Intuit Inc.

Fourth-quarter Fiscal 2021

Conference Call Remarks

August 24, 2021

Introduction

Good afternoon and welcome to Intuit’s fourth-quarter fiscal 2021 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 2020 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.

Fourth-quarter Fiscal 2021 Overview

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

We had a very strong fourth quarter, capping off an outstanding year. Full year revenue grew 25 percent, including the addition of Credit Karma. Total revenue growth was fueled by 16 percent growth for the Small Business and Self-Employed Group and 14 percent growth for the Consumer Group, while Credit Karma had a very strong year delivering another record quarter in Q4. Combined platform revenue, which includes QuickBooks Online, TurboTax Online and Credit Karma, grew 39 percent to $6.6 billion in fiscal 2021. This includes 18 points from the addition of Credit Karma. I'm proud of what the team accomplished this year, and our game plan to win remains durable.

Turning to tax...

This year marks our fourth consecutive year of double-digit revenue growth. We've built a durable strategy and we made outstanding progress this year, with customer growth of 6 percent, and our share of total returns up approximately one point. We extended our lead in the DIY category by focusing on underpenetrated segments, including investor customers where we tripled the growth rate from last year. We continued to transform the $20 billion assisted segment with TurboTax Live, accelerating total customer growth by nearly 100 percent. We have a highly predictable model and a platform with a significant runway for growth as we accelerate innovation.

Recently we announced plans not to renew our participation in the IRS Free File program. We expect no impact to revenue from this decision. I want to make sure you understand how this decision fits within our strategy. Free offerings are a critical part of our strategy to serve and grow with customers over time, offering benefits to power their prosperity. Intuit has delivered nearly 100 million free tax filings over the past 8 years, with nearly 90 percent of those free tax filings coming outside of the IRS Free File program. Looking ahead, with no IRS Free File program constraints, customers can enjoy all of the innovation we have to offer on our TurboTax, Credit Karma and Mint platform.

Our AI-driven expert platform strategy and five Big Bets are driving strong momentum and accelerating innovation across the company. These Big Bets are focused on the largest problems our customers face, and represent durable growth opportunities for Intuit. As a reminder, these 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

Today I will highlight the notable progress we made this quarter on three of these Big Bets, and we will provide a detailed update on all five Big Bets at Investor Day next month.

Our second Big Bet is to “connect people to experts.” We are solving one of the largest problems our customers face - lack of confidence - by connecting people to experts virtually with TurboTax Live and QuickBooks Live. With TurboTax Live we are transforming the $20 billion assisted category by providing the 86 million filers who have previously relied on in-person assistance, the opportunity to access tax experts to help them do their taxes or complete their return digitally. This expertise provides confidence for consumers, and creates a halo effect for our entire TurboTax experience.

The TurboTax Live funnel was strong this season. Customer awareness grew over 20 percent and TurboTax Live customers new to Intuit grew more than 100 percent. Our full service do-it-for-me offering attracted new customers from the assisted segment at a rate nearly 25 percent higher than our TurboTax Live do-it-with-me offering.

Our third big bet is to “unlock smart money decisions.” With Credit Karma’s data platform and powerful network effects, we are making progress towards our goal of creating a personal financial assistant that helps consumers find the right financial products, put more money in their pockets and access financial expertise and advice. To deliver on this goal, our strategic focus is to grow the core, including credit cards and personal loans; expand growth verticals, including home loans, auto loans and insurance; and develop emerging verticals focused on digital money offerings, such as savings and checking accounts. Credit Karma also provides an additional monetization engine, increasing our combined wallet share with both free and paying customers.

Credit Karma achieved another record high revenue quarter in Q4, with the number of members reaching a new all-time high fueled partly by the TurboTax integration, and monthly active users and frequency of member visits remained strong. Within the core, credit card and personal loan revenue achieved another record high on a combined basis, reflecting an increase in transactions per member. The growth verticals also achieved all-time-high revenue again this quarter, reflecting strong momentum in auto insurance followed by home loans and auto loans. And we are developing the emerging verticals by focusing on innovation with Credit Karma Money, part of our digital money offering. Just this month we announced an integration with QuickBooks Online Payroll to deliver a better checking experience to a portion of small business employees that helps them manage all aspects of their finances all in one place.

These results are evidence that successful innovation drives Credit Karma members to the platform, creating more opportunities to connect them with products that are right for them, resulting in more monetization opportunities for Intuit.

The all-time highs we achieved are driven by focused innovation in both bolstering our proprietary AI-powered Lightbox technology and investing in growth verticals such as home and auto, as well as pent up demand from our partners. Lightbox enables Credit Karma to present offers to members who have a higher likelihood of approval. Partners' usage of Lightbox in Q4 is now at all-time highs, with over 50 percent of credit card and over 40 percent of personal loan transactions flowing through, versus less than 40 percent and 20 percent a year ago, respectively. This is the power of a network effect, solving a two-sided problem. We expect pent up demand across the core verticals to taper this coming year after a very strong year of investment by our partners, returning to pre-COVID investment levels. I am very pleased with our progress and excited about the upcoming innovations.

I’ll end by circling back to our first big bet, which is our foundational bet to “revolutionize speed to benefit,” for customers. Our goal is to put more money in our customers’ pockets, eliminate friction and deliver confidence at every touch point by using AI and customer insights. This year, we accelerated our use of AI, increasing the number of models deployed across our platform by nearly 50 percent, saving our customers millions of hours of work. Our application of AI has dramatically increased the number of experiments we ran by more than 35 percent this year, made it easier for TurboTax customers to never enter data saving them millions of hours of manual entry, and modernized our payroll offering, tripling release velocity. We are very pleased with our results and remain confident in our game plan to win, accelerated by digital tailwinds. Across all of our big bets, we are building momentum and accelerating innovation which we believe positions us well for durable growth into the future. We'll continue to invest aggressively, including in key talent, to drive even faster innovation going forward.

Now let me hand it over to Michelle.

<u>Financial Results and Segment Details</u>

Thanks, Sasan. Good afternoon everyone.

For the fourth quarter of fiscal 2021, we delivered:

- Revenue of $2.6 billion.
- GAAP operating income of $402 million, versus $483 million last year.
- Non-GAAP operating income of $715 million, versus $616 million last year.
- GAAP diluted earnings per share of $1.37, versus $1.68 a year ago.
- And non-GAAP diluted earnings per share of $1.97, versus $1.81 last year.

Business Segment Results

Turning to the business segments:

Small Business and Self-Employed Group

In the Small Business and Self-Employed Group, revenue grew 19 percent during the quarter and 16 percent in fiscal 2021. Online ecosystem revenue grew 30 percent in the fourth quarter and 26 percent for the year.

With the aim of being the source of truth for small businesses, our strategic focus within Small Business and Self-Employed 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 28 percent in fiscal Q4, driven mainly by customer growth, mix-shift and higher effective prices.
- Second, we continue to focus on connecting the ecosystem. Online Services revenue - which includes payments, payroll, time tracking and capital - grew 35 percent in fiscal Q4.
    - Within payments, revenue growth reflects ongoing customer growth, along with an increase in charge volume per customer.
    - Within payroll, we continued to see revenue tailwinds during the quarter from growth in payroll customers and a mix-shift to our full service offering. During the quarter, we continued migrating customers to our new full service line-up, which added approximately 5 points to online services growth. We're also

seeing the number of employees per customer back to pre-pandemic levels.

- Third, our progress expanding globally added to the growth of Online Ecosystem revenue during fiscal Q4. Total international online revenue grew 47 percent on a constant currency basis.

We believe the best measure of the health and success of our strategy is Online Ecosystem revenue growth, which we expect to grow better than 30 percent over time. This is driven by 10 to 20 percent expected growth in both customers and ARPC.

Desktop Ecosystem revenue grew 5 percent in the fourth quarter and 4 percent for the full year. QuickBooks Desktop Enterprise revenue grew mid-single digits in fiscal 2021.

Consumer and ProConnect Groups

Consumer Group revenue grew 14 percent in fiscal 2021, above the high end of our longer term expectation of 8 to 12 percent. Fiscal 2021 was the fourth consecutive year of double-digit revenue growth for the Consumer Group. TurboTax units grew 6 percent this season.

There are four primary drivers in our Consumer business. Note that these metrics exclude approximately 8 million stimulus filings last season. This data reflects the season through July 31, 2021 versus the prior season through July 31, 2020.

- The first is the total number of returns filed with the IRS, which we estimate will be up approximately three percent this season, higher than our prior estimate of up approximately one percent.
- The second is the percentage of those returns filed using do-it-yourself software. We estimate the DIY category share of total IRS returns was down slightly this season, versus our prior estimate of approximately flat.
- The third driver is our share. Our share of total tax returns expanded approximately one point to 31 percent this season and our share of the DIY category grew approximately one point. Our total share

excluding Free File customers this season was approximately 29 percent.

- The fourth is average revenue per return, which increased again this season. This growth reflects a stronger contribution by TurboTax Live and mix-shift to our Premier offering which is used by investors.

We estimate our retention rate rose slightly year-over-year, excluding filers seeking stimulus payments last season that didn’t return again this season. We’re pleased with these results. Including these filers, we estimate total retention was down approximately 2 points.

Turning to the ProConnect Group, we reported $517 million of revenue in fiscal 2021, up 5 percent.

Credit Karma

Moving on to Credit Karma, revenue was $405 million in Q4, another all-time high, reflecting record highs for both the core and growth verticals. Sequential growth predominantly reflects strength in credit cards and personal loans, as transactions per member increased.

As Sasan shared earlier, we expect pent up demand across the core verticals to taper sometime in fiscal 2022 after a strong year of investment by our partners. We remain excited about the opportunities ahead for this platform.

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. As I've shared before, as we lean into our platform strategy, we see the opportunity for margin expansion over time. We 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. We continue to reallocate resources to top priorities, with an emphasis on becoming an AI-driven expert platform. These principles remain our long-term commitment.

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 roadmap. 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 approximately $3.9 billion in cash and investments on our balance sheet.
- We repurchased $467 million of stock during the fourth quarter and $1.0 billion during fiscal 2021. The Board approved a new $2 billion repurchase authorization, giving us a total authorization of approximately $3.3 billion to repurchase shares. Depending on market conditions and other factors, our aim is to be in the market each quarter.
- The Board approved a quarterly dividend of $0.68 per share, payable October 18, 2021. This represents a 15 percent increase versus last year.

Q1 and Fiscal 2022 Guidance

Moving on to guidance. Our full year fiscal 2022 guidance includes:

- Revenue of $11.050 billion to $11.200 billion, growth of 15 to 16 percent, including a full year of Credit Karma,
- GAAP earnings per share of $7.46 to $7.66 and
- Non-GAAP earnings per share of $11.05 to $11.25.

We expect a GAAP tax rate of 20 percent in fiscal 2022. Note that our revenue guidance for Credit Karma of $1.345 to $1.380 billion translates into 18 to 21 percent growth if we had a full year of Credit Karma revenue during fiscal 2021.

I'd like to provide some additional context around our operating margin expectations. As I've shared before, we continue to see opportunities to leverage the platform and drive margin expansion over time. However, our guidance implies GAAP operating margin declines just over two points in fiscal 2022 versus fiscal 2021. This reflects the impact of the Credit Karma acquisition, along with investments we are making in stock compensation to attract and retain talent. We are confident these are the right decisions to drive long term growth.

On a non-GAAP basis, our guidance implies operating margin in fiscal 2022 expands approximately 60 basis points. As I shared last quarter, fiscal 2021 was a very unique year, as we took a conservative approach to investments during the first half of the year when we were deep in the pandemic and then the business started to bounce back more quickly than we anticipated in the second half. Our fiscal 2022 non-GAAP operating margin implies on average a point of expansion each year since fiscal 2019, even though our initial guidance after closing the Credit Karma acquisition included a negative 2-point non-GAAP operating margin impact. We continue to see margin expansion opportunities ahead.

Our Q1 fiscal 2022 guidance includes:

- Revenue growth of 36 to 38 percent,
- GAAP earnings per share of $0.14 to $0.19, and
- Non-GAAP earnings per share of $0.94 to $0.99.

You can find our full Q1 and fiscal 2022 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’m proud of the team and all we accomplished together, and I’m optimistic about the future. We have a large addressable market with digital tailwinds that include a shift to virtual solutions, acceleration to online and omnichannel capabilities, and digital money offerings. With our strategy of becoming an AI-driven expert platform and five Big Bets, we are positioned well for accelerated innovation and growth. Let's now open it up to your questions.

Closing Comments After Q&A

Thank you everyone for your time and questions today. I look forward to sharing with you in more detail how our strategy of an AI-driven expert platform and our five Big Bets are accelerating innovation for our customers at our virtual Investor Day on September 30th. I would like to close by thanking our employees, customers and partners for a strong year.

Cautions About Forward-looking Statements

These materials contain forward-looking statements, including the size of the market for tax preparation software; forecasts and timing of expected growth and future financial results of Intuit and its reporting segments; Intuit's prospects for the business in fiscal 2022 and beyond; expectations regarding Intuit's growth outside the US; expectations regarding timing and growth of revenue 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 on Intuit's business of our strategic decisions, including our plans not to renew our participation in the Free File program; and all of the statements under the heading "Q1 and Fiscal 2022 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 COVID-19 pandemic, which has caused significant global economic instability and uncertainty. These factors include, without limitation, the following: our ability to compete successfully; our participation in the Free File Alliance; 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 acquisition and divestiture activity, including the acquisition and integration of Credit Karma; the issuance of equity or incurrence of 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; 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 products (including the advice given by experts on our platform); any delays in product launches; difficulties in processing or filing customer tax submissions; risks tax rate associated with international operations; changes to public policy, laws or regulations affecting our businesses; litigation in which we are involved; the seasonal nature of our tax business; changes in tax rates and tax reform legislation; global economic changes; 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 2020 and in our other SEC filings. You can locate these reports through our website at http://investors.intuit.com. Fiscal 2022 full-year and Q1 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.