

Adobe Inc.: Choosing an Emphasis for the Next AI Cycle

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Case convention: This is an author-created decision exercise. Adobe's leadership transition and disclosures are historical; the portfolio choice is constructed. No private deliberations or board mandate are represented.

The decision

On 22 September 2026, Adobe had just filed its third-quarter Form 10-Q, following its 10 September results announcement. Anil Chakravarthy, appointed president and chief executive officer effective 1 December, was preparing to take the role. The board had also announced that Shantanu Narayen would become executive chair and that David Wadhwani planned to step down from his role leading Creativity & Productivity on 27 September, remaining as a senior advisor during the transition. The filings did not disclose an instruction to change product priorities or a board decision about resource allocation. [P6, Item 5.02 and Exhibit 99.1]

The leadership change nevertheless creates a useful moment to ask a forward-looking strategy question. As the incoming CEO prepares for the next 12-18 months of AI commercialization, where should Adobe place its primary strategic emphasis?

1. **Reach-led creativity and productivity:** extend freemium and agentic workflows across Creative Cloud, Acrobat and Express, then use activation, retention, paid conversion and usage-cost evidence to guide expansion.
2. **Enterprise customer-experience orchestration:** deepen connected content and marketing workflows through products such as GenStudio, Adobe Experience Platform and Experience Manager, with adoption and customer expansion as decision gates.
3. **Shared-platform sequencing:** build reusable AI, workflow, trust and measurement capabilities for both customer groups, then sequence product-specific investment as evidence accumulates.

These are constructed emphases, not mutually exclusive operating plans announced by Adobe. No fixed budget, binding engineering bottleneck or forced choice between the customer groups is disclosed. A staged rollout is an implementation approach that could accompany any of the three emphases.

Two customer groups, several workflows

Adobe serves creative and marketing professionals as well as business professionals and consumers. Its current reporting groups include products across its portfolio; Adobe cautioned that cross-product offerings can be attributed to either group. In the first quarter of fiscal 2026, it combined its former Digital Media, Digital Experience, and Publishing & Advertising operating and reportable segments after changing how management evaluates performance and allocates resources. Current customer-group revenue is therefore not a product-level profitability map or a directly comparable continuation of the former segments. [P1, HTML 1230-1275, 1350-1356; P7, HTML 349-353]

Exhibit 1. Q3 FY2026 performance snapshot

Quarter ended 28 August 2026; USD billions except percentages and users. Figures are company-reported unless indicated.

Measure	Reported result	Basis and limit
Total revenue	\$6.760	GAAP; +13% year over year
Subscription revenue	\$6.582	GAAP filing amount; the earnings release displayed rounded customer-group subscription totals of \$6.56bn
Creative & Marketing Professionals subscription revenue	\$4.651	+13% year over year; broad customer group
Business Professionals & Consumers subscription revenue	\$1.905	+16% year over year; broad customer group
AI-first ending ARR	>\$650m	Management-reported KPI; >150% y/y, without a full definition or reconciliation to GAAP revenue
Creative freemium monthly active users	>100m	Management-reported; >70% y/y; unique users and paid conversion not disclosed here
Creativity/productivity monthly active users	>1bn	Company-reported; product overlap and cohort economics not disclosed

Sources: [P1, MD&A HTML 1252-1275 and 1350-1356; financial statements 1313-1343]; [P2, Exhibit 99.1 lines 26-50]; [P3, prepared remarks PDF pp. 3, 9-10, 16-17]. AI-first ARR and MAU are issuer KPIs, not GAAP revenue, paid-customer counts, causal explanations of Q3 growth, or customer-group margins.

The Q3 release said Adobe was expanding its user base through freemium and deepening engagement with agentic experiences. The prepared remarks reported that Firefly Apps plus credit packs' ending ARR grew 40% quarter over quarter. This is not a 40% revenue growth rate, and the materials do not disclose an underlying amount, user cohort, margin or causal bridge to company-wide growth. [P2, lines 29-31; P3, PDF pp. 10, 17]

Reach through partners and products

On 31 August, Adobe announced an expanded partnership with Saudi Arabia's Ministry of Communications and Information Technology and HUMAIN. Adobe planned to provide more than 27 million eligible Saudi citizens and residents aged 13 and older with 12 months of Firefly Standard and Express Premium features, with availability planned by year-end. Adobe valued this access at more than \$4 billion. That is Adobe's stated valuation of access-not booked revenue, cash consideration, recognized expense, user activation or realized benefit. Take-up, cost-sharing and conversion were not disclosed. The program had already been announced by the case cutoff; there was no disclosed pending extension or country launch for the incoming CEO to approve. [P4, release paragraphs 1-4 and 8-9]

Adobe also announced a multi-year partnership with Jet2 to use CX Enterprise and agentic-AI personalization for Jet2's 10 million myJet2 customers, plus a Customer Experience Lab where Adobe forward-deployed engineers and Jet2 teams would develop services. This is an announced enterprise deployment context. The release reports no contract value, realized customer adoption, revenue, margin or return. It does not establish a binding engineering constraint. [P8, lines 8-14 and 24-35]

Adobe's productivity tools offer another workflow context. Its September Acrobat announcement described new Productivity Agent features and enterprise use cases, and Student Spaces in beta with more than one million monthly active users reported by Adobe. The release did not quantify paid wins, incremental revenue, retention or inference cost. [P5, paragraphs 22-52]

Enterprise orchestration and competitive context

Adobe describes GenStudio, Experience Platform and Experience Manager as connected content-supply-chain and customer-experience offerings. It completed its \$1.87 billion Semrush acquisition on 28 April, primarily for cash; Adobe said Semrush added search-engine optimization, generative-engine optimization and agentic search capabilities. Adobe stated that it did not present separate Semrush results or pro forma financial information because the acquisition's effect on Adobe's condensed consolidated financial statements was not material. Adobe did not quantify realized cross-sell or synergies. The acquisition shows an existing enterprise commitment, not a measured return or a readily available alternative budget. [P1, Note 3, HTML 552-577; P7, HTML 176-179, 292-297, 351-353]

Competition also crosses workflow boundaries. Adobe's FY2025 10-K describes distinct competitive fields for consumer and business productivity, professional creative tools and enterprise marketing software; it names factors such as performance, security, integrations, cost and workflow fit. [P7, Item 1, "Competition," HTML 200-213]

Cutoff-eligible announcements illustrate different product positions. Canva described Canva AI 2.0 as a research preview, combining conversational creation with editable outputs and brand features. Figma described an agent on its design canvas. HubSpot announced outcome-based pricing for two CRM-related agents. These are company announcements, not market-share evidence or like-for-like performance comparisons: product stage, customer, workflow, pricing unit and scale differ. [C1-C3]

Investment, costs and uncertainty

Adobe reported Q3 GAAP research and development expense of \$1.288 billion, up 18% year over year. Subscription cost of revenue was \$633 million, up 24%; hosting and data-center costs accounted for 22 percentage points of that 24% increase. For the first nine months, those costs accounted for 17 percentage points of a 17% increase in subscription cost of revenue. AI inference costs are included but not isolated by product or user. These figures make unit economics relevant; they do not show that a particular product is consuming a binding share of engineering or infrastructure capacity. [P1, HTML 1387-1418 and 1433-1458]

Adobe generated \$2.52 billion of operating cash flow in Q3. At 28 August, it reported \$5.639 billion of cash, cash equivalents and short-term investments combined. This is an end-quarter company-wide measure, not all unrestricted cash or a project budget after obligations. Adobe warned that adoption and monetization of AI offerings are uncertain and that competition could affect renewals, upsell and cross-sell. [P1, statements HTML 1313-1343, Note 4 HTML 595-624 and Item 1A HTML 1655-1677; P2, lines 39-43]

Exhibit 2. Evidence to consider when setting gates

Evidence	Strategic implication	What it does not establish
Both current customer groups grew in Q3: C&M Professionals +13%; BPC +16%	Either group can support a credible emphasis	Relative incremental profit, product-level returns or a failing business
Creative freemium MAU exceeded 100m; AI-first ending ARR exceeded \$650m	Reach and AI monetization indicators merit cohort analysis	Paid conversion, retention, gross contribution or causality
Saudi free access and Jet2 enterprise CX/agentic partnership were announced	Partner routes exist on both reach and enterprise sides	Actual use, revenue, margin, adoption, ROI or a pending decision
Q3 R&D rose 18%; hosting/data-center costs accounted for 22 points of subscription cost growth	Product-level cost and capacity measures matter	An engineering shortage, AI-only cost allocation or financial distress
Semrush was acquired for \$1.87bn, primarily cash	Enterprise search capabilities are part of Adobe's current portfolio	Post-close standalone growth, cross-sell, realized synergies or future returns

Sources and definitions: [P1-P8, source key below]. The implications and limits are case-author synthesis; no numerical return estimate is implied.

Assignment

Recommend which strategic emphasis should anchor the next 12-18 months of AI commercialization: reach-led creativity/productivity, enterprise orchestration, or shared-platform sequencing. You may recommend a staged blend or conclude that the public evidence does not justify a single lead emphasis yet. Explain:

- which customer and workflow problem your emphasis addresses;
- what evidence supports it and what counterevidence complicates it;
- what milestones and measures should govern expansion, revision or pause;

- what evidence Adobe should collect before asserting conversion, customer value or attractive unit economics; and
- how the incoming CEO should communicate priorities without treating the constructed exercise as a disclosed board mandate.

Do not calculate an ROI ranking from the reported metrics: customer-level cohort data, product-level margins and AI-serving costs are not disclosed. Any numerical hurdle, budget, or target you introduce must be labeled as your own assumption. Use only information available by 22 September 2026, 4:05 p.m. ET. Adobe's 23 September Topaz close and 28 September NHL announcement are outside the case information set.

Sources

- **P1 - Q3 FY2026 Form 10-Q**, accession 0000796343-26-000156, accepted 22 Sep 2026, 4:04:02 p.m. ET. **SEC filing**: customer-group definitions/ARR HTML 1230-1275; exact group subscription revenue 1350-1356; GAAP statements 1313-1343; subscription cost and inference 1387-1418; R&D 1433-1458; Semrush Note 3, 552-577; cash/investments Note 4, 595-624; AI and competition risks 1655-1677. **Accession index**.
- **P2 - Q3 results**, Exhibit 99.1 to Form 8-K, accession 0000796343-26-000147, accepted 10 Sep 2026, 4:06:14 p.m. ET. **SEC exhibit**: results and KPIs lines 26-50; strategy statements 29-31; targets 55-73.
- **P3 - Q3 prepared remarks and slides**, Adobe-hosted PDF posted before 10 Sep call. **PDF**: relevant AI/customer metrics pp. 3, 9-10, 16-17.
- **P4 - Saudi partnership**, Adobe newsroom, 31 Aug 2026, 3:35 a.m. ET. **Release**: terms/issuer valuation paragraphs 1-4; planned availability paragraphs 8-9.
- **P5 - Acrobat Productivity Agent**, Adobe newsroom, 9 Sep 2026. **Release**: features and use cases paragraphs 22-38; Student Spaces paragraphs 39-52.
- **P6 - leadership transition**, Form 8-K, event dated 2 Sep, accession 0000796343-26-000144, accepted 8 Sep 2026, 4:38:46 p.m. ET. **SEC filing**, Item 5.02 and Exhibit 99.1.
- **P7 - FY2025 Form 10-K**, accession 0000796343-26-000003, accepted 15 Jan 2026, 5:01:55 p.m. ET. **SEC filing**: competition HTML 200-213; content-supply-chain and integrated workflows 176-179, 292-297, 351-353; segment change 349-353.
- **P8 - Jet2 partnership**, Adobe newsroom, 22 Sep 2026; timestamp 12:01 a.m. as displayed, timezone unspecified. **Release**: announced partnership lines 8-14; planned CX Lab lines 24-35.
- **C1 - Canva AI 2.0**, **Canva newsroom launch page** and **companion Canva Create event notice**; the companion notice establishes the 16 Apr 2026 event date. The launch page describes research-preview status and features.
- **C2 - Figma Design Agent**, **Figma announcement**, 20 May 2026.
- **C3 - HubSpot agent pricing**, **HubSpot announcement**, updated 13 Apr and effective 14 Apr 2026.