

Intuit Inc.
Third-quarter Fiscal 2019
Conference Call Remarks
May 23, 2019

Introduction

Good afternoon and welcome to Intuit's third-quarter fiscal 2019 conference call.

I'm here with Intuit's CEO Sasan Goodarzi and Michelle Clatterbuck, 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 2018 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 these remarks 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 Sasan.

Third-quarter Fiscal 2019 Overview

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

We had a great third quarter and we are on-track to exceed the guidance we provided at the beginning of the year. We are seeing momentum across every part of our company, and as a result we are raising our revenue, operating income and earnings per share guidance for fiscal year 2019. During the third quarter, total revenue grew 12 percent overall, fueled by 10 percent revenue growth in the Consumer Group and 19 percent revenue growth in the Small Business and Self-Employed Group.

With that context, let me start with the Consumer Group.

We had a great tax season. We grew the DIY category and grew our share within the category driven by our innovation and significantly improved customer experiences. We produced our most robust free offering yet and made significant progress in our effort to transform the assisted category.

As we've communicated, there are four primary drivers in our Consumer business.

- The first is the total number of returns filed with the IRS. The latest IRS data indicates total returns were up 0.2 percent through May 10th, below historical trends and our own expectation of 1 to 2 percent growth.
- The second is the percentage of those returns filed using do-it-yourself software. Category share grew over a point, the fastest pace since 2016, once again outpacing the assisted tax prep category. We are very pleased with this outcome. As a reminder, DIY category growth is our largest revenue growth lever.
- The third driver is our share within DIY. We estimate our TurboTax Online share grew half a point.
- The fourth is average revenue per return, which increased again this season. The growth reflects a stronger contribution by TurboTax Live, improved

attach and tuned product line-up adjusted for the new tax legislation. These items were partly offset by deliberate decisions we made to improve the experience for customers with simple returns, including year-over-year data transfer for no charge and extending free state filings for the entire season.

This season we had more customers than ever before paying nothing. We grew this customer group in the high-teens, above total unit growth of 5 percent. We are confident these were the right strategic decisions to drive durable growth especially as we look for ways to help our customers make ends meet going beyond taxes.

Our commitment to provide a robust free offering has resulted in more than 55 million TurboTax customers who paid nothing for their TurboTax experience over the last 5 years.

As I have shared before, our Consumer Group strategy is to expand our lead in the DIY category, transform the assisted tax preparation category and disrupt traditional consumer finance by expanding beyond tax to build a consumer platform. This is all in service to helping our customers make ends meet and maximize their tax refund. We made significant progress against these strategic objectives this season:

- Within DIY, we saw evidence that the bold changes we made to improve the experience for customers who file simple returns resonated. These changes drove a 6-point improvement in product recommendation scores for the free offering and contributed to higher retention.
- We're transforming the assisted tax customer experience by connecting people to experts on our platform with TurboTax Live. We introduced a range of price points within the product line this season to offer access to an expert for even the simplest returns. After just two years, TurboTax Live is now a meaningful contributor to our business, and this product line is among the fastest ever to reach this revenue level. The number of customers using TurboTax Live more than tripled year-over-year. We estimate 70 percent of customers who were new to Intuit this season and used TurboTax Live came from an assisted method the prior year, higher than TurboTax Online. And for the approximately 2,000 pros on our platform, we improved the onboarding experience and technology tools, resulting in lower attrition and improved operating efficiencies through the season compared to last

year. TurboTax now has approximately 28 percent share of total individual returns, leaving us with a large addressable market.

- Beyond tax, our consumer platform is aimed at helping customers unlock smart money decisions by connecting them to financial products to help make ends meet. As we learn about their financial lives, we can notify them of benefits that can save them money. We now have over 14 million customers registered for Turbo, up from 5 million last season. We have approximately 70 offers this season focusing on four verticals, including credit cards, lending, investing and mortgages. We continue to test different benefits and monetization models. While we don't expect a significant contribution to revenue in the near-term, we're making progress and continue to be excited about this opportunity.

In summary, I'm proud of what the team delivered across our consumer offerings.

Turning to small business...

We delivered another strong quarter in our Small Business and Self-Employed Group with Online Ecosystem revenue growth of 38 percent, again exceeding our target to grow better than 30 percent. We continue to place an increased emphasis

on online services to deliver more value for our customers by solving their biggest pain points:

- We're working to achieve our vision of being the center of small business growth by helping our customers get paid fast, manage capital and pay employees with confidence. Earlier this year, we launched next business-day payments allowing our customers to receive their funds much faster than previously experienced.
- QuickBooks Capital has funded \$360 million in cumulative loans since launching about a year and a half ago.
- Finally, we remain encouraged by our early progress with QuickBooks Online Advanced, designed to disrupt the mid-market by addressing the needs of mid-market small business customers with 10 to 100 employees.

Within our Strategic Partner Group, our professional tax revenue is on track to grow 4 percent for fiscal year 2019. That's the high end of our initial range for this segment.

To wrap up, we are very pleased with our results.

Let me now shift to a different topic. You may have heard assertions that Intuit engaged in practices designed to discourage consumers from filing their taxes for free. These assertions have come in several forms, and I want to address them directly. We stand behind our marketing actions as being both appropriate and consistent with our core value - integrity without compromise. In addition, any suggestion that Intuit does not support the IRS Free File Program is wrong. In fact, we are proud that for nearly two decades millions of Americans have used TurboTax's Free File Program to file their taxes without paying. Our commitment to free dates back to 1998, when we launched a program to offer free tax preparation software and e-filing services to lower income and active-duty military taxpayers. In 2002, the entire tax software industry and the IRS formed the IRS Free File Program, modeled after our initiative. As a founding member, we are committed to IRS Free File's shared goals of public service and providing free tax filing to those who need it most, as we have for nearly twenty years. As I mentioned earlier, we have more than 55 million TurboTax customers who paid nothing for their TurboTax experience over the last five years.

Thank you and now let me hand it over to Michelle to walk you through the financial details.

Financial Results and Segment Details

Thanks, Sasan. Good afternoon everyone.

For the third quarter of fiscal 2019, we delivered:

- Revenue of \$3.3 billion, up 12 percent year-over-year.
- GAAP operating income of \$1.8 billion, versus \$1.6 billion a year ago, an 11 percent increase.
- Non-GAAP operating income of \$1.9 billion, versus \$1.7 billion last year, an 11 percent increase.
- GAAP diluted earnings per share of \$5.22, versus \$4.53 a year ago, a 15 percent increase.
- And non-GAAP diluted earnings per share of \$5.55, up from \$4.78 last year, a 16 percent increase.

Business Segment Results

Turning to the business segments:

Consumer and Strategic Partner Groups

Consumer Group revenue grew 10 percent in the fiscal third quarter. TurboTax

Online units grew 7 percent this season, while overall units increased 5 percent.

We significantly improved the experience within TurboTax Live this season, not only for the customers who used this platform, but also for the tax pros providing tax advice. The improvements we put in place increased pro NPS by more than 50 percent versus a year ago and created operational efficiencies. These include a 30 percent reduction in pro attrition and improvements in the pro portal that drove a 30 percent increase in time spent serving customers this season versus last year. We are excited to continue scaling this business in the future.

We also offered TurboTax Self-Employed customers the opportunity to benefit from tracking their financials throughout the year in QuickBooks Self-Employed. TurboTax Self-Employed product recommendation scores tied TurboTax Live for the highest score among our paid offerings.

Turning to the Strategic Partner Group, we reported \$235 million of professional tax revenue for the third quarter, up 4 percent year to date.

Small Business and Self-Employed Group

In Small Business and Self-Employed, revenue grew 19 percent during the quarter.

Online Ecosystem revenue remains strong, with growth of 38 percent. We believe the best measure of the health and success of our strategy going forward is Online Ecosystem revenue growth, which we continue to expect to grow better than 30 percent. Online Services year-over-year growth slowed this quarter compared to the prior four quarters, this was primarily a function of lapping the Tsheets acquisition a year ago.

QuickBooks Online subscribers grew 32 percent, ending the quarter with over 4.2 million subscribers. Growth remains strong across multiple geographies, with U.S. subscribers growing 25 percent to over 3.1 million, and international subscribers growing 55 percent to over 1.1 million.

Within QuickBooks Online, Self-Employed subscribers grew to approximately 970,000, up from roughly 680,000 one year ago. TurboTax was a significant channel for QuickBooks Self-Employed, and 440,000 subscribers have come through this channel, up from 330,000 last year.

We continue to expect total subscriber growth to moderate as we place a greater focus on additional services and penetrating a broader range of customers.

Desktop Ecosystem revenue was up 4 percent in the third quarter. Our desktop units were up 12 percent, reflecting unusually strong renewals during the quarter.

During fiscal 2019, we expect QuickBooks desktop units and Desktop Ecosystem revenue to be roughly flat.

Within the Desktop Ecosystem, our QuickBooks Enterprise customers and revenue continued to grow at a double-digit pace in the third quarter. This further reinforces our interest in addressing the needs of mid-market small business customers with our QBO Advanced offering.

Financial Principles and Capital Allocation

Turning to our financial principles, we remain committed to growing organic revenue double-digits, and growing operating income dollars faster than revenue.

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

Our first priority for the cash we generate is investing in the business to drive customer and revenue growth. We consider acquisitions to accelerate our growth and fill out our product road map. We return excess cash that we can't invest profitably in the business to shareholders via both share repurchases and dividends.

- We finished the quarter with \$3.3 billion in cash and investments on our balance sheet.
- We repurchased \$135 million of stock in the third quarter. Approximately \$2.8 billion remains on our authorization. We expect to be in the market each quarter this year.
- The board approved a quarterly dividend of \$0.47 per share, payable July 18, 2019. This represents a 21 percent increase versus last year.

Fiscal 2019 Q4 Guidance

Turning to guidance. Our fourth quarter fiscal 2019 guidance includes:

- Revenue growth of 10 to 12 percent,
- GAAP loss per share of \$0.35 to \$0.33, and
- Non-GAAP loss per share of \$0.16 to \$0.14.

We are also raising our fiscal 2019 guidance following strong performance the first three quarters of the year. Our new guidance includes:

- Revenue growth of 12 percent, up from prior guidance of 8 to 10 percent growth,
- GAAP diluted earnings per share of \$5.72 to \$5.74, and
- Non-GAAP diluted earnings per share of \$6.67 to \$6.69.

We now expect a GAAP tax rate of 18.5 percent for fiscal 2019. You can find our Q4 and updated fiscal 2019 guidance details in our press release and on our fact sheet.

With that, I'll turn it back over to Sasan.

Closing Comments (Sasan)

Thanks, Michelle.

With that overview of the quarter, I would like to remind you of the strategic objectives I covered last quarter, starting with what matters most to our customers.

All of our customers have a common set of needs. They are all trying to make ends meet, maximize their tax refund, save money and pay off debt. And those who've

made the bold decision to become entrepreneurs - and go into business for themselves - have an additional set of needs. They want to find and keep customers, get paid, access capital to grow and ensure their books are right.

That's why our mission is to Power Prosperity Around the World and our strategy is the One Intuit Ecosystem, which focuses on unlocking the power of many for the prosperity of one.

The evolution of our strategy is to become an "A.I. driven expert platform." This is about becoming an open, trusted and easy to build on platform where we and our partners solve the most pressing customer problems and deliver awesome experiences. It's about significantly accelerating our application of Artificial Intelligence, which progressively learns from the large data sets across the platform, and accelerates speed to benefit to revolutionize the experience for our customers. And it's about solving the largest problem customers face - lack of confidence - by connecting them with experts on our platform, leading the digitization of the services industry.

Let me provide a few examples. When it comes to connecting people to experts, we are doing this today with TurboTax Live. Imagine the opportunity we have to

expand live expertise across the platform to serve consumers, self-employed and small businesses in the areas of tax, bookkeeping and financial advice.

For small business owners, we are focused on being the center of small business growth, using A.I. across our platform to accelerate faster funding in payments, and to help our customers access capital. Over time, we see an opportunity to better serve product-based businesses as they find and sell to customers across channels, transforming omni-channel commerce.

We're also focused on helping customers make smart decisions with their money by connecting them to financial products that help put more money in their pockets. This is our vision for Turbo, where we are increasing active use and engagement leveraging the tax refund moment to connect customers on our platform to meaningful benefits.

Last but not least, we're focused on disrupting the mid-market with QBO Advanced. Our A.I.-driven expert platform will help provide what mid-market customers need at a disruptive price.

We are making great progress and will have more to share with you in the coming quarters and at Investor Day. I want to thank our employees, customers and partners for another strong quarter.

Now let's open it up for questions.

Cautions About Forward-looking Statements

These materials contain 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 2019 and beyond; 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 Intuit's corporate tax rate; 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; expectations regarding availability of our offerings; expectations regarding the impact of our strategic decisions on Intuit's business; and all of the statements under the heading "Fiscal 2019 Q4 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: our ability to compete successfully; our participation in the Free File Alliance; governmental encroachment in our tax businesses, our ability to adapt to technological change; our ability to predict consumer behavior; our ability to protect our intellectual property rights; our reliance on third party intellectual property; any harm to our reputation; risks associated with acquisitions and divestitures; issue of additional shares as consideration or incurring debt to fund an acquisition; our cybersecurity incidents (including those affecting the third parties we rely on); customer concerns about privacy and cybersecurity incidents; fraudulent activities by third parties using our offerings; failure to process transactions effectively; interruption or failure of our information technology; ability to maintain critical third party business relationships; our ability to attract and retain talent; deficiency in quality, accuracy or timely launch of products; difficulties in processing or filing customer tax submissions; risks associated with international operations; changes to public

policy, laws or regulations affecting our businesses; litigation in which we are involved; seasonal nature of our tax business; changes in tax rates and tax reform legislation; global economic changes; exposure to credit risk of the businesses we provide capital to; amortization of acquired intangible assets and impairment charges; our ability to repay outstanding debt; our ability to repurchase shares or distribute dividends; volatility of our stock price; and our ability to successfully market our offerings. More details about these and other risks that may impact our business are included in our Form 10-K for fiscal 2018 and in our other SEC filings. You can locate these reports through our website at <http://investors.intuit.com>. Fiscal 2019 guidance speaks only as of the date it was publicly issued by Intuit. Other forward-looking statements represent the judgment of the management of Intuit as of the date of this presentation. We do not undertake any duty to update any forward-looking statement or other information in this presentation.