Intuit Inc.
Fourth-Quarter Fiscal 2008
Conference Call Remarks

August 21, 2008

Introduction

Good afternoon and welcome to the Intuit fourth-quarter 2008 conference call. I'm here with Brad Smith, Intuit's president and CEO, and Neil Williams, our CFO.

Before we get started, 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 2007 and our other SEC filings. All of those documents are available on the Investor Relations page of Intuit's Web site at intuit.com. We assume no obligation to update any forward-looking statement.

Some of the numbers in this presentation will be presented on a non-GAAP basis. The most directly comparable GAAP financial measures and the reconciliation of the non-GAAP financial measures to GAAP are provided in today's press release.

After this call concludes, a copy of our prepared remarks and supplemental financial information will be available on our Web site.

With that, I'll turn the call over to Brad Smith.

Fourth- Quarter and Fiscal 2008 Overview

Thanks, Jerry, and congratulations on landing a speaking part in our conference calls. For those of you who have not heard, Jerry is taking over the lead Investor Relations role from Bob Lawson. Bob is now leading the finance team for our Consumer Tax business. I'd like to thank Bob for all his good work in Investor Relations, and officially welcome Jerry to the hot seat!

I also want to thank all of you for joining us.

We announced our fourth quarter and fiscal year 2008 results a few minutes ago. We had a good year in a tough environment, and I'm proud of the hard work our teams put in to deliver the results we reported today.

Total revenue grew 15 percent in fiscal year 2008. Excluding M&A activity, revenue growth was 11 percent. We had an outstanding Consumer Tax season, with 14 percent revenue growth and 17 percent unit growth. We had a solid finish to a challenging year in Small Business. We drove continued organic growth in QuickBooks and had another year of double-digit organic growth in the Payroll and Payments segment. In addition, our two most recent acquisitions, Homestead and ECHO, are already making a contribution to our top line performance. We're pleased with the progress we've made bringing these two new businesses on stream. And we're pleased with the response our small business customers are having to the Web hosting and automated clearing house services we now offer.

As I said, I'm proud of our team's performance. But we are not satisfied. We can do better.

What "better" means for us is faster growth in new customers, driven by the continuous improvement of our existing products and services, and the introduction of new products and services that address important customer problems. Success in these areas leads to accelerated growth in revenue and operating profit dollars. This is a multi-year journey. We won't get all the way there in one year. But we're building momentum and will make a lot of progress in FY09.

One way we're doing this is by taking a fresh look at how and where we invest our resources. We define our resources as our time, our people and our dollars. We looked hard at this last year and made some changes that resulted in a charge in the fourth quarter. The changes we made freed up resources that we are now reinvesting in higher yield opportunities. Some are going toward R&D and new product initiatives that will move the needle longer term. Others are going toward short-term initiatives, like increased demand generation focused on acquiring new customers, which we expect to contribute to our success in the coming year.

We also believe we can improve our performance and grow in any macro economic environment. We have a strong and balanced portfolio that has proven to be remarkably resilient to economic fluctuations over the past 25 years. We remain focused on continuing to deliver easy-to-use products and services that our customers love because they help them be more successful, and are a better value than competitive alternatives. This value proposition resonates in any macro-economic situation.

And we'll be more focused on delivering the kind of connected services that have been driving our growth for the past few years. Connected services now represent over half of the company's revenue, and will be even more critical to driving growth as we look ahead. For example, in FY09 we expect to see:

- TurboTax Online continue to be the key growth driver in Consumer Tax.

- In Small Business, Homestead's Web hosting services, QuickBooks Online, and the support and new connected services associated with the QuickBooks product lineup drive increased growth in the QuickBooks segment.
- The Assisted Payroll Service and new standalone Online Payroll offering – coupled with our expanding Payments services, including check verification and ACH – drive accelerated growth in the Payroll and Payments segment.
- Our Financial Institutions online banking platform get a boost from the FinanceWorks offering coming in the fall and the small business services due in December.

I will share a few more thoughts at the end of the call, but first I'll turn it over to Neil to walk us through the segments and financial details.

Fourth-Quarter and Fiscal 2008 Financial Highlights

Thanks Brad. Let me start with a high-level summary of the results.

- Revenue for the year was $3.1 billion, up 15 percent year-over-year.
- Full-year non-GAAP operating income and non-GAAP diluted earnings per share both increased 12 percent year-over-year.
- Full-year GAAP earnings per share increased 14 percent year-over-year.
- Revenue for the fourth-quarter was $478 million, 11 percent higher than the same period last year.

Both the GAAP and non-GAAP results include the charge we took in the fourth quarter for severance and facilities closures. That charge was originally estimated at $22 million and came in at $23 million.

	Non-GAAP			GAAP		
	Q4 08	Q4 07	Change	Q4 08	Q4 07	Change
Revenue	$478.2	$432.7	+11%	$478.2	$432.7	+11%
Operating Loss	($41.2)	($17.3)	NA	($94.2)	($56.7)	NA
EPS	($0.08)	($0.02)	NA	($0.19)	($0.04)	NA

Business Segment Results

Small Business

Turning to segment results, total Small Business revenue grew 12 percent in the fourth quarter. Excluding the effect of Homestead and ECHO, the growth was about 6 percent. For the full year, Small Business grew 7 percent. Excluding the impact of the sale of payroll customers to ADP in FY07, and the acquisition of Homestead and ECHO in FY08, Small Business grew 8 percent for the year.

QuickBooks finished the year with a solid fourth quarter that showed growth over a strong Q407. The year was more challenging than we expected for QuickBooks, but there are a number of positives I'd like to highlight:

- QuickBooks units in the second half and full year matched a very strong FY07 in a tough spending environment.
- QuickBooks Online revenue continued to grow at a 50 percent rate.
- And we've got Homestead providing a new fast growing web hosting business with services like website design and e-commerce we can offer to our 4 million QuickBooks installed base.

We've said we feel we could have done more this year to drive growth in the financial management software category. In FY09, we'll start with a more compelling QuickBooks offering. We'll provide more details at Investor Day in September, but you can expect new features and more connected services designed to help small business owners and their accountants succeed. We'll also be more aggressive with our use of "free" and we'll step up demand generation to bring more new users into the category.

Our Payroll and Payments segment had a solid year. Growth in the fourth-quarter was 16 percent. Excluding the impact of ECHO, growth was 9 percent. The Payroll customer base is up 4 percent for the year, a little lower than we've historically reported. While some of the slowdown in the customer base is attributable to weaker QuickBooks unit growth, we also implemented a modest price increase that contributed to a small decrease in customer retention. Note that our Payroll customer retention is still in the high 80s, which we believe is best in class. Payments customer growth was 18 percent for the year. Total transaction volume grew 23 percent for the year.

We expect growth in FY09 in this segment to be driven by continued Payments customer growth and a mix shift in Payroll to our higher-value Payroll products. In addition, having ECHO in the segment for the full year is expected to add approximately 5 points of growth.

Before I move on, I want to talk about some changes we've made to our segment definitions that better align our product groups with the customers they serve:

- QuickBase has moved from the Other Businesses segment to the QuickBooks segment.
- QuickBooks Accountant Edition and the ProAdvisor Program for accountants have moved out of the QuickBooks segment and into the Professional Tax segment.

- With this move, the Professional Tax segment is being renamed the Accounting Professionals segment.

The segment revenue presented here and on the Fact Sheet reflects these changes for all periods presented. QuickBase revenue was $10.5 million in FY07 and $15.6 million in FY08. Accountant Edition and ProAdvisor revenue was $22.5 million in FY07 and $31.5 million in FY08.

Tax

In our Tax business, Consumer Tax finished the year with 14 percent revenue growth and 17 percent unit growth. It was an excellent year. As we've said, we won in Tax because it was our best offering ever and the team executed extremely well. We expect next year to be strong as well. We'll continue to focus on growing the category and our share using our free offer. We'll also focus on continuing to improve ease-of-use in the product, optimizing our demand generation programs and improving our conversion rates.

As we do every year, we're reviewing what worked well and what we feel we could have done better as we develop our strategy for the coming tax season. We'll share more details on our product lineup and pricing for FY09 at Investor Day in September.

Our Accounting Professionals segment also had a nice finish and delivered a solid year. Growth was 4 percent, including QuickBooks Accountant Edition and ProAdvisor revenue. Adjusting for the discontinuation of ProSeries Express in FY07, growth would have been 9 percent.

Financial Institutions

Financial Institutions revenue for the fourth quarter was $78 million. This reflects 10 percent growth in Internet banking users and 16 percent growth in bill pay users. We are making progress, but we have work to do before this unit achieves the growth rates we believe it's capable of delivering. We are taking a number of important steps in FY09, including improving the ease-of-use in the core Digital Insight platform. And we expect the first version of FinanceWorks to be available in October followed by the first small business services in December.

Other Businesses

Our "Other Businesses" segment grew 17 percent for the quarter. For the full year, Other Businesses grew 14 percent. The growth was driven by strong results in our Canada/UK and Real Estate Solutions businesses. The weaker dollar contributed to the Canadian business growth and currency gains account for about 3 points of the segment growth rate for the quarter, 5 points for the year.

Balance Sheet and Stock Repurchase Program

Moving to the balance sheet, Intuit ended the year with $828 million in cash and short-term investments. We also have $285 million of auction rate securities that are classified as long-term investments and valued at par.

Cash flow from operations was $830 million for the year. Capital expenditures were $89 million in the fourth quarter, $306 million for the year. As discussed on prior calls, the increase in capital expense in FY08 was driven by investments in our new data center and expansion of office capacity to support our growth. We expect capital expenditures to drop to about $200 million in FY09, so those of you looking at Operating Cash Flow minus Cap Ex should see a nice jump in that metric.

We did not repurchase stock in the fourth quarter because the action that resulted in the fourth-quarter charge was not announced until late June. As of August 1st, we still had the full $600 million of stock repurchase authority approved by the board.

M&A Activity

We did not have any M&A activity in the fourth quarter. As Brad mentioned, our two most recent acquisitions are performing well. As we did last quarter, we've summarized the M&A impact on fourth-quarter and year-to-date growth rates in a table that is included in our posted conference call materials.

M&A Summary Table

	Q408	Q407	Growth	FY08	FY07	Growth
Reported Revenue	$ 478.2	$ 432.7	11%	$ 3,071.0	$ 2,672.9	15%
Complete Payroll Sale					$ (38.4)	
ProSeries Express		$ (1.1)			$ (13.2)	
DI Acquisition	$ (68.9)	$ (63.5)		$ (268.4)	$ (121.7)	
Homestead Acquisition	$ (6.6)			$ (14.9)		
ECHO Acquisition	$ (9.2)			$ (15.8)		
Revenue Adjusted for M&A	$ 393.6	$ 368.1	7%	$ 2,771.9	$ 2,499.6	11%

Fiscal 2009 Guidance

Now let me share our guidance for fiscal 2009.

- We expect revenue of $3.35 billion to $3.43 billion, or growth of 9 percent to 12 percent.
- We expect the following revenue growth by segment:

- QuickBooks: 8 percent to 12 percent.
- Payroll & Payments: 14 percent to 18 percent.
- Consumer Tax: 8 percent to 12 percent.
- Accounting Professionals: 5 percent to 9 percent.
- Financial Institutions: 5 percent to 9 percent.
- Other Businesses: 6 percent to 10 percent.

- We expect non-GAAP operating income of $970 million to $990 million, or year-over-year growth of 13 percent to 16 percent. That translates into a margin rate of 29 percent.
- We expect non-GAAP diluted earnings per share of $1.86 to $1.90, or year-over-year growth of 16 percent to 19 percent.
- As I mentioned, we expect capital expenditures of approximately $200 million in fiscal 2009.

First-Quarter 2009 Guidance

For the first quarter of fiscal 2009, we expect:

- Revenue of $480 million to $492 million, up 8 percent to 11 percent versus the year-ago quarter.
- A non-GAAP operating loss of $65 million to $50 million, versus a loss of $56 million in the year-ago quarter.
- A non-GAAP loss per share of 14 cents to 11 cents, versus a loss of 10 cents per share in the year-ago quarter.

With that, I'll turn the call back over to Brad.

Business Perspective

Thanks, Neil.

Before we get to your questions, I'd like to share some closing thoughts about our business.

We've talked about the fact that our growth for the past few years has been driven by the performance of the connected services in our three biggest businesses, and that as we look ahead, we see an increasing emphasis on these connected services to serve our customers and accelerate our growth rates over time.

As a reminder, we think of connected services as including 3 types of services:

- The first is SaaS, or software as a service, where our solution is a connected service that delivers revolutionary benefits or a cost advantage, like TurboTax Online, Online Banking and QuickBooks Online.

- The second is what we call software advantaged services, where connecting the service we deliver to our desktop software makes the solution clearly superior for what matters most to customers. Examples include our Payroll and Payments solutions connecting to QuickBooks.
- And the third is where our ecosystem serves as a platform that connects people to people, like the TurboTax Live Community and QuickBooks Pro Advisors Community.

One of the key points I'd like to emphasize is the advantage we gain because we have a blend of software and connected services.

For example, we had a great year in Consumer Tax in FY08, driven by 37 percent growth in online units. We helped grow the tax category and we grew share online. But we also grew share in retail. It's that combination that sets us apart.

In Small Business, our connected services portfolio continues to deliver strong results:

- Payroll and Payments revenue grew double digits and QuickBooks Online revenue grew fifty percent.
- Payments customers grew 18 percent and the SaaS customer base…which includes QuickBooks Online, QuickBooks Enterprise and Homestead…grew 22 percent.

Those are great numbers. But we also added to a large installed base of QuickBooks desktop users who we can offer additional services to. With 1.7 million units of QuickBooks sold in FY08, we have an active QuickBooks customer base of about 4 million users who are prime candidates for Homestead's Web hosting services, and for our new ECHO automated clearinghouse and check verification services, our existing debit and credit card services or our payroll services. Again, it's the combination of services and desktop software that sets us apart.

In our Financial Institutions business, the entire business model is a connected service that delivers critical online banking solutions to 8.7 million banking customers. To accelerate growth for this business in the near term, we need to drive adoption of our online banking and bill pay services within the financial institutions who are our customers today, and in the new financial institutions we sign up tomorrow.

And the game here is ease. No one has solved it as well as we believe we can, and it remains the key barrier to end-user adoption. So to win, we're improving the ease-of-use of our existing platform and releasing our first version of FinanceWorks in October. Longer term, we'll focus on driving growth by continuing to improve our solutions and by rolling out small business services to the installed base. And our first small business services will be available in December of this year.

In addition to our three big businesses, we also have two longer-term growth initiatives that are both rooted in hosted technology: health care and global. We'll begin rolling out our Quicken Health Expense Tracker solution to Medical Mutual of Ohio and CIGNA customers later this calendar year. On the global front, we plan to begin in-market testing of several new product experiments in Southern Asia in calendar 2009 to solicit customer feedback and refine our go-to-market strategy and offerings.

As I mentioned, accelerating growth is our primary focus. As I look around the company, I am very optimistic about our prospects for doing so. We have lots of opportunity.

As I share my optimism with investors, who tend to be a "realistic" group, I sometimes get asked, "Ok, Brad. That's all good. But what keeps you up at night?"

Well, I sleep pretty well. And I do so because:

- We are staying laser focused on delivering for customers and winning with ease, both within our core products and services, as well as with new offerings. This should enable us to continue to succeed regardless of the macro-environment.
- But that's not enough. We're revving up the innovation engine that has driven this company's success for 25 years. This includes sustaining innovation to strengthen our current brands, such as Live Communities in our flagship products, and introducing new disruptive offerings like "free offerings" that redefine the market. I am pleased to say we've got our entire company involved and contributing with the introduction of "unstructured time," as well as an entire end-user community with the announcement of Intuit Labs earlier this week. Plus, we are engaging the third party developer community with new tools and services such as our recently announced QuickBase Developer Platform with Adobe Flex.
- Finally, we're making certain that we have a healthy partnership with government agencies, which means working with the IRS and state governments to ensure both our business objectives and their goals for providing services to citizens are met.

This is all possible because we maintain strong operating discipline. We've talked about our financial operating principles for how we run the business:

- First, our objective is to grow organic revenue double digits supplemented by strategic acquisitions.

You can see this principle at work in our FY08 performance, where we grew revenue 11 percent organically and 15 percent overall when including acquisitions.

- In general, we expect to manage the company so we grow expenses slower than revenue, which will result in margin expansion.

  While our recent M&A activity and the charge in the fourth quarter kept us from delivering margin leverage in FY08, our guidance for next year shows we expect to grow operating income faster than revenue in FY09.

- We use the cash we generate to fund growth initiatives and make strategic acquisitions. We'll pursue inorganic growth opportunities when they make sense. Our M&A strategy is to acquire technologies and capabilities that will enable faster growth. We also work to build alliances and partnerships that add to the value we can provide customers or provide access to customers we can't otherwise reach.

- And finally, we return excess cash to shareholders in the form of share buybacks.

  We've repurchased almost $5 billion of stock in the last five years and have authority from the board to repurchase an additional $600 million.

So to summarize, we have a strong and growing franchise that is increasingly being fueled by a healthy portfolio of connected services. We have exciting new growth initiatives like health care and global, as well as a robust pipeline of early innovative ideas pumping through the company. And we remain grounded in a set of disciplined operating principles to translate that activity into strong operating performance regardless of the macro-economic environment. All in all, we have pretty exciting growth opportunities for FY09 and beyond.

I'd like to thank Intuit's employees for another great year. We look forward to seeing all of you at Investor Day on September 24th.
Now to your questions.

About Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures. These measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with Generally Accepted Accounting Principles ("GAAP"). These non-GAAP financial measures do not reflect a comprehensive system of accounting, differ from GAAP measures with the same names and may differ from non-GAAP financial measures with the same or similar names that are used by other companies.

We believe that these non-GAAP financial measures provide meaningful supplemental information regarding Intuit's operating results primarily because they exclude amounts that we do not consider part of ongoing operating results when assessing the performance of the organization, our operating segments or our senior management. Segment managers are not held accountable for share-based compensation expenses, acquisition-related costs, or the other excluded items that may impact their business units' operating income (loss) and, accordingly, we exclude these amounts from our measures of segment performance. We also exclude these amounts from our budget and planning process. We believe that our non-GAAP financial measures also facilitate the comparison of results for current periods and guidance for future periods with results for past periods.

We refer to these non-GAAP financial measures in assessing the performance of Intuit's ongoing operations and for planning and forecasting in future periods. These non-GAAP financial measures also facilitate our internal comparisons to Intuit's historical operating results. We have historically reported similar non-GAAP financial measures and believe that the inclusion of comparative numbers provides consistency in our financial reporting. We compute non-GAAP financial measures using the same consistent method from quarter to quarter and year to year.

The tables that accompany the press release issued by Intuit on August 21, 2008 provide more details on Intuit's historical performance and financial projections, a description of our non-GAAP financial measures, including the reasons management uses each measure, and reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures. A copy of the press release can be found on the investor relations page of Intuit's web site at www.intuit.com/about_intuit/investors.

Cautions about Forward-Looking Statements

These remarks contain forward-looking statements, including forecasts of Intuit's expected financial results; our prospects for the business in fiscal 2009 and beyond; our guidance for fiscal 2009, including all of the statements under the headings "Fiscal 2009 Guidance" and "First-Quarter 2009 Guidance;" our assessment of our growth potential and opportunities for our businesses; our expectations regarding the delivery, timing and functionality of future products and services; expected growth in our connected services; and the future performance of our large growth engines and longer term initiatives. 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: product introductions and price competition from our competitors can have unpredictable negative effects on our revenue, profitability and market position; governmental encroachment in our tax businesses or other governmental activities or public policy affecting the preparation and filing of tax returns could negatively affect our operating results and market position; we may not be able to successfully introduce new products and services to meet our growth and profitability objectives, and current and future products and services may not adequately address customer needs and may not achieve broad market acceptance, which could harm our operating results and financial condition; any failure to maintain reliable and responsive service levels for our offerings could cause us to lose customers and negatively impact our revenues and profitability; any significant product quality problems or delays in our products could harm our revenue, earnings and reputation; our participation in the Free File Alliance may result in lost revenue opportunities and cannibalization of our traditional paid franchise; any failure to properly use and protect personal customer information could harm our revenue, earnings and reputation; our acquisition activities may be disruptive to Intuit and may not result in expected benefits; our use of significant amounts of debt to finance acquisitions or other activities could harm our financial condition and results of operations; our revenue and earnings are highly seasonal and the timing of our revenue between quarters is difficult to predict, which may cause significant quarterly fluctuations in our financial results; predicting tax-related revenues is challenging due to the heavy concentration of activity in a short time period; we have implemented, and are continuing to upgrade, new information systems and any problems with these new systems could interfere with our ability to ship and deliver products and gather information to effectively manage our business; our financial position may not make repurchasing shares advisable or we may issue additional shares in an acquisition causing our number of outstanding shares to grow; ; if economic growth in the U.S. continues to slow, our customers may delay or reduce technology purchases which may harm our business, results of operations and financial condition; and litigation involving intellectual property, antitrust, shareholder and other matters may increase our costs. More details about these and other risks that may impact our business are included in our Form 10-K for fiscal 2007 and in our other SEC filings. You can locate these reports through our website at http://www.intuit.com/about_intuit/investors. Forward-looking statements are based on information as of August 21, 2008, and we do not undertake any duty to update any forward-looking statement or other information in these remarks.