Intuit Inc.
Second-Quarter Fiscal 2011
Conference Call Remarks
February 17, 2011

Introduction

Good afternoon and welcome to Intuit's second-quarter 2011 conference call. I'm here with Brad Smith, our president and CEO; Neil Williams, our CFO; and Scott Cook, our founder.

Before we get started, I'd like to remind everyone that our remarks will include forward-looking statements. There are a number of factors that could cause Intuit's results to differ materially from our expectations. You can learn more about these risks in the press release we issued earlier this afternoon, our Form 10-K for fiscal 2010 and our other SEC filings. All of those documents are available on the Investor Relations page of Intuit's website at intuit.com. We assume no obligation to update any forward-looking statement.

Some of the numbers in this report are presented on a non-GAAP basis. We've reconciled the comparable GAAP and non-GAAP numbers in today's press release.

A copy of our prepared remarks and supplemental financial information will be available on our website after this call ends.

With that, I'll turn the call over to Brad Smith.

Second Quarter 2011 Overview

Thanks, Matt, and thanks to all of you for joining us.

Today we reported second-quarter revenue of $878 million, up 5 percent from last year. These results reflect a shift of about $60 million in tax revenue from our second fiscal quarter into our third quarter. You may recall that the IRS announced it would not be accepting certain e-filed returns until mid-February. As a result, we've seen some taxpayers delay the filing of their tax returns. Earlier in the season, we had estimated the shift to be between $40 million and $60 million, and we now estimate the shift to be near the high end of that range. Adjusted for the estimated shift, we had a very good quarter.

It's clear the IRS delay has made the start of this tax season more complicated than normal. Let me try to sort through the noise up front, and put what is happening into perspective. All of the data we monitor indicates that the tax filing season has gotten off to a slower start, regardless of the tax preparation method. However, our four major assumptions about the overall tax season remain unchanged.

First, we haven't seen anything that leads us to change our outlook on the total number of tax returns that will be filed with the IRS this tax season, which we estimate will be approximately 140 million tax returns.

Second, we expect to see the multi-year shift in consumer preference continue toward the digital, do-it-yourself tax software category.

Third, internal and external data indicates that we are executing well in terms of our share performance season-to-date.

And fourth, we continue to strengthen our execution in driving improved revenue per tax filer.

What the data does suggest is that we're in for a condensed tax season as more people file later. The press release we issued today confirms this trend in our own results. After a slow start, TurboTax unit growth has accelerated meaningfully since February 1st. As you can see from the season-to-date tax release, units are up 1 percent through February 12th versus the comparable period a year ago.

Drilling a little deeper into these results, momentum has picked up considerably since February 1st, with total units growing 11 percent and online units growing 16 percent year-over-year for the period of February 1st through the 12th. This acceleration confirms our assumptions of the delayed start, and has us on track to deliver the results we have guided for the full season. We'll have more insight into how the season is progressing when we update units in March.

While there's a lot of energy around tax results this quarter, it's important to focus on the rest of the company's performance and, in particular, our Small Business results. Small Business is on a roll, and was a big contributor again this quarter, posting 15 percent revenue growth. Within Small Business, Financial Management Solutions had an excellent quarter, with 21 percent growth, and our Employee Management Solutions grew 11 percent, all organically. We are performing extremely well in Small Business, and we're confident that this momentum will continue.

Turning to our overall business outlook, we're reaffirming our revenue and operating income guidance for the year. This means we still expect fiscal year revenue growth of 8 to 11 percent and non-GAAP operating income growth of 11 to 14 percent. In addition, the R&D tax credit was retroactively reinstated in December. This lowers our effective tax rate, and allows us to raise our FY '11 guidance for non-GAAP EPS growth to 14 to18 percent.

Our reaffirmation of our full-year revenue guidance and the expression of confidence you are hearing is directly attributable to the momentum we are building behind executing on our 3 point growth strategy to:

- First, drive growth in our core businesses.
- Second, build adjacent businesses and enter new geographies.
- And third, to accelerate Intuit's transition to connected services.

Here are some highlights to demonstrate how we're performing in each area. First, a look at what's driving growth in our **core businesses:**

- In Small Business:
  - The Online and Enterprise versions of QuickBooks continue to grow faster than desktop, driving higher revenue per customer and stable recurring revenue streams. And as expected, our share at retail bounced back to the low 90s this quarter, thanks to solid execution across the board.
  - In Payroll, we're continuing to improve customer retention, and are driving higher revenue per customer as more customers move to our Online and Enhanced Payroll Services, as well as elect additional fee-based services such as Direct Deposit.
- And while I've already touched on our tax results, let me reinforce that about 140 million tax filers will be expected to file taxes before April 18th. We are benefitting from the ongoing shift in consumer preference toward digital tax services, and we are looking forward to another good season.

The second part of our strategy is building **adjacent businesses** and entering **new geographies**. As you know, these are longer-term opportunities where we expect to add one to two points of growth over the next three years. A couple of items of note in our adjacent businesses and new geographies:

- During the quarter, Intuit Health received certification for timely access of electronic health records. This helps providers using Intuit's solution qualify for meaningful use and receive government funding.
- In our Global business, our initial product launches in India are showing traction. Although it's very early in the game from a revenue standpoint, Intuit Money Manager has added tens of thousands of customers over the past month through our partnership with ICICI.

The third part of our strategy is accelerating our transition to **connected services**.

- Across the board, our software-as-a-service offerings continue to build momentum. One example is QuickBooks Online, which grew subscribers 52 percent year over year, the fifth consecutive quarter of accelerating growth in this product line. Another is Intuit Websites, which grew subscribers 32 percent year over year.

- We're also strengthening our position in the increasingly important mobile space. We're gaining traction in mobile payments with our GoPayment offering, which recently introduced a free credit card swiper and a no-monthly-fee plan for low-volume businesses. This new offering has tripled the number of new customers signing up for GoPayment each day.
- And in the tax arena, we launched SnapTax nationwide this tax season, which allows iPhone and Android mobile filers with simple returns to prepare and file their taxes from start to finish, right on their phone. Feedback has been very positive, with four-and-a-half out of five stars from users in the Apple app store.

As you can see, we're growing our core businesses while investing in products that will drive our future growth. I'm proud of the dedication and execution of all our teams here at Intuit.

Now I'd like to turn it over to Neil to talk about the financial highlights and our guidance in more detail.

Financial and Segment Highlights

Thanks Brad. Let's start with overall company results. Our financial results included:

- Revenue of $878 million, up 5 percent. Non-GAAP operating income of $164 million, and GAAP operating income of $111 million.
- Non-GAAP diluted net income of $0.32 per share, and GAAP diluted net income of $0.23 per share.
- As we've mentioned, we estimate about $60 million in revenue shifted from our fiscal second quarter to the third quarter, primarily as a result of the IRS announcement regarding the February date for accepting certain returns. Our investment and spending plans did not change as a result of the IRS announcement, so our operating income was reduced by a similar amount.
- The reinstatement of the R&D tax credit also contributed about a penny to EPS in the second quarter. This was not included in our previous guidance. As we'll discuss later, we're increasing our EPS guidance for the full year by five cents to reflect the impact of the credit.

Business Segment Results

Turning to the business segments:

Small Business Group

Total **Small Business Group** revenue grew 15 percent for the quarter.

In **Financial Management Solutions**, revenue grew 21 percent for the quarter, driven by strong growth in QuickBooks desktop, online, and enterprise revenue. Unit comparisons are difficult because last year's Q2 included 20,000 registered users of free Simple Start which we no longer offer. Even with the free Simple Start discontinuation, retail unit share is the same as last year. We are increasing revenue per customer, as QuickBooks Online and QuickBooks Enterprise continue to grow customers at a fast pace. Quick Books Online is also doing a great job of attracting new customers. More than 70 percent of new subscribers in the second quarter were new to the Intuit franchise.

Employee Management Solutions revenue grew 11 percent in the second quarter, led by growth in Online and Enhanced payroll subscribers. The total number of payroll customers was in line with our expectations, holding steady with the same period last year. Our payroll team has exciting plans to drive customer acquisition, grow revenue per customer and improve retention. We are also well-positioned to grow in this area as the economic environment for small businesses continues to improve. Our small business employment index has shown encouraging signs for six consecutive quarters.

Payments Solutions revenue grew 7 percent in the second quarter, with merchants up 14 percent and volume per merchant up 1 percent. This was the second quarter in the last 10 where we've seen a positive change in sales volume per merchant. Our revenue growth indicates that we didn't reflect all the card network pricing changes effectively in our pricing to merchants this year. We have isolated the issue and are evaluating our opportunities to adjust our fees while preserving the value proposition our customers expect from Intuit. We're focused on driving customer adoption, better revenue growth and improved profitability in the payments business.

Tax

Our **Consumer Tax** group revenue declined 6 percent from last year. Brad has already covered our perspective on this season, and there's still a lot of game to be played. We're focused on execution for the remainder of the season.

Accounting Professionals segment revenue declined by 2 percent in the second quarter. Our revenue in this segment is less sensitive to the timing of tax filings, so the impact of the change in acceptance by the IRS is modest. Renewal rates remain strong, and we're confident in our full-year guidance for this segment.

Financial Services

Financial Services revenue grew 3 percent in the second quarter. Adjusted for the sale of the lending business in the fourth quarter of FY '10 and a nonrecurring revenue item that impacted FY '10, core revenue growth would have been approximately 7 percent year over year. Internet banking users increased by 10 percent, and bill pay users increased by 23 percent versus Q2 last year.

We have confidence in our ability to drive double-digit organic growth in this business. So how do we get there?

We need to grow the core services, drive adoption, and further enhance the banking experience by integrating innovative new capabilities. For example, we've seen early success adding financial management, tax features, and more recently, mobile offerings. Our mobile offerings are unique in that they offer users the convenience of three mobile banking platforms—text message, Web browser and downloadable smart phone applications—fully integrated with Internet banking. We are currently contracted to provide mobile solutions to nearly 300 financial institutions and the number is growing. We also have mobile business banking solutions coming soon.

We look forward to keeping you apprised of our progress in Financial Services throughout the second half of our fiscal year.

Other Businesses

Our **Other Businesses** segment posted 5 percent revenue growth in the second quarter. Excluding a positive currency impact and acquisitions, Other Businesses revenue was roughly flat year-over-year for the quarter and up 5 percent for the first six months.

Balance Sheet and Capital Allocation

Turning to the balance sheet:

We continue to generate strong cash flows, in line with our operating income, and maintain a strong balance sheet. Over the long term, we expect double-digit organic revenue growth, and we expect to grow expenses slower than revenue.

Our target is to carry $500 million to $750 million of cash on our balance sheet, net of total debt. This cash balance could vary up or down during the year depending on seasonality and expected cash flow needs.

We always seek to deploy the cash we generate to the highest-yield opportunities, and we target risk-adjusted returns of greater than 15 percent. We evaluate the investment opportunities within our capital allocation framework:

- We first look internally for growth investments, which would include R&D, marketing, and infrastructure.
- We then consider strategic acquisitions and partnerships.
- Beyond that, we'll return cash to shareholders, typically in the form of a share repurchase.

We repurchased $530 million worth of our common stock in the second quarter, bringing repurchases to a total of $860 million for the first two quarters of the fiscal year. From fiscal 2001 through the end of the second quarter, we've repurchased nearly 250 million shares at an average price of $27 per share, returning more than 100 percent of operating cash flow to shareholders. We've repurchased nearly double the amount of shares issued for options exercises over that time period. As of the end of the second quarter, we had $1.1 billion remaining on our current share repurchase authorization.

Our capital allocation process is working, and we seek to continuously optimize our investments. Our return on invested capital increased more than 100 basis points in fiscal 2010, and we're on track to improve by another 300 basis points this year.

Guidance

As Brad mentioned, we are reiterating our full-year guidance for revenue and operating income and raising our EPS guidance to reflect the reinstatement of the R&D tax credit. For fiscal year 2011 we expect:

- Revenue growth of 8 to 11 percent.
- GAAP operating income growth of 14 to 18 percent.
- GAAP diluted EPS growth of 9 to 13 percent. Note that the GAAP EPS growth rates are 7 points higher when the gain from the sale of discontinued operations is excluded from the FY10 GAAP results.
- Non-GAAP operating income growth of 11 to 14 percent.
- Non-GAAP diluted EPS growth of 14 to 18 percent.

For the third quarter we expect:

- Revenue of $1.76 billion to $1.83 billion, growth of 10 to 14 percent.
- GAAP operating income of $1 billion to $1.05 billion, growth of 13 to 18 percent.
- GAAP diluted EPS of $2.10 to $2.18, growth of 18 to 22 percent.
- Non-GAAP operating income of $1.05 billion to $1.1 billion, growth of 12 to 17 percent.
- Non-GAAP diluted EPS of $2.22 to $2.30, growth of 17 to 22 percent.

With that I'll turn the call back to Brad.

Closing Remarks

Thanks Neil.

We've put a lot of energy into explaining this tax season because we know you're focused on it, given all of the moving parts this year. At the risk of being redundant, I'll reinforce that it's not “if” they will file, but “when” they will file, and we still like our position and our game plan a lot.

We have momentum in our core businesses, and across the company we’re benefiting from the secular tailwinds toward more digital, connected services. We have market-leading SaaS, and increasingly mobile, solutions to capitalize on these tailwinds, and they are generating growing, reliable revenue streams.

We also have interesting adjacent opportunities in global and healthcare, which provide lots of headroom in large and growing markets. If we execute well in these areas, we believe we can add several points of growth over the next few years.

Again, we are on track for our full-year guidance. We’re not getting distracted by quarterly shifts. We have a proven strategy that is delivering in the short-term while building the foundation for long-term business results and increasing shareholder value as well.

I want to thank our employees for another strong quarter, and with that, let me turn it over to you for your questions.

About Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures. These measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with Generally Accepted Accounting Principles ("GAAP"). These non-GAAP financial measures do not reflect a comprehensive system of accounting, differ from GAAP measures with the same names and may differ from non-GAAP financial measures with the same or similar names that are used by other companies.

We compute non-GAAP financial measures using the same consistent method from quarter to quarter and year to year. We may consider whether other significant items that arise in the future should be excluded from our non-GAAP financial measures. We believe that these non-GAAP financial measures provide meaningful supplemental information regarding Intuit's operating results primarily because they exclude amounts that we do not consider part of ongoing operating results when planning and forecasting and when assessing the performance of the organization, our individual operating segments or our senior management. Segment managers are not held accountable for share-based compensation expenses, amortization of acquired intangible assets, or the other excluded items and, accordingly, we exclude these amounts from our measures of segment performance. We believe that our non-GAAP financial measures also facilitate the comparison by management and investors of results for current periods and guidance for future periods with results for past periods.

The tables that accompany the press release issued by Intuit on Feb. 17, 2011 provide more details on Intuit's historical performance and financial projections, a description of our non-GAAP financial measures, including the reasons management uses each measure, and reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures. A copy of the press release can be found on the investor relations page of Intuit's website at http://investors.intuit.com.

Cautions About Forward-Looking Statements

These materials contains forward-looking statements, including forecasts of expected growth and future financial results of Intuit and its reporting segments; Intuit's prospects for the business in fiscal 2011 and beyond; Intuit's prospects for the current tax season; Intuit's belief that tax revenue and operating income (GAAP and non-GAAP) will shift to its third fiscal quarter; growth opportunities in our core, adjacent, and connected services businesses; expectations regarding revenue growth from current or future products and services; and all of the statements under the heading "Guidance."

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause our actual results to differ materially from the expectations expressed in the forward-looking statements. These factors include, without limitation, the following: inherent difficulty in predicting consumer behavior; further delay in the IRS's ability to accept e-filed returns for certain taxpayers; difficulties in receiving, processing, or filing customer tax submissions; consumers may not respond as we expect to our advertising and promotional activities; product introductions and price competition from our competitors can have unpredictable negative effects on our revenue, profitability and market position; governmental encroachment in our tax businesses or other governmental activities or public policy affecting the preparation and filing of tax returns could negatively affect our operating results and market position; we may not be able to successfully innovate and introduce new offerings and business models to meet our growth and profitability objectives, and current and future offerings may not adequately address customer needs and may not achieve broad market acceptance, which could harm our operating results and financial condition; business interruption or failure of our information technology and communication systems may impair the availability of our products and services, which may damage our reputation and harm our future financial results; as we upgrade and consolidate our customer facing applications and supporting information technology infrastructure, any problems with these implementations could interfere with our ability to deliver our offerings; any failure to properly use and protect personal customer information and data could harm our revenue, earnings and reputation; if we are unable to develop, manage and maintain critical third party business relationships, our business may be adversely affected; increased government regulation of our businesses may harm our operating results; if we fail to process transactions effectively or fail to adequately protect against potential fraudulent activities, our revenue and earnings may be harmed; any significant offering quality problems or delays in our offerings could harm our revenue, earnings and reputation; our participation in the Free File Alliance may result in lost revenue opportunities and cannibalization of our traditional paid franchise; the continuing global economic downturn may continue to impact consumer and small business spending, financial institutions, and tax filings, which could negatively affect our revenue and profitability; our revenue and earnings are highly seasonal and the timing of our revenue between quarters is difficult to predict, which may cause significant quarterly fluctuations in our financial results; our financial position may not make repurchasing shares advisable or we may issue additional shares in an acquisition causing our number of outstanding shares to grow; our inability to adequately protect our intellectual property rights may weaken our competitive position and reduce our revenue and earnings; our acquisition and divestiture activities may disrupt our ongoing business, may involve increased expenses and may present risks not contemplated at the time of the transactions; our use of significant amounts of debt to finance acquisitions or other activities could harm our financial condition and results of operation; and litigation involving intellectual property, antitrust, shareholder and other matters may increase our costs. More details about these and other risks that may impact our business are included in our Form 10-K for fiscal 2010 and in our other SEC filings. You can locate these reports through our website at http://investors.intuit.com. Forward-looking statements are based on information as of Feb. 17, 2011, and we do not undertake any duty to update any forward-looking statement or other information in these materials.