

Intuit Inc.
First-quarter Fiscal 2015
Conference Call Remarks
November 20, 2014

Introduction

Good afternoon and welcome to Intuit's first-quarter fiscal 2015 conference call. I'm here with Brad Smith, our president and CEO, and Neil Williams, our CFO.

Before we start, 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 2014 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.

Unless otherwise noted, all growth rates refer to the current period versus the comparable prior-year period, and the business metrics and associated growth rates refer to worldwide business metrics.

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.

First Quarter Fiscal 2015 Overview

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

We're out of the gates strong in fiscal 2015. We grew revenue 8 percent in the first quarter, and exceeded our QuickBooks Online subscriber and company financial targets. It's a great start, but it's still early in the year, with a lot of game left to be played.

Let me provide a brief overview of what's driving these results, beginning with our Small Business performance.

We're continuing to accelerate growth in our online ecosystem. QuickBooks Online is generating new customer acquisition, with over 75 percent of QuickBooks Online customers being new to the Intuit franchise. We are also actively marketing QuickBooks Online to desktop customers who are cloud-ready.

The QuickBooks Online Ecosystem is building momentum:

- We grew total QuickBooks Online subscribers by 43 percent in the first quarter, up from 40 percent growth in the previous quarter. We closed the first quarter with 739,000 paying subscribers worldwide.
- Outside the U.S., QuickBooks Online subscribers were up more than 170 percent to 103,000, further accelerating from last quarter.
- And the improvements we are seeing in leading indicators are quite promising with new user attach rates of 12 percent for payments and 31 percent for payroll, up from 6 percent and 20 percent respectively, a year ago.

We remain squarely focused on driving customer growth and increasing market penetration. QuickBooks Online has a very low penetration when you reflect our total addressable market of more than 160 million small businesses globally. Although we are still in the early days of taking QuickBooks Online global, we are excited about the huge market opportunity. Adding just one additional point of penetration would more than double our QuickBooks Online subscriber base.

The capstone to the quarter for our small business team was our first-of-its-kind QuickBooks Connect event that was held in October. We hosted more than 3,500 attendees, including accounting professionals, small business owners, entrepreneurs and developers. The attendees found inspiration from the main stage, while learning practical advice on how to start and grow their businesses from renowned experts in interactive breakout sessions. At the event, we introduced more than 100 product enhancements, and featured a lineup of dynamic speakers that wowed the audience. I'm glad that some of you on the call were able to attend, and I encourage everyone to consider checking out QuickBooks Connect next fall.

With that context around our small business performance, let me now shift to tax.

Fiscal 2015 is the second year of a multi-year journey to achieve our product vision of "taxes are done."

We're excited about the progress we're making in preparation for the upcoming tax season, but there's much more to do over the next several years.

We'll continue our focus on improving conversion with a more simple and responsive experience that leverages data to get customers through their tax return with ease and confidence. We'll also focus on delivering a unified help and answer experience, driving TurboTax customers to clear explanations on everything tax related, including the Affordable Care Act. We're looking forward to getting our new lineup of solutions out to market in the next few weeks.

In the professional tax business, we're seeing strong new customer growth early in the season, and our shift to the cloud continues to pick up steam. We intend to build on our leadership position and capitalize on this once-in-a-generation shift to the cloud for accountants.

In a nutshell, we're off to a great start in fiscal 2015. I'm energized by our results as we continue to accelerate customer growth in our online ecosystems. These results reinforce our confidence in the near- and long-term financial outlook we've provided.

On that note, I'll turn it over to Neil to walk you through the financial details.

Financial Results and Segment Details

Thanks Brad. Let's start with overall company results.

For the first quarter of fiscal 2015, we reported:

- Revenue of \$672 million, up 8 percent.
- Non-GAAP operating loss of \$36 million.
- GAAP operating loss of \$114 million.
- Non-GAAP loss per share of \$0.10.
- GAAP loss per share of \$0.29.

As Brad said, we are off to a strong start, a little ahead of our expectations for the first quarter.

Business Segment Results

Turning to the business segments:

Small Business

Total small business group revenue grew 5 percent for the first quarter.

Small business online ecosystem revenue grew 30 percent, and customer acquisition in our online ecosystem continues to drive growth:

- QuickBooks Online subscribers grew 43 percent, accelerating from the previous quarter.
- Total online active payments customers grew 3 percent. Online payments charge volume grew 22 percent, driven by strong growth in payments customers connected to QuickBooks Online.
- Online payroll customers grew 24 percent, and full-service payroll customers nearly doubled.
- Rounding out the online ecosystem, Demandforce customers grew 27 percent for the quarter.

Switching to the desktop side, total desktop ecosystem revenue declined 2 percent, and QuickBooks desktop units declined 23 percent. This is in line with our expectations as we continue to emphasize QuickBooks Online.

QuickBooks total paying customers grew 22 percent in the first quarter.

As we move through the year, we will continue to experiment with our QuickBooks product lineup and pricing to maximize long-term customer and revenue growth across Small Business.

Consumer

Within the Consumer Group, Consumer Tax revenue was up 36 percent versus the first quarter last year. As you know, our consumer tax business is highly seasonal and our first quarter is a light one.

We will continue to invest in the product experience and to prioritize growth in share and customers above margin expansion.

Professional Tax

The quarter is also seasonally light for our ProTax group, with revenue growth of 46 percent.

Financial Principles and Capital Allocation

We continue to take a disciplined approach to capital management, investing the cash we generate in opportunities that yield a return on investment greater than 15 percent.

- With approximately \$1.6 billion in cash and investments on our balance sheet, our first priority is investing for customer growth.
- We also look for inorganic opportunities, and in the first quarter we made two acquisitions totaling approximately \$10 million.
- When it's the best use of cash, we'll return cash to shareholders via share repurchases.
 - We repurchased \$114 million of shares in the first quarter; about \$1.8 billion remains on our authorization. We intend to be in the market consistently during the year.
- Our board approved a \$0.25 dividend per share for our fiscal second quarter, payable on January 20. This represents a 32 percent increase versus last year and reflects our large and growing cash position, as well as more recurring and predictable revenue streams.

Q2 and Full-Year Fiscal 2015 Guidance

We provided our guidance for the second quarter, and reiterated our guidance for full fiscal 2015, in our press release.

As a reminder, we will provide tax unit updates in February, concurrent with our second quarter earnings release, and in late April after the tax season.

Back to you Brad.

Closing Comments

Thanks, Neil.

It's obviously early in our fiscal year, but we're off to a strong start.

QuickBooks Online is accelerating our transition to the cloud, driving value for our customers, as well as for Intuit and our shareholders.

As I mentioned, I'm very pleased with the strong turnout at our inaugural QuickBooks Connect event last month, which helped build awareness of our growing online ecosystem. We now have 425 third-party applications on our partner platform, up significantly from a year ago. 375 accountants became QuickBooks Online certified at the event, and collectively, the conference attendees touch more than 1 million small businesses. We're planning to build on the power of these connections throughout the year.

We're also gearing up for tax season and looking forward to getting our new offerings in the market in the coming weeks.

We're heading into our busiest time of year, and we're excited about the momentum we continue to build.

As always, I want to thank our employees for their hard work and their ongoing focus.

With that, let's turn it over to you to answer your questions.

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 2015 and beyond; expectations regarding growth opportunities from the shift to the cloud; expectations regarding Intuit's growth outside the US; expectations regarding timing and growth of revenue for each of Intuit's reporting segments and from current or future products and services; expectations regarding customer growth; expectations regarding changes to our products and their impact on Intuit's business; expectations regarding the amount and timing of any future dividends or share repurchases; the impact of acquisitions on Intuit's business; expectations regarding availability of our offerings; and all of the statements under the heading

“Q2 and Full-Year Fiscal 2015 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. More details about the risks that may impact our business are included in our Form 10-K for fiscal 2014 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 Nov. 20, 2014 and we do not undertake any duty to update any forward-looking statement or other information in these materials.