of our subscription offerings, the prices of offerings~~ reliability of our offerings, prices of ours and competitors' offerings, the actual or perceived information security of our systems and services, decreases in the size of our customer base, changes as a result of regulatory or legal requirements, changes in the composition of our customer base and reductions in our customers' spending levels or declines in customer activity. ~~as a result of general economic conditions or uncertainty in financial markets, including as a result of a global health crisis and geopolitical conflict, which has affected and may continue to affect certain sectors of the economy disproportionately.~~ If our customers do not renew their subscriptions or if they renew on terms less favorable to us, our revenue may decline.

~~We generally recognize revenue from our subscription offerings ratably over the terms of their subscription agreements. As a result, most of the subscription revenue we report in each quarter is the result of subscription agreements entered into during previous quarters. Any reduction in new or renewed subscriptions in a quarter may not be reflected in our revenue results until a later quarter and may decrease our revenue in future quarters. Lower sales, reduced demand for our products and services, and increases in our attrition rate may not be fully reflected in our results of operations until future periods. Our subscription model could also make it difficult for us to rapidly increase our revenue from subscription-based or hosted services through additional sales in any period, as revenue from new customers will be recognized over the applicable subscription term.~~

~~Additionally, in connection with our sales efforts to enterprise customers, a number of factors could affect our revenue, including longer-than-expected sales and implementation cycles, potential deferral of revenue and alternative licensing arrangements.~~ Further, such impact on our revenue may not be immediately reflected in our financial results in the period in which our renewal rates changed and may adversely affect our financial results in future periods. If any of our assumptions about revenue from our subscription-based offerings prove incorrect, our actual results may ~~vary materially~~ suffer and vary from those anticipated.

Unusual Risk Factors Navigator

Our stock price may be volatile and your investment could lose value.

Our stock price has been and may continue to be volatile and subject to fluctuations. All factors described in this Part I, Item 1A of this report, some of which are beyond our control, may affect our stock price, including:

~~***Revenue, margin or earnings shortfalls or the volatility of the market generally may cause the market price of our stock to decline.***~~

~~In the past, the market price for our common stock experienced significant fluctuations and it may do so in the future. A number of factors may affect the market price for our common stock, such as:~~

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* shortfalls in or changes to estimates, recommendations or expectations about our revenue, margins, earnings, annualized recurring revenue or other key performance metrics set forth in guidance we provide or provided by financial analysts;
* changes in investor and analyst valuation models for our stock;
* changes in unearned revenue, remaining performance obligations and revenue recognized at a point in time, all of which may impact implied growth rates;
* developments related to products or services, technological advancements, strategic alliances, acquisitions or significant transactions by us or our competitors;
* changes in the amounts or frequency of stock repurchases;
* the loss of large customers or our inability to retain or increase sales to existing ~~customers, retain~~ customers or attract new customers;
* changes to our management team, including recruitment or departure of key personnel;
* general economic, political or market conditions; and
* ~~unusual~~ other events, such as significant ~~acquisitions by us or our competitors, divestitures, litigation, regulatory actions and other factors, including factors unrelated to our operating performance.~~litigation and regulatory actions.
* ~~shortfalls in, or changes in expectations about, our revenue, margins, earnings, Annualized Recurring Revenue ("ARR"), sales of our Digital Experience offerings, or other key performance metrics;~~
* ~~changes in estimates or recommendations by securities analysts;~~
* ~~whether our results meet analysts' expectations;~~
* ~~compression or expansion of multiples used by investors and analysts to value high technology SaaS companies;~~
* ~~the announcement of new products or services, product enhancements, service introductions, strategic alliances or significant agreements by us or our competitors;~~
* ~~general socio-economic, political or market conditions;~~
* ~~macroeconomic conditions and the economic impact of the COVID-19 pandemic, inflation and rising interest rates and global conflicts, including the Russia-Ukraine war; and~~

In addition, the market for technology stocks or the stock market in general ~~may experience uneven investor confidence, which may cause the market price for our common stock~~ has experienced, and may in the future experience, extreme fluctuations, which has caused, and may in the future cause, our stock price to decline for reasons unrelated to our ~~operating performance. Volatility in the market price of a company's securities for a period of time may increase the company's~~ financial performance.

Volatility in our stock price has increased, and in the future may increase, our susceptibility to securities class action litigation, ~~Oftentimes, this type of litigation is expensive~~ which could result in substantial costs and divert management's attention and resources, which may adversely affect our business.

■ *Small*+ Changed Risk Factors Navigator

Description: Changed Risk Factors based on a comparison of the prior 10-K, 10-Q or IPO filing; **excludes** Risk Factors that have a very minimal change

We may not realize the anticipated benefits of ~~past or future~~ investments or acquisitions, and ~~integration of acquisitions~~ they may disrupt our business and divert management's attention.

~~We may not realize the anticipated benefits of an investment acquisition of a company, division, product or technology, each of which~~ Investments ~~or~~ **=> and** acquisitions involve numerous risks ~~These risks include:~~

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~~Mergers and acquisitions of technology companies are inherently risky. If we do not complete an announced acquisition transaction, including the pending acquisition of Figma, Inc., or integrate an acquired business successfully and in a timely manner, we may not realize the benefits of the acquisition to the extent anticipated, and in certain circumstances an acquisition could harm our financial position.~~and uncertainties, the occurrence of which may have an adverse effect on our business. These risks and uncertainties include:

* inability to achieve the financial and strategic goals of the investment or acquisition;
* difficulty in effectively integrating the operations, technologies, products, services, solutions, culture or personnel of the acquired business;
* disruption of our ongoing business and distraction of our management and other personnel;
* challenges to completing or failure to complete an announced investment or acquisition related to the failure to obtain regulatory approval, or the need to satisfy certain conditions precedent to closing such transaction (such as divestitures, ownership or operational restrictions or other structural or behavioral remedies) that could limit the anticipated benefits of the transaction;
* entry into markets in which we have minimal prior experience and where competitors in such markets have stronger market positions;
* inability to retain personnel, key customers, distributors, vendors and other business partners of the acquired business;
* delay in customer and distributor purchasing decisions due to uncertainty about the direction of our product and service offerings;
* incurring higher than anticipated costs to effectively integrate an acquired business, to bring an acquired company into compliance with applicable laws and regulations, additional compensation issued or assumed in connection with an acquisition, to divest products, services or solutions acquired in unsuccessful investments or acquisitions, to amortize costs for acquired intangible assets or because of our inability to take advantage of anticipated tax benefits;
* increased collection times, elevated delinquency or bad debt write-offs related to receivables of an acquired business we assume;
* difficulty in maintaining controls, procedures and policies during the transition and integration and inability to conclude that our internal controls over financial reporting are effective;
* potential identified or unknown security vulnerabilities in acquired products that expose us to additional security risks or delay our ability to integrate the product into our offerings;
* exposure to litigation or other claims in connection with, or inheritance of claims or litigation risk as a result of, an acquisition;
* incurrence of additional debt to finance an acquisition, which will increase our interest expense and leverage, and/or issuance of equity securities to finance acquisitions, which will dilute current shareholders' percentage ownership and earnings per share; and
* failure to identify significant problems, liabilities or other challenges during due diligence.

Our ability to acquire other businesses or technologies, make strategic investments or integrate acquired businesses effectively may also be impaired by adverse economic and political events, including trade tensions, and increased global scrutiny of acquisitions and strategic investments. A number of countries, including the United States and countries in Europe and the Asia-Pacific region, are considering or have adopted more stringent restrictions ~~on such transactions, particularly in the technology sector.~~ or guidelines for such transactions. Governments may continue to adopt or tighten restrictions of this nature, and such restrictions or government actions could negatively impact our business and financial results. Further, if we are not able to complete an announced acquisition or investment, or we do not achieve the financial and strategic goals of an acquisition or investment, we may not realize the anticipated benefits of such acquisition or investment or we may incur additional costs, which may negatively impact our business and financial results.

Small+ Changed Risk Factors Navigator

We face various risks associated with our operating as a multinational corporation, and global adverse economic conditions may harm our business and financial condition.

We derive a large portion of our total revenue from, and have significant operations, outside of the United States. As a multinational corporation, we are subject to a number of risks, including from global adverse economic conditions, that are uncertain and beyond our control and that make forecasting operating results and decisions about future investments difficult, such as:

~~As a global business that generates approximately 40% of our total revenue from sales to customers outside of the Americas, we are subject to a number of risks, including:~~

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* inflation and actions taken by central banks to counter inflation, including increasing interest rates;
* international and regional economic, political and labor conditions, including any instability or security concerns abroad, such as uncertainty caused by economic sanctions, downturns and recessions, trade disputes, armed conflicts and wars;
* changes in, or impositions of, legislative or regulatory requirements, including antitrust and competition regulations;
* costs, potential liability, delays or loss of sales resulting from trade restrictions imposed by the United States and other countries, as well as trade laws, including but not limited to economic sanctions and export controls;
* costs and delays associated with developing products in multiple languages; and
* operating in locations with a higher rate of corruption and fraudulent business practices.
* ~~foreign currency fluctuations and controls;~~
* ~~failure of laws to protect our intellectual property rights adequately;~~
* ~~delays resulting from difficulty in obtaining export licenses for certain technology, tariffs, quotas and other trade barriers;~~
* ~~the imposition of governmental economic sanctions on countries in which we do business or where we plan to expand our business;~~
* ~~operating in locations with a higher incidence of corruption and fraudulent business practices; and~~
* ~~other factors beyond our control, such as terrorism, war, natural disasters, climate change and pandemics, including the COVID-19 pandemic.~~

Additionally, third parties we do business with and our customers have international operations and are also subject to the above risks. Adverse changes in global economic conditions have in the past resulted and may in the future result in our customers' and business partners' insolvency, inability to obtain credit to finance or purchase our products, services and solutions, or a delay in paying or an inability to pay their obligations to us. Other third parties, such as our service providers, suppliers and distributors, may be unable to deliver or be delayed in delivering critical services, products or technologies that we rely on, and our business and reputation may be harmed. Our customers' spending rate and demand for our products, services and solutions may also be adversely affected by the above risks. If our global sales are reduced, delayed or canceled because of any of the above risks, our revenue may decline.

~~Some of our third-party business partners have international operations and are also subject to these risks, and our business may be harmed if such partners are unable to appropriately manage these risks. If sales to any of our customers outside of the Americas are reduced, delayed or canceled because of any of the above factors, our revenue may decline.~~

Further, a disruption in global financial markets could impair our banking partners, on which we rely for operating cash management, capital market transactions and derivative programs. Such disruption could also negatively impact our customers' ability to pay us due to delays or inability to access their existing cash.

As of December 1, 2023, our investment portfolio consisted of asset-backed securities, corporate debt securities, money market funds, time deposits, U.S. agency securities and U.S. Treasury securities. These investments are subject to credit, liquidity, market, and interest rate risks as well as economic downturns or events that affect global or regional financial markets that may cause the value of our investments to decline, requiring impairment charges, which could adversely affect our financial condition.

***Small*+ Changed Risk Factors**	Navigator

If we are unable to recruit and retain key personnel, our business may be harmed, and our hybrid work model may present challenges, which could adversely impact our business.

~~***If we are unable to recruit and retain key personnel, our business may be harmed, and our attempts to operate under a hybrid work model may not be successful and adversely impact our business.***~~

Much of our future success depends on the continued service, availability and performance of our senior management and highly skilled personnel across all levels of our organization. Our senior management has acquired specialized knowledge and skills with respect to our business, and the loss of any of these individuals could harm our business, especially if we are not successful in developing adequate succession plans. Our efforts to attract, develop, integrate and retain highly skilled employees ~~with appropriate qualifications~~ may be compounded by intensified restrictions on travel, immigration or the availability of work visas. ~~Competition for experienced personnel in the information technology industry is intense and has recently intensified further due to industry trends in many areas where our employees are located. Further,~~ The technology industry is often subject to substantial and continuous competition for talent, particularly with cybersecurity and AI backgrounds, and demand for cutting-edge or unique skill sets can be highly competitive, both of which are heightened with the increased availability of hybrid or remote working arrangements. ~~has expanded the pool of companies that can compete for our employees and employment candidates.~~ We face an increasingly difficult challenge to attract and retain highly qualified security personnel to assist us in combating security threats. We may experience higher compensation costs to retain ~~senior management and experienced~~ and recruit senior management and highly skilled personnel that may not be offset by improved productivity or increased sales. ~~A~~ Our hybrid work environment may also present operational ~~cybersecurity~~ and workplace culture challenges, ~~If we are unable to continue to successfully attract and retain highly skilled personnel and maintain our corporate culture in a hybrid work environment, our business may be harmed.~~ which could negatively affect our ability to execute against our business objectives and retain and recruit personnel.

We continue to hire personnel in countries where exceptional technical knowledge and other expertise are offered at lower costs, which increases the efficiency of our global workforce structure and reduces our personnel-related expenditures. Nonetheless, as globalization continues, competition for ~~employees in these~~ talent in those countries has increased, which may impact our ability to retain these employees and increase our compensation-related expenses.~~We may continue to expand our international operations and international sales and marketing activities, which would require significant management attention and resources. We may be unable to scale our infrastructure effectively or as quickly as our competitors in these markets, and our revenue may not increase sufficiently to offset these expected increases in costs, causing our results to suffer.~~

~~We believe that a critical contributor to our success to date has been our corporate culture, which we have built to foster innovation, teamwork and employee satisfaction. As we grow, including from the integration of employees and businesses acquired in connection with previous or future acquisitions, we may find it difficult to maintain important aspects of our corporate culture, which could negatively affect our ability to retain and recruit personnel who are essential to our future success.~~

***Small*+ Changed Risk Factors** Navigator

Some of our enterprise offerings have extended and complex sales cycles, which ~~can~~ may increase our costs and make our sales cycles unpredictable.

As we continue to target large enterprise customers for certain of our offerings, including Adobe Experience Cloud in our Digital Experience business and our Enterprise Term License Agreements in our Digital Media business,

~~Sales cycles for some of our enterprise offerings, including our Adobe Experience Cloud and Adobe Experience Platform solutions and Enterprise Term License Agreements ("ETLAs") in our Digital Media business, are multi-phased and complex, which also makes it difficult to predict when a given sales cycle will close. The complexity in these sales cycles is due to several factors, including:~~

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we may face increased costs, longer sales cycles, greater competition and less predictability in completing our sales. For our enterprise customers, the evaluation process may be longer and more involved, and require us to invest more in educating our customers about our products, services and solutions, particularly because the decision to use our products, services and solutions is often an enterprise-wide decision. We may be required to submit more robust proposals, participate in extended proof-of-concept evaluation cycles and engage in more extensive contract negotiations. In addition, our enterprise customers often demand more complex configurations and additional integration services and product features. Adverse macroeconomic conditions have caused, and may cause in the future, delays in our enterprise customers' purchasing decisions. Due to these factors, we often must devote greater sales support to certain enterprise customers, which increases our costs and time required to complete a sale, without assurance that potential customers will ultimately purchase our solutions. We also may be required to devote more services resources to implementation, which increases our costs, without assurance that customers receiving these services will renew or renew at the same level. Since the sales cycles for our enterprise offerings are multi-phased and complex, it is often unpredictable when a given sales cycle will close. Our revenue from enterprise customers may be affected by longer-than-expected sales and implementation cycles, extended collection cycles, potential deferral of revenue and alternative licensing arrangements. Additionally, our enterprise sales pattern has historically been uneven, where a higher percentage of a quarter's total sales occur during the final weeks of each quarter, which is common in our industry.

~~We spend substantial time and expense on our sales efforts without assurance that potential customers will ultimately purchase our solutions. As we target our sales efforts at larger enterprise customers, these trends are expected to continue and could have a greater impact on our results of operations. Additionally, our enterprise sales pattern has historically been uneven, where a higher percentage of a quarter's total sales occur during the final weeks of each quarter, which is common in our industry.~~

***Small*+ Changed Risk Factors** Navigator

Our intellectual property portfolio is a valuable asset and we may not be able to protect our intellectual property rights, including our source code, from infringement or unauthorized copying, use or disclosure.

Our patents, trademarks, trade secrets, copyrights and other intellectual property are valuable assets to us. Infringement or misappropriation of such intellectual property could result in lost revenues and ultimately reduce their value. We protect our intellectual property by relying on federal, state and common law rights in the United States and internationally, as well as a variety of administrative procedures and contractual restrictions. Despite our efforts, protecting our intellectual property rights and preventing unauthorized use of our intellectual property are inherently difficult. For instance, we actively combat software piracy, but we continue to lose revenue due to illegal use of our software. Third parties may illegally copy and sell counterfeit versions of our products. To the extent counterfeit installations and sales replace otherwise legitimate ones, our operating results could be adversely affected. We apply for patents in the United States and in foreign countries, but we are not always successful in obtaining patent protection or in obtaining such protection timely to meet our business needs. Our patents may be invalidated or circumvented. Moreover, due to challenges in detecting patent infringement pertaining to generative AI technologies, it may be more difficult to protect our generative AI and related innovations with patents. Additionally, if we use generative AI in the creation of our source code, we may not be able to rely on copyright to protect such intellectual property. Further, the laws of some foreign countries do not provide the same level of intellectual property protection

~~Our intellectual property portfolio is a valuable asset. Infringement or misappropriation of our patents, trademarks, trade secrets, copyrights and other intellectual property rights could result in lost revenues and ultimately reduce their value. Preventing unauthorized use or infringement of our intellectual property rights is inherently difficult. We actively combat software piracy as we enforce our intellectual property rights, but we nonetheless lose significant revenue due to illegal use of our software. If piracy activities continue at historical levels or increase, they may further harm our business. We apply for patents in the United States and internationally to protect our newly created technology and if we are unable to obtain patent protection for the technology described in our pending patent applications, or if the patents are not obtained timely, this could result in revenue loss, or have other adverse effects on operations and harm our business. We offer our products and services in foreign countries and we may seek intellectual property protection from those foreign legal systems. Some of those foreign countries may not have as robust or comprehensive of intellectual property protection laws and schemes as those offered in the United States, and the mechanisms to enforce intellectual property rights may be inadequate to protect our technology, which could harm our business. We also seek to protect our confidential information and trade secrets through the use of non-~~

~~disclosure agreements with our customers, contractors, vendors and partners. However, there is a risk that our confidential information and trade secrets may be disclosed or published without our authorization, and in these situations, enforcing our rights may be difficult or costly.~~

as U.S. laws and courts and could fail to adequately protect our intellectual property rights. If unauthorized disclosure of our source code occurs through security breach, cyber-attack or otherwise, we could lose future trade secret protection for that source code. Such loss could make it easier for third parties to compete with our products by copying functionality, which could cause us to lose customers and could adversely affect our revenue and operating margins. If we cannot protect our intellectual property against unauthorized copying, use, or other misappropriation, our business could be harmed.

***Small*+ Changed Risk Factors** Navigator

Changes in tax rules and regulations or interpretations thereof may adversely affect our effective tax rates.

We are a ~~United States-based~~ U.S.-based multinational company subject to tax in multiple domestic and foreign tax jurisdictions. Significant judgment is required in determining our current provision for income taxes and deferred tax assets or liabilities. Tax laws in the United States ~~and in foreign tax jurisdictions are dynamic and~~ as well as other countries and jurisdictions in which we conduct business are subject to change as new laws are passed ~~and new interpretations are issued. The applicability and impact of changes in tax laws and interpretations thereof could adversely affect our effective income tax rate and cash flows in future years.~~ and/or new interpretations are made available, which may have a material impact on our business. These countries, governmental bodies, such as the European Commission of the European Union, and intergovernmental economic

organizations, such as the Organization for Economic Cooperation and Development, have made or could make unprecedented assertions about how taxation is determined and, in some cases, have proposed or enacted new laws that are contrary to the way in which rules and regulations have historically been interpreted and applied.

~~Unanticipated changes in our tax rates could affect our future results of operations.~~ Changes in our operating landscape, such as changes in laws or interpretations of tax rules, could adversely affect our effective tax rates and/or cause us to respond by making changes to our business structure, which could adversely affect our operations and financial results. Our future effective tax rates are likely to be unfavorably affected by changes in the tax rates in jurisdictions where our income is earned, changes in jurisdictions in which our profits are determined to be earned and taxed, changes in the valuation of our deferred tax assets and liabilities, changes in or interpretation of tax rules and regulations in the jurisdictions in which we do business, or unexpected negative changes in business and market conditions that could reduce certain tax benefits.

~~In addition, the United States and other countries and jurisdictions in which we conduct business, including those covered by governing bodies that enact tax laws applicable to us, such as the European Commission of the European Union, could make changes to relevant tax, accounting or other laws and interpretations thereof that have a material impact to us. These countries, governmental bodies and intergovernmental economic organizations such as the Organization for Economic Cooperation and Development, have or could make unprecedented assertions about how taxation is determined and, in some cases, have proposed or enacted new laws that are contrary to the way in which rules and regulations have historically been~~

~~interpreted and applied. In the current global tax policy environment, any changes in laws, regulations and interpretations could adversely affect~~ An increase in our effective tax rate ~~cause us to respond by making changes to our business structure, or result in other costs to us which could adversely affect our operations and financial results.~~would reduce our profitability.

Moreover, we are subject to the examination of our income tax returns by domestic and foreign tax authorities. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes and have reserved for potential adjustments that may result from these examinations. While we believe our tax estimates ~~to be reasonable; however,~~ are reasonable, we cannot provide assurance that the final determination of any of these examinations will not have an adverse effect on our financial position and results of operations.

Small+ Changed Risk Factors Navigator

Contracting with government entities exposes us to additional risks inherent in the government procurement process.

We provide products, ~~and services,~~ services and solutions, directly and indirectly, to a variety of domestic and foreign government entities, which introduces certain risks ~~including extended sales and collection cycles,~~ and challenges not present in private commercial agreements, including varying governmental budgeting processes, fluctuations due to government spending cuts and shutdowns, highly competitive and lengthy bidding process that may be subject to political influence and adherence to complex procurement regulations and other government-specific contractual requirements. We ~~have been, are currently~~ incur significant up-front time and costs without any assurance that we will win a contract. Operating within a highly regulated industry, we have been and may in the future be subject to audits and investigations relating to our government contracts and any violations could result in termination of contracts and various civil and criminal penalties and administrative sanctions, including ~~termination of contracts,~~ payment of fines and suspension or debarment from future government business, as well as harm to our reputation and financial results. We have made, and may continue to make, significant investments to support future sales opportunities in various government sectors, including to obtain various security authorizations and certifications. Such processes are complex, lengthy and can often be delayed. Furthermore, requirements may change, or we may be unable to achieve or sustain one or more government authorizations or certifications, which could affect our ability to sell to government entities until we meet any revised requirements.

Small+ Changed Risk Factors Navigator

Catastrophic events, including ~~global pandemics such as the COVID-19 pandemic,~~ events associated with climate change, may disrupt our business and adversely affect our financial condition and results of operations.

Our ~~are a highly automated~~ business ~~and~~ relies on our network infrastructure and enterprise ~~applications,~~ apps, internal technology systems and websites. ~~for our development, marketing, operations, support, hosted services and sales activities. In addition, some of our businesses rely on third-party hosted services, and we do not control the operation of third-party data~~

~~center facilities serving our customers from around the world, which increases our vulnerability.~~ A disruption, infiltration or failure of ~~these systems or third-party hosted services in the event of a major earthquake, fire, flood, tsunami or other weather event, power loss, telecommunications failure, software or hardware malfunctions, pandemics (including the COVID-19 pandemic), cyber-attack,~~ our systems, data centers or operations, or those of our third-party service providers due to a major earthquake, other natural disasters, including climate-related events (such as drought, water security, heat waves, cold waves, wildfires and poor air quality), power shutoff or loss, telecommunications failure, epidemic, pandemic, war, terrorist attack or other catastrophic event, ~~that our disaster recovery plans do not adequately address, could cause system interruptions, reputational harm,~~ could cause interruptions to our systems and business operations, damage to critical infrastructure, loss of intellectual property, ~~delays in our product development, lengthy interruptions in our services, breaches of data security and loss of critical data. Any of these events could prevent us from providing our products and services or could negatively impact a country or region in which we sell our products, which could in turn decrease that country's or region's demand for our products and services. Our corporate headquarters, a significant portion of our~~ data security breaches and data loss. Our corporate headquarters, significant research and development activity, certain of our data centers and ~~certain~~ other critical business operations are ~~located~~ in the San Francisco Bay Area and ~~additional facilities where we conduct significant operations are located in~~ the Salt Lake Valley Area, both of which are near major earthquake faults. A catastrophic event, ~~that results in the destruction or disruption of any of~~ particularly one that may

disrupt our data centers or our critical ~~business or information technology systems could severely affect our ability to~~ activities, could prevent us from conducting normal business operations and ~~as a result, our future operating results could be adversely affected. The adverse effects of any such catastrophic event would be exacerbated if experienced at the same time as another adverse event.~~

~~The occurrence of regional epidemics or a global~~ providing our products, services and solutions, which could adversely affect our business. A catastrophic event could negatively impact a country or region in which we sell and, in turn, decrease demand for our products, services and solutions, which could negatively impact our business. Climate-related catastrophic events that may harm our business are also increasing in frequency and severity. We may be subject to additional climate-related regulations and reporting requirements and changing market dynamics and stakeholder expectations regarding climate change and our environmental impacts, all of which may impact our business, financial condition and results of operations.

The occurrence of an epidemic or a pandemic, such as the COVID-19 pandemic, has had and may continue to have an adverse effect on ~~how we and our customers are operating our businesses and our operating results. Our operations have also been and may in the future be negatively affected by a range of external factors related to the pandemic that are not within our control, including the emergence and spread of more transmissible variants. The extent to which global pandemics, such as the COVID-19 pandemic,~~ our operating results. The extent to which epidemics and pandemics impact our financial condition or results of operations will depend on ~~factors such as the duration and scope of the pandemic, as well as~~ many factors outside of our control and whether there is a material impact on the businesses or productivity of our customers, ~~partners,~~ employees, suppliers and other partners. ~~To the extent that an epidemic or pandemic harms our business and results of operations, many of~~ A global pandemic may also intensify the other risks described in this Part ~~II,~~ I, Item 1A of this report.~~may be heightened.~~

Small+ Changed Risk Factors Navigator

Service interruptions or failures of our or third-party information technology systems may impair the availability of our products, services and solutions, which may expose us to liability, damage our reputation and harm our future financial results.

~~*We rely on data centers managed both by Adobe and third parties to host and deliver our services, as well as access, collect, process, use, transmit and store data, and any interruptions or delays in these hosted services, or failures in data collection or transmission could expose us to liability and harm our business and reputation.*~~

Much of our business, including our online store at adobe.com and our Creative Cloud, Document Cloud and Experience Cloud solutions, relies on hardware and services that are hosted, managed and controlled directly by ~~Adobe~~ us or third-party service providers ~~including our online store at adobe.com and our Creative Cloud, Document Cloud and Experience Cloud solutions.~~ to be available to customers and users without disruption. We do not have redundancy for all ~~of~~ our systems, many of our critical applications ("apps") reside in only one of our data centers, and our disaster recovery planning may not account for all eventualities. If ~~our business relationship with a third-party~~ any critical third-party service provider of hosting or content delivery services is negatively affected or ~~if one of our content delivery suppliers were to terminate its agreement with us without adequate notice, we might~~ becomes unavailable to us for any reason, we may not be able to deliver the corresponding ~~hosted offerings to our customers, which~~ products, services or solutions to our customers and users. Failure of our systems or those of our third-party service providers could disrupt our business operations and those of our customers, subject us to reputational harm, require costly and time-intensive notifications, ~~requirements,~~ and cause us to lose customers, ~~and future business. Supply chain disruptions stemming from the Russia-Ukraine war may harm our customers and suppliers and further complicate existing supply chain constraints.~~ users and future business. Occasionally, we migrate data among data centers and to third-party hosted environments. If a transition among data centers or to third-party service providers encounters unexpected interruptions, unforeseen complexity or unplanned disruptions despite precautions undertaken during the process, this may impair our delivery of products, ~~and services~~ services and solutions to customers and result in increased costs and liabilities, which may harm our operating results, reputation and our business.

It is also possible that hardware or software failures or errors in our systems (or those of our third-party service providers) could result in data loss or corruption, cause the information that we collect or maintain to be incomplete or contain inaccuracies that our customers regard as significant, or cause us to fail to meet committed service levels or comply with applicable notification requirements or other relevant contractual obligations to our customers. Furthermore, our ability to collect and report data may be delayed or interrupted by a number of factors, including access to the internet, the failure of our network or software systems, security breaches or significant variability in visitor traffic on customer websites. ~~In addition, the loss of data resulting from computer viruses, worms, ransomware or other malware may harm our systems could expose us to litigation or regulatory investigation, and costly and time-intensive notification requirements.~~

We may also find, on occasion, that we cannot deliver data and reports to our customers in near real-time due to factors such as significant spikes in customer activity on their websites or failures of our network or software (or that of a third-party service provider). If we fail to plan infrastructure capacity appropriately and expand it proportionally with the needs of our customer and user base, and we experience a rapid and significant demand on the capacity of our data centers or those of third parties, service outages or performance issues could occur, which ~~would~~ may impact our customers. Such a strain on our infrastructure capacity ~~could~~ may subject us to regulatory and customer notification requirements, violations of service level agreement commitments or financial liabilities and result in customer dissatisfaction or harm our business. If we supply materially inaccurate information or experience significant interruptions in our systems, our reputation could be harmed, we could lose customers and we could be found liable for damages or incur other losses.

Increasing regulatory focus on privacy and security issues and expanding laws and regulatory requirements could impact our business models and expose us to increased liability.

~~As a global company, Adobe is~~ We are subject to global data protection, privacy and security laws, regulations and codes of conduct that ~~apply~~ relate to our various business units and data processing activities, which may include sensitive, confidential, and personal information. These laws, regulations and codes are inconsistent across jurisdictions and are subject to evolving and differing (sometimes conflicting) interpretations. Government officials and regulators, privacy advocates and class action attorneys are increasingly scrutinizing how companies collect, process, use, store, share and transmit personal data. This ~~increased scrutiny may result in new~~ scrutiny can result in new and shifting interpretations of existing laws, thereby further impacting ~~Adobe's business. Globally, laws such as~~ our business. For example, the General Data Protection Regulation ("GDPR") in ~~Europe and the~~ the European Economic Area, and the United Kingdom continues to be interpreted by European and UK courts in novel ways leading to shifting requirements, country specific differences in application and uncertain enforcement priorities. More recently enacted laws, such as the Personal Information Protection Law ~~("PIPL")~~ in China, and new and emerging state laws in the United States on privacy, data and related technologies, such as the California Consumer Privacy Act, the California Privacy Rights Act, the Colorado Privacy Act and the Virginia Consumer Data Protection Act, as well as industry self-regulatory codes and regulatory requirements, create new privacy and security compliance obligations and expand the scope of potential liability, either jointly or severally with our customers and suppliers. As a security example, pursuant to the U.S. Securities and Exchange Commission's Rules on Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure we are required to make certain disclosures related to material cybersecurity incidents and the reasonably likely impact of such an incident on Form 8-K and will be required to make certain other cybersecurity disclosures on Form 10-K. Determining whether a cybersecurity incident is notifiable or reportable may not be straightforward and any such mandatory disclosures could be costly and lead to negative publicity, loss of customer confidence in the effectiveness of our security measures, diversion of management's attention and governmental investigations.

While we have invested in readiness to comply with applicable requirements, the dynamic and evolving nature of these laws, regulations and codes, as well as their interpretation by regulators and courts, may affect our ability (and our enterprise customers' ability) to reach current and prospective customers, to respond to both enterprise and individual customer requests under the laws (such as individual rights of access, correction and deletion of their personal information), ~~and~~ to implement our business models effectively and to adequately address disclosure requirements. These laws, regulations and codes may also impact our innovation and business drivers in developing new and emerging technologies ~~(e.g., artificial intelligence and machine learning). These requirements, among others,~~ (for example, AI and machine learning) and may impact demand for our offerings and force us to bear the burden of more onerous obligations in our contracts. Perception of our practices, products, ~~or services,~~ services or solutions, even if unfounded, as a violation of individual privacy, data protection rights or cybersecurity requirements, subjects us to public criticism, lawsuits, investigations, claims and other proceedings by regulators, industry groups or other third parties, all of which could disrupt or adversely impact our business and reputation and expose us to increased liability, fines and other punitive measures including prohibition on sales of our products, services or solutions, restrictive judicial orders and disgorgement of data. Additionally, we collect and store information on behalf of our business customers and if our customers fail to comply with contractual obligations or applicable laws, it could result in litigation or reputational harm to us.

Transferring personal information across international borders is complex and subject to legal and regulatory requirements as well as active litigation and enforcement in a number of jurisdictions around the world, each of which could have an adverse impact on our ability to process and transfer personal data as part of our business operations. For example, European data transfers outside the European Economic Area are highly regulated and litigated. The mechanisms that we and many other companies rely upon for European data transfers ~~(e.g., Standard Contractual Clauses)~~ (for example, Standard Contractual Clauses and the EU - US Data Privacy Framework) are the subject of legal challenge, regulatory interpretation and judicial decisions by the Court of Justice of the European Union. The suitability of Standard Contractual Clauses for data transfer in some scenarios has recently been the subject of legal challenge, and while the United States and the European Union reached agreement on the EU - US Data Privacy Framework, there are legal challenges to that data transfer mechanism as well. We continue to closely monitor for developments related to valid transfer mechanisms available for transferring personal data outside the European Economic Area (including the ~~Trans-Atlantic~~ EU - US Data Privacy Framework) and other countries that have similar trans-border data flow requirements and adjust our practices accordingly. The open judicial questions and regulatory interpretations related to the validity of transfers using Standard Contractual Clauses have resulted in some changes in the obligations required to provide our services in the European Union and could expose us to potential sanctions and fines for non-compliance. Several other countries, including China, Australia, New Zealand, Brazil, Hong Kong and Japan, have also established specific legal requirements for cross-border transfers of personal information and certain countries have also established specific legal requirements for data ~~localization (i.e.,~~

localization (such as where personal data must remain stored in the country). If other countries implement more restrictive regulations for cross-border data transfers or do not permit data to leave the country of origin, such developments could adversely impact our business and our enterprise customers' business, our financial condition and our results of operations in those jurisdictions.

***Small*+ Changed Risk Factors** Navigator

We are subject to risks associated with compliance with laws and regulations globally, which may harm our business.

We are a global company subject to varied and complex laws, regulations and customs, both domestically and internationally. These laws and regulations relate to a number of aspects of our business, including trade ~~protection,~~ compliance, import and export control, anti-boycott, economic sanctions and embargoes, data and transaction processing security, payment card industry data security standards, consumer protection, records management, user-generated content hosted on websites we operate, privacy practices, data residency, corporate governance, antitrust and competition, employee and third-party complaints, anti-corruption, gift policies, conflicts of interest, securities regulations and other regulatory requirements affecting trade and investment. The application of these laws and regulations to our business is often unclear and may at times conflict. For example, ~~in many foreign countries, particularly in~~ we are subject to the U.S. Foreign Corrupt Practices Act and other anti-corruption and anti-bribery laws, but in other foreign countries, particularly those with developing economies, it is common to engage in ~~business practices that are prohibited by U.S. regulations applicable to us, including the Foreign Corrupt Practices~~ practices that would be prohibited under such acts. We cannot provide assurance that our employees, contractors, agents, ~~and business partners~~ business partners and vendors will not take actions in violation of our internal policies, ~~or U.S.~~ U.S. laws or other applicable international laws. Compliance with these laws and regulations may involve significant costs or require changes in our business practices that result in reduced revenue and profitability. Non-compliance could also result in fines, damages, criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business and damage to our reputation.

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***Small*+ Changed Risk Factors** Navigator

We are subject to fluctuations in foreign currency exchange rates and may not be able to effectively hedge our exposure.

~~***We may incur losses associated with currency fluctuations and may not be able to effectively hedge our exposure.***~~

Our operating results and performance metrics are subject to fluctuations in foreign currency exchange rates due to the global scope of our business. Geopolitical and economic events, including war, trade disputes, economic sanctions and

emerging market volatility, and associated uncertainty have caused, and may in the future cause, currencies to fluctuate. Accordingly, amounts reported as annualized recurring revenue, a performance metric which we measure at currency rates that are set at the beginning of each fiscal year and held constant throughout the year, may vary from actual revenue recognized in accordance with generally accepted accounting principles in the United States.

We attempt to mitigate a portion of these foreign currency exchange risks to our operating results through foreign currency hedging based on our judgment of the appropriate trade-offs among risk, opportunity and expense. We regularly review our hedging program and make adjustments that we believe are appropriate. Our hedging activities have not, and may not in the future, offset more than a portion of the adverse financial impact, including on our actual revenue recognized, resulting from unfavorable movement in foreign currency exchange rates, which could adversely affect our financial condition, business performance or results of operations.

***Small*+ Changed Risk Factors** Navigator

Our ~~have issued $3.65 billion of notes in debt offerings and may incur other debt in the future, which~~ existing and future debt obligations may adversely affect our financial condition and future financial results.

As of December 1, 2023, we ~~have~~ **=> had** $3.65 billion in senior unsecured notes outstanding ~~We have~~ and a $3 billion commercial paper program with no amounts outstanding. ~~as of September 27, 2023. We also~~ We also ~~have~~ **=> had** a $1.5 billion senior unsecured revolving credit agreement and ~~a~~ $3.5 billion delayed draw term loan agreement, ~~(together, "Credit Agreements"), both of which currently undrawn.~~ both of which ~~are~~ **=> were** undrawn. Subsequent to December 1, 2023, the delayed draw term loan agreement was terminated. This debt or future additional indebtedness may adversely affect our financial condition and future financial results by, among other things:

* requiring the dedication of a portion of our expected cash flows from operations to service our debt, thereby reducing the amount of expected cash flows available for other purposes, including capital expenditures and acquisitions;~~and~~
* increasing our vulnerability to adverse changes in our business and general economic and industry conditions; and
* limiting our ability to obtain future financing for working capital, capital expenditures, future acquisitions, general corporate or other purposes, which may also impact our ability to service and repay outstanding indebtedness as it becomes due.
* ~~limiting our flexibility in planning for, or reacting to, changes in our business and our industry.~~

Our senior unsecured notes, commercial paper program and ~~our~~ revolving credit agreement impose restrictions on us and require us to maintain compliance with specified covenants. Our ability to comply with these covenants may be affected by events beyond our control. If we breach any of the covenants and do not obtain a waiver from the noteholders or lenders, then, subject to applicable cure periods, any outstanding debt may be declared immediately due and payable.

In addition, changes by any rating agency to our credit rating may negatively impact the value and liquidity of both our debt and equity securities, as well as the potential costs associated with a refinancing of our debt. Under certain circumstances, if our credit ratings are downgraded or other negative action is taken, the interest rate payable by us under our revolving credit agreement could increase. Downgrades in our credit ratings could also restrict our ability to obtain additional financing in the future and affect the terms of any such financing.

Quant Disclosure Update

Appears in **7A. Quantitative and Qualitative Disclosures About Market Risk** - Navigator

Description: Includes non-boilerplate Quantitative Disclosures (typically found in