Good afternoon and thank you for joining us today. Joining me on the call are Adobe’s President and CEO, Shantanu Narayen, as well as Mark Garrett, Executive Vice President and CFO.

In the call today, we will discuss Adobe’s first quarter fiscal year 2015 financial results. By now, you should have a copy of our earnings press release which crossed the wire approximately one hour ago. We’ve also posted PDFs of our earnings call prepared remarks and slides, our financial targets and an updated investor datasheet on Adobe.com. If you would like a copy of these documents, you can go to the Investor Relations page and find them listed under Quick Links.
Before we get started, we want to emphasize that some of the information discussed in this call, particularly our revenue, subscription and operating model targets, and our forward-looking product plans, is based on information as of today, March 17th, 2015, and contains forward-looking statements that involve risk and uncertainty. Actual results may differ materially from those set forth in such statements. For a discussion of these risks and uncertainties, you should review the Forward-Looking Statements Disclosure in the earnings press release we issued today, as well as Adobe’s SEC filings.

During this call, we will discuss GAAP and non-GAAP financial measures. A reconciliation between the two is available in our financial targets document and in our updated investor datasheet on Adobe’s Investor Relations website.

Call participants are advised that the audio of this conference call is being webcast live in Adobe Connect, and is also being recorded for playback purposes. An archive of the webcast will be made available on Adobe’s Investor Relations website for approximately 45 days, and is the property of Adobe. The call audio and the webcast archive may not be re-recorded, or otherwise reproduced or distributed without prior written permission from Adobe.

I will now turn the call over to Shantanu.
FY15 is off to a strong start. In Q1 we reported revenue of 1 billion, 109 million dollars and non-GAAP earnings per share of 44 cents. We achieved solid growth across our Creative Cloud and Marketing Cloud businesses, and delivered a new wave of product innovation.

In Digital Media, Creative Cloud continues to be the preeminent destination for creatives around the world, enabling them to work seamlessly across desktop and mobile devices. While the desktop applications continue to be the foundation of Creative Cloud, fifty percent of Creatives are using mobile devices in their creative process. Over 30 million mobile apps have been downloaded, including capture apps like Adobe Brush and Shape, as well as desktop companion apps for Photoshop CC and Illustrator CC. Over 5 million new free subscribers were acquired through our Creative Cloud mobile apps since MAX in October.

We celebrated the 25th anniversary of Photoshop last month and were blown away by the tremendous response from customers, partners and the press. Photoshop is one of the world's most iconic brands and has had a profound impact on every form of design and media – from animation to photography to
film to web design. Through consistent innovation over the span of two and a half decades, Photoshop has stayed fresh and relevant and is now attracting a new generation of fans.

We continue to successfully migrate the Creative Suite installed base, as well as bring new customers into the community. In Q1, Individual and Team adoption grew by 517 thousand to over 3.9 million subscriptions. This represents 28% year-over-year growth in net new subscriptions. Creative Annualized Recurring Revenue, or ARR, grew to $1.79 billion exiting Q1.

Delivering on our promise to make Creative Cloud the one-stop shop for creatives, we closed the acquisition of Fotolia in January. Stock content is a part of an incremental $4 billion of addressable market for Adobe. Ninety three percent of stock content sellers and eighty five percent of stock content buyers use our tools. Work is underway to integrate Fotolia into Creative Cloud, providing current and future Creative Cloud members with the ability to access and purchase over 35 million images and videos within the Creative Cloud experience.

We will also continue to operate Fotolia as a standalone stock service, accessible to anyone. With seamless integration, we believe we can increase Creative Cloud ARPU over time, as well as grow Adobe’s share of the stock content market.

In Document Services, today we announced the Adobe Document Cloud, a modern way to manage documents at home, in the office and across devices. Adobe Document Cloud will include an all new version of Acrobat called Acrobat DC, which has an intuitive, touch-enabled interface and features revolutionary new mobile capabilities.
For the first time, eSign Services, formerly Adobe EchoSign, will be included with every Adobe Document Cloud subscription to enable sending and signing from any device. Adobe Document Cloud will integrate analytics and capabilities to manage, track and control documents.

Adobe invented PDF and it is the de facto standard in the documents category. We see a sizable opportunity ahead of us in the documents space to monetize the millions of existing Acrobat customers and hundreds of millions of Reader and PDF users. We plan to make Document Cloud available to our customers as both a perpetual and subscription offering within the next 30 days. It will also be available to our Creative Cloud subscribers as part of the full Creative Cloud offering.

In Q1, we reported Document Services revenue of $193 million and exited the quarter with $297 million of ARR. Across our Creative and Document Services businesses, total Digital Media ARR grew to $2.09 billion as of the end of Q1.

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In Digital Marketing, reported revenue for Adobe Marketing Cloud in Q1 was $311 million, representing 17 percent year-over-year revenue growth.

Last week, we held our Digital Marketing Summit in Salt Lake City, which has become the premier marketing industry event for marketing, media, and publishing professionals around the world. With over 7,000 attendees, Summit has become the biggest pipeline building event of the year.

We introduced two new Adobe Marketing Cloud solutions – Adobe Primetime, the industry's leading multi-screen TV platform; and Audience Manager, our fast-growing data management platform – as well as new capabilities in Adobe Campaign and Adobe Analytics.
We highlighted advancements in mobile marketing and app development, the extension of marketing intelligence into product design and Internet-of-Things, and the fusion of ad-tech and marketing technologies. Customers from some of the world's top brands joined us on the keynote stage, including executives from Under Armour, Time Warner Cable, Girl Scouts of America, Starwood Hotels and Resorts, and National Australia Bank.

Partners play a significant role in our go-to-market strategy and the ecosystem of companies who recommend, sell, and deliver Adobe Marketing Cloud solutions continues to grow. We announced a new partnership with IBM, which will provide specialized enterprise consulting capabilities for Adobe Marketing Cloud. We announced an expansion of the alliance with Accenture through the launch of Accenture Customer Engagements – a cloud-based managed service that simplifies the development, execution, and measurement of digital marketing.

We have built two fast-growing cloud businesses and are well on our way to building a third. All three share a common goal of enabling our customers to make, manage, measure and monetize virtually every type of content. We are driving the future of digital media and marketing in a way that no other company can, and we are excited about our roadmap for the year.

Mark.
In the first quarter of FY15, Adobe achieved revenue of 1 billion 109 million dollars, above the high end of our targeted range. GAAP diluted earnings per share in Q1 were 17 cents and non-GAAP diluted earnings per share were 44 cents. During the quarter, we closed the acquisition of Fotolia which contributed $7 million in revenue in Q1 and was not material to non-GAAP earnings per share.

Highlights in our first quarter include:

- Delivering revenue above the high end of our targeted revenue range;
- Achieving 28% year-over-year growth in net new subscriptions to Creative Cloud;
- Closing the acquisition of Fotolia, which when combined with other Creative Marketplace services we offer, increases our Creative addressable market by $4 billion;
- Adobe Marketing Cloud revenue of $311 million; and
- Exiting Q1 with a record 70% recurring revenue.
In Digital Media we achieved revenue of $703 million. This segment has two major components of revenue: our Creative family of products and our Adobe Document Cloud products.

In our Creative business, we exited Q1 with 3 million 971 thousand Creative Cloud subscriptions. Net new Creative Cloud subscriptions increased by 517 thousand in Q1, consistent with our expectations given Q1 seasonality. Retention of Creative Cloud subscriptions, including renewals after promotional pricing expiration, continues to track ahead of our initial projections.

Q1 adoption of Creative Cloud for Teams grew substantially on a year-over-year basis, and we are building a healthy Enterprise Term License Agreement (or ETLA) pipeline.

Average Revenue Per User, or ARPU, within each of our Creative Cloud offerings maintained steady levels consistent with results over the past year. Blended ARPU across all Creative Cloud offerings declined slightly as a result of mix.

As we discussed last week at the financial analyst briefing at Summit, Creative Cloud Single Apps and the Creative Cloud Photography Plan are expanding our market opportunity through the addition of new customers, and create the potential for higher ARR in the future via ARPU-enhancing services such as Fotolia, and upsell to higher-tiered Creative Cloud offerings.

Consistent with our expectations, Creative ARR grew to $1.79 billion, an increase of $180 million quarter-over-quarter. As a reminder, we revalued ARR exiting FY2014 based on December 2014 currency rates.
With Document Services, in advance of the Adobe Document Cloud launch, we achieved revenue of $193 million. Document Services ARR grew to $297 million exiting Q1. This ARR growth was driven by adoption of Acrobat ETLAs, subscriptions, and Document Services including EchoSign.

In our Digital Marketing segment, there are two components. The first is revenue from our Adobe Marketing Cloud offering, and our momentum as the leader in this market continued. Last week at Summit we discussed growth with large customer engagements and multi-solution selling. Our announcements and the pipeline that gets built at our conference should continue this success in 2015. In Q1, we achieved Adobe Marketing Cloud revenue of $311 million, up 17% year-over-year, and consistent with our expectations.

The second component of our Digital Marketing segment is revenue from the LiveCycle and Connect businesses, which contributed $46 million in Q1 revenue, consistent with our expectations.

Print and Publishing segment revenue was $49 million in Q1.
Geographically, we experienced stable demand across our major geographies.

From a quarter-over-quarter currency perspective, FX decreased revenue by $17 million. We had $24 million in hedge gains in Q1 FY15, versus $12 million in hedge gains in Q4 FY14; thus the net sequential currency decrease to revenue considering hedging gains was $5 million.

From a year-over-year currency perspective, FX decreased revenue by $26 million. Considering the $24 million in hedge gains in Q1 FY15, versus $3 million in hedge gains in Q1 FY14, the net year-over-year currency decrease to revenue considering hedging gains was $5 million.

In Q1, Adobe’s effective tax rate was 48% on a GAAP-basis and 21% on a non-GAAP basis. The GAAP rate was higher primarily due to tax costs associated with licensing acquired company assets to Adobe’s trading companies. These one-time costs were partially offset by tax benefits related to the retroactive reinstatement of the U.S. R&D credit in December 2014.

Employees at the end of Q1 totaled 12,698 versus 12,499 at the end of last quarter. Our trade DSO was 44 days, which compares to 46 days in the year-ago quarter, and 50 days last quarter.
Cash flow from operations was $183 million in the quarter. The sequential decline from Q4 is consistent with previous first quarters since prior year annual bonuses and commissions are paid in Q1, as well as prepayments of certain employee fringe benefits for the current year.

Deferred revenue grew to $1.18 billion, up 34% year-over-year. Our ending cash and short-term investment position was $3.18 billion, compared to $3.74 billion at the end of Q4. The primary driver of this decline was the acquisition of Fotolia which closed during the quarter.

In Q1, we repurchased approximately 2.4 million shares at a cost of $174 million. In January, our Board of Directors approved a new stock repurchase program granting us the authority to repurchase an additional $2 billion of common stock through the end of FY 2017.

Now, I would like to provide our financial outlook.

In Q2 of FY15, we are targeting a revenue range of $1 billion 125 million to $1 billion 175 million dollars.

Assuming the midpoint of our Q2 revenue range: we are targeting total Digital Media and Adobe Marketing Cloud revenue to grow sequentially; we also expect LiveCycle and Connect revenue, and Print and Publishing revenue to be relatively flat.

During the quarter, we expect to add more net new Creative Cloud subscriptions and Digital Media ARR than what was achieved in Q1, and we continue to expect both to grow sequentially in the third and fourth quarters.
We are targeting our Q2 share count to be 508 million to 510 million shares. We are targeting net non-operating expense to be between $15 million and $17 million on both a GAAP and non-GAAP basis. We are targeting a Q2 tax rate of approximately 24% on a GAAP basis and 21% on a non-GAAP basis.

These targets yield a Q2 GAAP earnings per share range of 20 cents to 25 cents per share, and a Q2 non-GAAP earnings per share range of 41 cents to 47 cents.

We're pleased with our performance in Q1, and we're off to a great start for the year.

Mike.
Adobe MAX will again occur in Los Angeles this fall during the week of October 5th. We will provide registration information later this summer. More information is available at max.adobe.com.

For those who wish to listen to a playback of today’s conference call, a web-based archive of the call will be available on our IR site later today. Alternatively, you can listen to a phone replay by calling 855-859-2056; use conference ID #94371293. Again, the number is 855-859-2056 with ID #94371293. International callers should dial 404-537-3406. The phone playback service will be available beginning at 5pm Pacific Time today, and ending at 10am Pacific Time on Monday March 23rd, 2015.

We would now be happy to take your questions. Operator.