

**Intuit Inc.**  
**Third-quarter Fiscal 2023**  
**Conference Call Remarks**  
**May 23, 2023**

**Introduction**

Good afternoon and welcome to Intuit's third-quarter fiscal 2023 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 2022 and our other SEC filings. All of those documents are available on the Investor Relations page of Intuit's website at [intuit.com](https://www.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 2023 Overview**

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

Third quarter revenue grew 7 percent, lower than our expectations, reflecting a unique tax season, while we exceeded operating income and earnings per share guidance. We continue to see strong growth in the Small Business and Self-Employed Group, which grew 21 percent in the

quarter. Our overall performance this year demonstrates the strength of our platform and portfolio including our ability to maintain earnings power in uncertain times while investing in the most important areas to drive long term durable growth. We are raising our total company full fiscal year 2023 revenue, operating income, and earnings per share guidance. I am proud of the team, as we now expect revenue and operating income to grow double digits, and margins to expand even more than previously guided.

Let's turn to tax. While this was a unique tax season, we are making good progress transforming the assisted segment with TurboTax Live.

This year we expect overall IRS returns to decline 2 percent through July 31, below our original expectations for total returns growth of 1 percent, which was more in-line with historical trends. We also expect the DIY category share of total IRS returns to decline nearly three quarters of a point this fiscal year, also below our expectations. We believe the IRS and DIY category declines are driven by taxpayers who filed in order to receive pandemic-era stimulus and tax credits during the past several years but did

not file taxes this season. As a reminder, every point of IRS return growth equals about one point of TurboTax revenue growth, and every point of DIY category share growth equals about two and a half points of TurboTax revenue growth.

The expected decline in total IRS returns and DIY category share equates to an approximate \$200 million negative impact to revenue for TurboTax, versus our original expectations.

We expect our share of total IRS returns to be down approximately 80 basis points this fiscal year, primarily reflecting pandemic-era stimulus filers who did not file this season.

Each tax season has been unique since the pandemic began four years ago, although average annual trends over this period are more in-line with longer-term trends. Over this four year period, we expect total IRS returns to be up approximately 1 percent, the DIY category share of total returns to be up a quarter of a point, our share of total returns to be up approximately 20 basis points, and average revenue per return to be up 9 points. These

trends exclude users of the TurboTax Free file offering in prior year periods.

Our strategy to transform the assisted category with TurboTax Live is working given the growth we have experienced in an environment where IRS returns are declining. We expect TurboTax Live customers to grow 13 percent this year with TurboTax Live revenue up 19 percent, and total average revenue per return to grow 12 percent. While TurboTax Live has driven strong growth over the last six tax seasons, we still have an immense opportunity to penetrate and transform the assisted tax segment at an accelerated rate. This remains our top priority as we prepare for next year.

Turning to small business, while we are not immune to the macro economic environment, our platform is resilient. Total online payment volume growth moderated five points from Q2, growing 20 percent. Despite this, the shift to digitization and the power of our small business platform resonate with customers as they look to grow their business and improve cash flow.

We continue to see strength in the areas that have the greatest impact, including growth of our online mid-market customers, contributing to strong subscription revenue and higher ARPC. In Q3, growth in both the number of companies running online payroll and the number of employees paid on our platform remained strong. Our small business platform, including QuickBooks and Mailchimp, remains critical to our customers' success.

Let me now step back and talk about our company game plan to win. Four years ago, we declared our strategy to become the global AI-driven expert platform and five big bets as the primary areas of focus to drive durable growth. We invested heavily in our data and AI capabilities to deliver accelerated innovation. Today, we have over 100 million customers on our platform and use 400,000 customer and financial attributes per small business and 55,000 tax and financial attributes per consumer to power 58 billion machine learning predictions per day. The acquisitions of Credit Karma and Mailchimp each contributed a rich and additive data set, which helped to deliver a 360 degree view of our customers. The scale of our data is an important competitive advantage and building block for our

existing and future innovation with AI. We are accelerating re-imagining our customer experiences with GenAI capabilities which we believe will be a driver of our long term growth. Our platform capabilities are key to continued acceleration across all five of our Big Bets.

I would like to highlight some examples of recent progress across these Big Bets. As a reminder, our Big Bets are:

- Revolutionize speed to benefit
- Connect people to experts
- Unlock smart money decisions
- Be the center of small business growth, and
- Disrupt the small business mid-market

Our first big bet is to “revolutionize speed to benefit.” This data and technology bet is foundational to everything we do. We began investing in generative AI two years ago to accelerate our ability to fuel the success of consumers and small businesses.

- We implemented generative AI in Mailchimp, powering the Email Content Generator, enabling customers to create faster email campaigns based on industry, marketing intent and brand voice.
- We deployed large language models, which recognize, summarize, and generate text, in our virtual expert platform to automatically summarize calls, reduce call times by hundreds of thousands of hours per year and reduce work for experts while improving efficiency.

Our strategic investment in data and AI over the last four years positions us to lead through this technological shift, and we look forward to sharing more in the coming months.

With our third Big Bet, our vision is for Credit Karma to become a comprehensive, self-driving financial platform that propels our members forward wherever they are on their financial journey. We are focused on growing Credit Karma Money, increasing member confidence to access financial products with Karma Guarantee, building out a richer experience



for prime members, and becoming the financial platform of choice for consumers with the seamless integration of Credit Karma and TurboTax.

We are innovating across all verticals and continue to have confidence in our long-term revenue growth expectations of 20 to 25 percent, despite near-term headwinds. I'll share a few examples.

- This season, we further streamlined the TurboTax filing experience into the Credit Karma app, and the number of customers using the experience to file their taxes was over five times higher than last year.
- With Credit Karma Money, we are innovating to help members get faster access to cash and make financial progress. This year, we saw over 45 percent growth in the number of TurboTax Online customers who received a refund advance in a Credit Karma Money account. This integration allowed approved members to get money in their hands in as little as one minute after the IRS accepted their return, and drove increased debit card purchase activity, contributing to a more than 100 percent increase in Credit Karma Money revenue

during the quarter. Members who use this offering show higher engagement on Credit Karma, which creates additional monetization opportunities over time.

- With the Mint team now part of Credit Karma, we are building a new experience for members with prime credit scores, where Credit Karma is underpenetrated today. During the quarter, we began rolling out Net Worth, which helps prime members better understand their wealth.

Our fourth Big Bet is to “become the center of small business growth” by helping our customers get new customers, get paid fast, manage capital and pay employees with confidence in an omnichannel world. In payroll, our U.S. QBO payroll customers grew double digits this quarter, and the mix of online customers choosing our high-end offerings increased by over a point, driving higher ARPC. And in payments, we continue to innovate to drive digitization, from creating an estimate, to invoicing a customer to getting paid. Today, easier discovery, auto-enabled payments, instant deposit, and Get Paid Upfront, are all helping drive adoption of our

payments offering, leading to 20 percent online total payment volume growth this quarter.

We are making significant progress digitizing B2B payments, to accelerate and automate transactions between small businesses, and ultimately improve their cash flow. We see a tremendous opportunity as 70 percent of B2B transactions are still completed with checks. Following our launch of the QuickBooks Business Network to millions of QBO customers in January, we are piloting our own native bill pay solution, and launched the initial beta of this functionality in QuickBooks earlier this month.

Turning to Mailchimp, we are well on our way to becoming the source of truth for our customers to help them grow and run their business. We have three acceleration priorities with Mailchimp:

- First, delivering on our vision of an end-to-end customer growth platform,
- Second, disrupting the mid-market, by developing a full marketing automation, CRM and eCommerce suite; and

- Third, accelerating global growth with a holistic go-to-market approach.

This quarter, we made great progress against these priorities. We're continuing to see better paid conversion, improving retention versus last quarter, and stronger paid customer growth. This, along with higher revenue per customer, drove a several point acceleration in revenue growth versus last quarter. Let me share some details around our progress:

- To help introduce new customers to Mailchimp and drive customer growth over time, we introduced free trials, similar to what we offer for QBO. In early testing, this is already driving higher paid conversion and a mix shift into our higher end offerings.
- To drive stronger retention of mid-market customers, we continue to leverage our virtual expert platform to offer assisted onboarding, with the goal of guiding these customers to more advanced features, and increasing awareness and usage. This quarter, we saw more than a 7 point increase in the percent of high value customers going through

this onboarding process versus last quarter, which we expect to help drive stronger retention over time. We are also experimenting with offering customers live help within the offering.

- To drive accelerated global growth and execute our refreshed international strategy, we're translating the product into multiple languages. Early results indicate this translation work is driving increased activations, and ultimately can drive revenue growth.

Our fifth Big Bet is to disrupt the small business mid-market, representing a TAM of 1.7 million customers, of which 700,000 are already in our franchise today. Online mid-market customer growth remains strong, and we are driving ARPC expansion as we serve these mid-market customers across our full ecosystem of services.

Wrapping up, with our durable AI-driven expert platform strategy, we are innovating at high velocity, using the power of our platform, modern technology capabilities, data sets, and artificial intelligence to deliver new offerings at scale. This is helping us put more money in our customers'

pockets, saving them time, and ensuring complete confidence in every financial decision they make. We are well positioned to power prosperity for the people and communities that we serve, as we enter this next technological shift.

Now let me hand it over to Michelle.

### **Financial Results and Segment Details**

Thanks, Sasan.

For the third quarter of fiscal 2023, we delivered:

- Revenue of \$6.0 billion.
- GAAP operating income of \$2.8 billion, versus \$2.4 billion last year.
- Non-GAAP operating income of \$3.4 billion, versus \$2.9 billion last year.
- GAAP diluted earnings per share of \$7.38, versus \$6.28 a year ago.
- And non-GAAP diluted earnings per share of \$8.92 versus \$7.65 last year.

## **Business Segment Results**

Turning to the business segments:

### **Consumer and ProTax Groups**

Consumer Group revenue of \$3.3 billion grew 3 percent in Q3. There are four primary drivers of our Consumer business. This data reflects our expectations through July 31, 2023 versus the prior year through July 31, 2022.

- The first is the total number of returns filed with the IRS. We expect total returns to decline 2 percent this year. This is below our original expectations of up 1 percent, as overall industry growth continues to reflect the multi-year impact from the pandemic.
- The second is the percentage of those returns filed using do-it-yourself software. We expect the DIY category share of total IRS returns to be down nearly three quarters of a point by the end of the fiscal year, below our original expectations.

- The third is our share. We expect our share of total IRS returns to decline by approximately 80 basis points this fiscal year, primarily reflecting pandemic-era stimulus filers who did not file this season. As a result of these same industry dynamics, we expect our retention to decline this year.
- The fourth is average revenue per return, which we expect to increase 12 percent this year, as we expect TurboTax Live customers to grow 13 percent with TurboTax Live revenue up 19 percent.

Historically, each point of total IRS returns growth corresponds to approximately a point of revenue growth for the Consumer Group and each point of DIY category share growth corresponds to approximately two and a half points of revenue growth for the Consumer Group. Using these historical sensitivities, the expected decline in total IRS returns and DIY category share equates to an approximate \$200 million negative impact to revenue for the Consumer Group, versus our original expectations.



As a result of this expected decline in IRS returns, we anticipate total customers to decline 5 percent this year. We expect TurboTax Online paying customers to decline 1 percent this year, and a total of over 11 million customers who pay us nothing, down from 13 million last year.

We now expect full year Consumer Group revenue growth of 5 to 6 percent, versus our prior guidance of 9 to 10 percent, reflecting the expected declines in IRS returns and DIY category share I mentioned earlier. Looking back over the last four years, including our updated guidance for this fiscal year, we expect our revenue to have grown over 10 percent on average annually, in-line with our long-term expectations. We continue to anticipate Consumer Group revenue growth of 8 to 12 percent long-term.

Turning to the ProTax Group, revenue declined 5 percent in Q3. For the full year, we now expect ProTax revenue growth of 2 to 3 percent.

### **Small Business and Self-Employed Group**

In the Small Business and Self-Employed Group, revenue grew 21 percent during the quarter, and online ecosystem revenue grew 23 percent.

With the goal of being the source of truth for small businesses, our strategic focus within the Small Business and Self-Employed Group is three-fold: grow the core, connect the ecosystem and expand globally.

- First, we continue to focus on growing the core. QuickBooks Online accounting revenue grew 25 percent in Q3, driven mainly by customer growth, higher effective prices, and mix-shift.
- Second, we continue to focus on connecting the ecosystem. Online services revenue - which includes Mailchimp, payroll, payments, capital and time tracking - grew 21 percent in Q3.
  - Mailchimp revenue growth in the quarter accelerated several points from low-teens growth last quarter. Growth was driven by higher effective prices and customer growth.

- Within payroll, revenue growth in the quarter reflects an increase in payroll customers and a mix-shift to higher end offerings.
- Within payments, revenue growth reflects ongoing customer growth as more customers adopt our payments offerings to manage their cash flow and an increase in total payment volume per customer.
- Third, we continue to make progress expanding globally, by executing our refreshed international strategy, which includes leading with Mailchimp. On a constant currency basis, total international online ecosystem revenue grew 12 percent in Q3.

Desktop Ecosystem revenue grew 16 percent in the third quarter, and QuickBooks Desktop Enterprise revenue grew approximately 20 percent. We are just over half-way through a three-year transition to a subscription model for our desktop accounting solutions, making this revenue more predictable. We also raised our desktop prices for several products last September to price for value. Looking ahead, we expect continued strong

desktop ecosystem revenue growth next quarter and as we complete the remaining part of the three-year transition. We will continue to build out our online ecosystem, and help our desktop customers migrate seamlessly to our online offerings when they're ready. We continue to expect the online ecosystem to be our growth catalyst longer-term.

As a result of the strong growth we are seeing in the Small Business and Self-Employed Group, we are raising our full year segment revenue growth guidance to 24 percent from 19 to 20 percent.

### **Credit Karma**

Credit Karma delivered revenue of \$410 million in Q3, down 12 percent. As a reminder, Credit Karma represented 14 percent of our total revenue in fiscal 2022. On a product basis, the decline was driven primarily by headwinds in personal loans, home loans, auto loans and auto insurance, partially offset by growth in Credit Karma Money and credit cards. We are seeing more stability across our core verticals.

- In both credit cards and personal loans, we continued to see some partners tighten eligibility, while some expanded eligibility during the quarter.
- In personal loans, we continue to see partners facing funding constraints. We added more partners to the platform to help diversify our partner base. However, we continue to expect personal loan revenue to decline this year after very strong growth in fiscal 2022.

We are updating our full year Credit Karma revenue growth guidance to a decline of 11 percent from a decline of 15 percent to 10 percent.

### **Financial Principles and Capital Allocation**

Our financial principles guide our decisions, remain our long-term commitment, and are unchanged.

- We finished the quarter with approximately \$4.3 billion in cash and investments and \$6.6 billion in debt on our balance sheet.

- We repurchased \$483 million of stock during the third quarter.

Depending on market conditions and other factors, our aim is to be in the market each quarter.

- The Board approved a quarterly dividend of \$0.78 per share, payable July 18, 2023. This represents a 15 percent increase versus last year.

### **Playbook for Operating in an Uncertain Macro Environment**

As I've shared consistently in the past, we have an operating system we use to run the company, and this includes a proven playbook for operating in both good and difficult economic times. Our first priority is to do the right thing for customers, giving them access to the tools and offerings they need most. We manage for the short and long term, and control discretionary spend to deliver strong results, while investing in what is most important for future growth. The scale of our platform, along with our rich data, gives us the unique ability to see leading indicators that allow us to be forward looking and adjust quickly.

I am proud of the team for how effectively we have used our playbook to invest in the most important growth drivers to position Intuit for the future while maintaining earnings power this year, despite the macro impact we are experiencing. We will continue to accelerate our innovation, and our goal remains for Intuit to emerge from this period of macro uncertainty in a position of strength.

### **Fiscal 2023 and Q4 Guidance**

Moving on to guidance, we are increasing our fiscal 2023 guidance. This includes:

- Total company revenue growth of 12 to 13 percent, up from prior guidance of 10 to 12 percent growth;
- GAAP operating income growth of 19 to 20 percent, up from prior guidance of 9 to 13 percent growth;
- Non-GAAP operating income growth of 21 percent, up from prior guidance of 17 to 19 percent growth;

- GAAP diluted earnings per share to grow 7 to 8 percent, up from prior guidance of a decline of approximately 5 to 1 percent; and
- Non-GAAP diluted earnings per share growth of 20 percent, up from prior guidance of 15 to 17 percent growth.

Our guidance for the fourth quarter of fiscal 2023 includes:

- Revenue growth of 9 to 10 percent,
- GAAP loss per share of \$0.34 to \$0.29, and
- Non-GAAP earnings per share of \$1.43 to \$1.48.

We expect a significant increase in our cash tax payments related to fiscal 2023 as a result of the tax law changes that require capitalization of certain R&D costs. With the recent IRS disaster-area tax relief, we expect to pay approximately \$700 million, related to fiscal 2023, in Q1 of fiscal 2024.

You can find our full fiscal 2023 and Q4 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. I know you'll be with us for another couple of months, but since this is your last earnings call, I want to express my sincere appreciation for all that you have contributed to Intuit over the last 20 years. You've made me, my leadership team, and the entire company better, and I am forever grateful.

Wrapping up, we feel confident in our AI-driven expert platform strategy and five Big Bets, and in an uncertain macro environment, the benefits of our global financial technology platform are more important and more mission-critical than ever to our customers.

Let's now open it up to your questions.

## **Closing Comments After Q&A**

Thank you everyone for your time and questions today. We are proud of what we've accomplished, and the speed with which we continue to deliver new innovations to help our customers.

I would like to close by thanking our employees, customers and partners for another strong quarter.

### **Cautions About Forward-looking Statements**

These materials contain forward-looking statements, including expectations regarding: the size, components and our share of the tax preparation software space; the timing of when individuals will file their tax returns; forecasts and timing of growth and future financial results of Intuit and its reporting segments; the impact of macroeconomic conditions on our business, segments and products; Intuit's prospects for the business in fiscal 2023 and beyond; Intuit's growth outside the US; timing and growth of revenue from current or future products and services; demand for our products; customer growth and retention; average revenue per return; Intuit's corporate tax rate and timing of its tax payments; changes to our products and their impact on Intuit's business; the amount and timing of any future dividends or share repurchases; availability of our offerings; and

the impact of acquisitions and strategic decisions on our business; as well as all of the statements under the heading “Fiscal 2023 and 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 risks and uncertainties may be amplified by the effects of global developments, conditions or events like inflationary pressures, the Russia-Ukraine war and the COVID-19 pandemic, which have caused significant global economic instability and uncertainty. Given these risks and uncertainties, persons that receive this communication are cautioned not to place any undue reliance on such forward-looking statements. These factors include, without limitation, the following: our ability to compete successfully; potential governmental encroachment in our tax businesses; our ability to adapt to technological change; our ability to predict consumer behavior; our reliance on third-party intellectual property; our ability to protect our intellectual property rights; any harm to our reputation; risks associated with our ESG and DEI practices; risks associated with

acquisition and divestiture activity, including the integration of Credit Karma and Mailchimp; the issuance of equity or incurrence of debt to fund an acquisition; 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; our failure to process transactions effectively; interruption or failure of our information technology; our ability to maintain critical third-party business relationships; our ability to attract and retain talent; any deficiency in the quality or accuracy of our offerings (including the advice given by experts on our platform); any delays in product launches; difficulties in processing or filing customer tax submissions; risks associated with international operations; risks associated with climate change; changes to public policy, laws or regulations affecting our businesses; legal proceedings in which we are involved; the seasonal nature of our tax business; changes in tax rates and tax reform legislation; global economic conditions (including, without limitation, inflation); exposure to credit, counterparty and other risks in providing capital to businesses; amortization of acquired intangible assets

and impairment charges; our ability to repay or otherwise comply with the terms of our 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 2022 and in our other SEC filings. You can locate these reports through our website at <http://investors.intuit.com>.

Fourth-quarter and full-year fiscal 2023 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. Except as required by law, we do not undertake any duty to update any forward-looking statement or other information in this presentation.