Intuit Inc.
First-quarter Fiscal 2016
Conference Call Remarks
November 19, 2015

Introduction

Good afternoon and welcome to Intuit's first-quarter fiscal 2016 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 2015 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.

Also, all reported results and guidance except GAAP EPS exclude Demandforce, QuickBase and Quicken, which have been declared held for sale and reclassified to discontinued operations.

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 2016 Overview

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

We're off to a strong start in fiscal 2016. In our first fiscal quarter of the year, we grew revenue 17 percent, and exceeded our QuickBooks Online subscriber and overall financial targets. While it's still early, we're raising our EPS guidance for fiscal 2016 based on the strength we've seen and the substantial number of shares we repurchased in the first quarter.

We're generating strong new user growth in our online ecosystem. Over 80 percent of QuickBooks Online customers continue to be new to the Intuit franchise, and total QuickBooks paying customer growth was also healthy in the first quarter, as our desktop business posted a strong quarter.

QuickBooks Online continues to build momentum:

- We grew total QuickBooks Online subscribers 57 percent in the first quarter.
- This resulted in the addition of over 80,000 QuickBooks Online subscribers in the quarter, bringing us to 1,159,000 paid subs worldwide at the end of October.
- Roughly 35,000 of our QuickBooks Online subscribers are using QuickBooks Self-Employed, up from 25,000 last quarter.
- Outside the U.S., QuickBooks Online more than doubled, to 215,000 paying subscribers.

We remain focused on executing against a compelling long-term growth opportunity. QuickBooks Online has very low penetration when you consider our total addressable market of more than 65 million small businesses in our prioritized countries, and more than 40 million self-employed individuals in the U.S. and U.K. We're encouraged by the continued momentum, and the opportunity ahead of us if we continue to execute well.

With that overview on small business, let me now shift to tax.

We're looking forward to the kickoff of the upcoming tax season, where our game plan is a continuing focus on driving customer growth and share.

Security will remain a critical priority for us. We are working closely with the IRS, state governments and the tax preparation industry to create and deploy a new set of common security standards and data protocols to accelerate the fight against tax fraud.

Across the company, we are where we want to be at this early juncture in the fiscal year, and we remain confident in the long-term growth trajectory, as demonstrated by our share repurchase activity in the first quarter.

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

Financial Results and Segment Details

Thanks Brad.

For the first quarter of fiscal 2016, we delivered:

- Revenue of $713 million, up 17 percent. This growth reflects the changes we made to our desktop software offerings in fiscal 2015, resulting in ratable revenue recognition.
- Non-GAAP operating income of $46 million.
- GAAP operating loss of $29 million.
- Non-GAAP earnings per share of $0.09.

- GAAP loss per share of $0.11.

I'm pleased to report that we had non-GAAP operating income instead of the loss we typically report in the first quarter. This is a result of our ongoing business model shift, which is driving more predictable and stable revenue streams.

Business Segment Results

Turning to the business segments:

Small Business

Total Small Business segment revenue increased 5 percent for the quarter.

Small business online ecosystem revenue grew approximately 28 percent for the quarter, as customer acquisition continues to drive growth.

- QuickBooks Online subscribers grew 57 percent.
- Online payments customers grew 4 percent, and online payments charge volume grew 14 percent.
- Online payroll customers grew 17 percent.

Switching to desktop: Total desktop ecosystem revenue declined 1 percent for the quarter.

- QuickBooks desktop units were flat in the quarter as we continue to emphasize QuickBooks Online. That said, our desktop performance in the first quarter was a bit stronger than we expected. As a reminder, our plan assumes units will decline for the year, with desktop ecosystem revenue roughly flat versus last year.

Consumer and Professional Tax

Consumer Tax revenue was the same as the first quarter last year. As you know, our Consumer Tax business is highly seasonal and our first quarter is a light one. To help with your modeling, we expect second-quarter Consumer Tax revenue to be significantly higher than last year, reflecting a shift from the third quarter to the second quarter, primarily driven by an extra weekend day in January 2016.

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

Our ProTax group grew revenue more than 200 percent to $110 million, driven by changes to our desktop offerings, where revenue is now recognized ratably as services are delivered. For the second quarter of fiscal 2016, we expect ProTax revenue of approximately $75 million. For the third and fourth quarters, ProTax revenue should be roughly the same as fiscal 2015.

Financial Principles and Capital Allocation

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

- Our first priority is investing for customer growth.
- We repurchased $1.3 billion of shares in the first quarter at an average price of $88.50 per share; about $1.4 billion remains on our authorization. We expect to be in the market each quarter.
- Our cash and investments balance was $474 million at the end of the first quarter, including $350 million from our revolving line of credit.
- Our board approved a $0.30 dividend per share for our fiscal second quarter, payable on January 19. This represents a 20 percent increase versus last year.

And one final note on capital allocation. The process to sell Demandforce, QuickBase and Quicken is going as planned, and we expect to complete the divestiture process in early 2016.

Q2 and Full-year Fiscal 2016 Guidance

Turning to guidance:

We provided our guidance for the second quarter in our press release. We raised our EPS guidance for full fiscal 2016, reflecting the stepped-up share repurchase activity in the first quarter. We also reiterated our full-year revenue and operating income guidance.

As a reminder, we expect to provide a tax unit update in late February, concurrent with our second-quarter earnings release. Our release in February will be a little later this year based on the way the calendar falls. We'll provide a final update in late April after the tax season ends.

With that, I'll turn it back to Brad to close.

Closing Comments

Thanks, Neil.

It's obviously early in our fiscal year, and there's a lot of game left to be played, but we're off to a great start.

This past year, we made huge strides in increasing our strategic focus and defining a clear set of companywide priorities that are designed to make the Intuit ecosystem stronger.

With the shift to the cloud and mobile devices, we are growing our categories faster than historical rates. New customers are choosing our cloud solutions and we are bringing new users into the category as we expand into new customer segments such as QuickBooks Self-Employed and enter new geographies across the globe.

The proof points are evident in the momentum we are building, as the QuickBooks Online ecosystem continues to grow at a very healthy rate.

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

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

Lastly, I want to thank our outgoing chairman Bill Campbell, who has been instrumental in moving this company to new heights. Bill has been inspiring Intuit for more than two decades. It has been a privilege to serve with him.

With that, let me turn it over to you for your 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; expectations regarding the planned divestitures of Demandforce, QuickBase and Quicken, and their impact on Intuit's business; Intuit's prospects for the business in fiscal 2016 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; expectations regarding our investments in security; expectations regarding our ability to detect and prevent fraudulent activities that impact our offerings; expectations regarding the impact of our strategic decisions on Intuit's business; and all of the statements under the heading "Q2 and Full-Year Fiscal 2016 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; difficulties in receiving, processing, or filing customer tax submissions; consumers may not respond as we expected to our advertising and promotional activities; the competitive environment; governmental encroachment in our tax businesses or other governmental activities or public policy affecting the preparation and filing of tax returns; our ability to innovate and adapt to technological change; availability of our products and services could be impacted by business interruption or failure of our information technology and communication systems; any problems with implementing upgrades to our customer facing applications and supporting information technology infrastructure; any failure to properly use and protect personal customer information and data; our ability to develop, manage and maintain critical third party business relationships; increased government regulation of our businesses; any failure to process transactions effectively or to adequately protect against potential fraudulent activities; any loss of confidence in using our software as a result of publicity regarding such fraudulent activity; any significant offering quality problems or delays; any lost revenue opportunities or cannibalization of our traditional paid franchise due to our participation in the Free File Alliance; the global economic environment may impact consumer and small business spending, financial institutions and tax filings; changes in the total number of tax filings that are submitted to government agencies due to economic conditions or otherwise; the seasonal and unpredictable nature of our revenue; our ability to attract, retain and develop highly skilled employees; increased risks associated with international operations; unanticipated changes in our income tax rates; changes in the amounts or frequency of share repurchases or dividends; 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; disruptions, expenses and risks associated with our acquisitions and divestitures; amortization of acquired intangible assets and impairment charges; our use of significant amounts of debt to finance acquisitions or other activities; and the cost of, and potential adverse results in, litigation involving intellectual property, antitrust, shareholder and other matters. More details about the risks that may impact our business are included in our Form 10-K for fiscal 2015 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 November 19, 2015 and we do not undertake any duty to update any forward-looking statement or other information in these materials.