Intuit Inc.
Second-Quarter Fiscal 2008
Conference Call Remarks

February 21, 2008

Introduction

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

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.

Second-Quarter Overview

Thanks, Bob, and thanks to everyone for joining us.

As you've read in our press release, Intuit delivered a solid second quarter, with revenue of $835 million and non-GAAP EPS of $0.40. We believe revenue would have been $8 million to $12 million higher without the delays in the finalization of some tax forms and the acceptance of e-filed returns by the IRS.

Highlights include 12 percent unit growth in Consumer Tax through February 16, driven by TurboTax Online, and continued strong double-digit growth in the Payroll and Payments segment, after adjusting for the sale of certain assets to ADP. We are experiencing lower unit growth in our QuickBooks segment than we expected, but overall we're pleased with the results for the quarter and first half, and look forward to another year of strong financial performance.

With that, I'll turn the call over to Neil to walk us through the financial details.

Second-Quarter 2008 Financial Highlights

Thanks, Brad. Let me start with a summary of the second quarter's results. Revenue of $835 million was up 11 percent year-over-year. Non-GAAP earnings were 40 cents per share. On a year-over-year basis, non-GAAP EPS was down four cents per share, driven mainly by the deferral of $23 million of ProTax revenue from the second quarter to the third quarter. The deferral was driven by changes to our offering that resulted in revenue being recognized as e-file services are delivered, primarily in Q3.

On a GAAP basis, we earned 34 cents per share versus 40 cents last year.

The second-quarter 2008 results include revenue and earnings from Digital Insight, which was acquired in February 2007, and exclude approximately $23 million of ProTax revenue that is deferred to the third quarter. Results for 2007 include revenue and earnings related to certain assets sold to ADP in the third quarter of 2007. Adjusted for those items, revenue would have grown approximately 9 percent in the second quarter and non-GAAP EPS would have been 47 cents per share, up 7 percent from last year. That EPS growth rate is lower than the revenue growth rate because revenue is shifting to later in the year while costs remain relatively even throughout the year.

	Non-GAAP			GAAP		
	Q2 07	**Q2 08**	**Change**	**Q2 07**	**Q2 08**	**Change**
Revenue	$750.6	$834.9	+11%	$750.6	$834.9	+11%
Operating Income	$237.4	$224.5	-5%	$214.7	$173.6	-19%
EPS	$0.44	$0.40	-9%	$0.40	$0.34	-15%

Business Segment Results

Tax

Consumer Tax second quarter revenue of $248 million was up 11 percent over the year-ago period. Total Consumer Tax units were up 12 percent through February 16, driven by growth in TurboTax Online.

We are pleased with the results of our early season marketing efforts and with TurboTax unit growth overall.

As expected, all the growth in the category is coming from the Web. That said, the desktop market is still substantial, we are executing well and we have gained roughly three points of share at retail compared with the second quarter last year. Our unit share at retail is now 85 percent.

We will issue our next tax unit sales update in March and another in April at the end of the tax season.

Professional Tax revenue of $105 million was in line with expectations. The results reflect a deferral of $23 million of revenue from the second quarter to the third quarter compared with last year. The results also reflect the decision to discontinue our ProSeries Express product, which generated $4 million of revenue in the second quarter of last year.

Small Business

Total Small Business revenue grew 3 percent in the second quarter and 5 percent for the first half. Adjusted for the sale of certain payroll assets to ADP, Small Business growth was 10 percent for the second quarter and 11 percent for the first half.

Within Small Business, QuickBooks revenue of $175 million was up 5 percent over the year-ago period. On a year-to-date basis, QuickBooks revenue was up 7 percent, one point more than first-half 2007. Though we are showing growth in the quarter and first half, we have seen a four point year-over-year decline in the Financial Accounting Software category in retail fiscal year to date. Our share is up two points at retail and we are continuing to grow our online business. But unit growth has been less than expected and we are adjusting guidance for the QuickBooks segment to reflect current market conditions.

The Payroll and Payments segment has continued to deliver excellent growth, with revenue of $138 million for the quarter. Adjusted for the impact of the ADP sale, that’s up 16 percent year over year. The revenue growth was driven by 20 percent growth in payments customers and 4 percent growth in transaction volume per customer.

Financial Institutions

Financial Institutions revenue for the second quarter was $72 million. The calculated growth rate for this segment is not meaningful because the acquisition of Digital Insight was completed in February 2007. DI’s core Internet Banking business grew slightly more than 9 percent in the second quarter, Internet Banking end-users grew 11 percent and Bill Pay end-users grew 20 percent. The growth rate for DI's core Internet Banking business is slightly lower than it has been due to lower growth in active end-users through the first half. Our projection of Internet Banking end-user adds for the second half looks strong.

Other Businesses

Our "Other Businesses" segment revenue of $96 million was up 12 percent year over year, driven by strong results in our Quicken and Real Estate Solutions businesses.

Balance Sheet and Stock Repurchase Program

Moving to the balance sheet, Intuit ended the second quarter with $837 million in cash and investments. Cash flow from operations was $199 million.

Capital expenditures were $57 million during the second quarter. This is up from $24 million in the same quarter a year ago. The increase is driven by investments in a new data center and expansion of office capacity to support our growth.

We used $250 million to repurchase 8.2 million shares of Intuit stock during the quarter. As of February 1, we have $300 million in authority for future share repurchases and have a 10(b)5-1 plan in place to allow us to consistently repurchase stock throughout the year.

M&A Activity

The previously announced acquisition of Homestead Technologies Inc. closed on December 18, 2007 and is reported as part of the QuickBooks segment as of the second quarter. Homestead is a leader in Web site and Web store solutions for small businesses.

On December 19, 2007, we announced we had signed a definitive agreement to acquire Electronic Clearing House Inc, or ECHO. ECHO is a leading provider of electronic payment processing solutions, including check, debit card and credit card processing, as well as check verification, collection, and guarantee services and automated clearing house capabilities, or ACH. Under the terms of the agreement, Intuit will pay $17 per share in cash in exchange for each share of ECHO common stock, including shares issuable upon exercise of options. The total purchase price is approximately $131 million on a fully diluted basis. The acquisition is subject to ECHO shareholder approval and other customary closing conditions. It is expected to close in the first quarter of calendar year 2008.

Fiscal 2008 Guidance

Moving to fiscal 2008 guidance, guidance for 2008 total company revenue is unchanged. Operating income and EPS guidance has changed slightly driven by the following two items:

- As disclosed in the press release announcing the acquisition of Homestead, the purchase will be slightly dilutive to GAAP and non-GAAP earnings per share for 2008. Including Homestead's results will reduce 2008 GAAP earnings per share by 3 cents and 2008 non-GAAP earnings per share by 2 cents.
- Our prior guidance also assumed the renewal of the R&D tax credit. It now appears that tax credit will not be renewed in our fiscal year and so our effective tax rate will change from 35.5 percent to 36 percent. This decreases our non-GAAP EPS by approximately 1 cent for the year.

Therefore, fiscal 2008 guidance is now:

- Revenue unchanged at $3.0 billion to $3.05 billion, which is annual growth of 12 percent to14 percent.

- Non-GAAP diluted EPS of $1.56 to $1.58, which is annual growth of 9 percent to 10 percent.

- GAAP diluted EPS of $1.38 to$1.40, which is annual growth of 11 percent to 13 percent.

We have also changed our QuickBooks segment revenue guidance from 8 percent to 12 percent growth, to 5 percent to 7 percent growth to reflect current market conditions. That includes roughly $15 million of revenue from the Homestead acquisition. The change to QuickBooks revenue guidance is not significant enough to affect total company revenue guidance for the year.

Third- and Fourth-Quarter 2008 Guidance

We are reaffirming our previous Intuit third- and fourth-quarter revenue guidance and providing initial operating income guidance for those quarters. For our fiscal third quarter, which ends April 30, we expect the following:

- Revenue of $1,268 million to $1,293 million, or year-over-year growth of 11 percent to 14 percent.

- Non-GAAP operating income of $700 million to $710 million, or year-over-year growth of 13 percent to 14 percent.

- GAAP operating income of $644 million to $654 million, or year-over-year growth of 11 percent to 13 percent.

- Non-GAAP diluted EPS of $1.31 to $1.34, or year-over-year growth of 16 percent to 19 percent.

- GAAP diluted EPS of $1.23 to $1.26, or year-over-year growth of 18 percent to 21 percent.

For the fiscal fourth quarter we expect:

- Revenue of $466 million to $471 million, or year-over-year growth of 8 percent to 9 percent.

- Non-GAAP loss per share of 5 cents to 3 cents.

- GAAP loss per share of 14 cents to 12 cents.

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

<u>Business Perspective</u>

Thanks, Neil.

Before we get to your questions, I'd like to provide some perspective on the second quarter and remainder of 2008 and then share how I feel about our long-term prospects.

Starting with 2008.

In Tax we're off to a good start. Our focus on ease of use continues to pay off, and the improvements we made in our marketing programs and execution have us positioned for another successful season. We said before the year that we wanted to win at every phase throughout the season – playing "whistle to whistle," winning with free and succeeding on the Web. It's still early in the season, but we're pleased with our results. We've gained share in retail and more importantly, are winning online, where we believe future growth will come from.

In Small Business the year is playing out a little differently than we expected. QuickBooks units are growing slower than expected, as is the Financial Management Software category. It's hard to say definitively what's impacting category growth, but we believe two factors are playing a role: First, the macro-economic environment is tougher on small businesses than it's been for a while. Second, category growth is affected by the marketing efforts of the main players in the category. We've seen less activity this year from other players and our own marketing programs will peak in the third quarter.

What is important to note is that we aren't seeing any competitive or structural changes in the market. On the competitive front, we're gaining share in retail and executing online to bring new users into the franchise. As for the overall market, the facts remain that there are 26 million small businesses in the U.S., with 6 million new businesses starting each year. Sixty percent of those small businesses still haven't adopted financial management software. We're confident those dynamics will continue to create attractive long-term growth opportunities for us.

And Small Business is about more than QuickBooks software. As we've shared before, we view the small business space as an ecosystem play that leverages stand-alone software and related services. While the stand-alone software segment is growing slower than expected year to date, the services component of the Small Business ecosystem continues to perform well, led by the Payroll and Payments segment. Total Small Business revenue, adjusted for the ADP sale, is growing double digits, despite the current market conditions.

In our Financial Institutions business, we are now coming up on our one-year anniversary since the acquisition of Digital Insight. With four quarters under our belt, the strategic rationale for the acquisition is as compelling as ever. However, it's clear that we underestimated the complexity of taking DI's offering to the level where we want it to be. We have recognized this fact, are on the right track, and have the right team in place to make the progress that's needed.

We're also seeing good growth in our other businesses. That's why I'm confident we'll deliver another good year.

Now let me talk about my longer-term perspective.

Starting with our people: We've filled several key positions and have a fully staffed and strong leadership team in place. Our leaders and all our employees are energized and focused as we begin the next chapter for Intuit. They're continuing to deliver for customers, and they have us on track to deliver another good year.

Looking beyond this year, one of the questions I often get asked is how our future strategy will differ from what Intuit has done up until now. Well, I was a part of developing that strategy. And I believe in it. So a lot of what you see will be the same.

However, we recognize that it is increasingly becoming a "services" world, many of which are delivered online. And as we continue to nurture our growth engines, you'll see us apply even more focus on services, which are already nearly half of the company's revenue and are highly profitable.

We also recognize that the world we live in is a dynamic one. It is a world where:

- customer behaviors are changing,
- where and how we get work done is changing,
- and where the geographic boundaries that have confined us in the past are coming down.

We will be ready for this change.

We are already embracing it today. Social technologies are fueling the way our ecosystem interacts – they are enabling our customers to connect with other customers, accountants with other accountants, developers with other developers and end users, all with a level of speed and ease we have not seen before. And we are helping to facilitate that dialogue.

We are also observing the evolution of the workplace and computer. Mobility is evolving from a workplace luxury to a business necessity. And the computer is moving from the tops of our desks to the palms of our hands. Our leaders and engineers are actively assessing the implications and opportunities of this trend for our customers.

And finally, we are seeing the borders of the traditional business landscape come down. Whether is it employing great talent across the globe, as evidenced by the recent expansion of our R&D team in Bangalore, or the fact that many of our customers are already doing business across the world, new opportunities are emerging in other markets. And we will find new ways to embrace them.

I'm excited about what lies ahead for all of us. And I look forward to sharing our plans to win in this changing world as the future unfolds.

But I'd like to close by bringing us back to why I remain excited about today. We have three strong growth engines and we are as confident as ever about the growth we see in them. Our categories remain under-penetrated, and we will continue to grow by offering better ease and value than alternative solutions.

I feel good about this year and about the excellent foundation we have in place. And I see opportunity all around us if we execute well. Thank you all for your support. And thanks to all the Intuit employees who are so focused on delighting our customers.

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 February 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 2008 and beyond; our guidance for fiscal 2008, including all of the statements under the headings "Fiscal 2008 Guidance" and "Third and Fourth Quarter 2008 Guidance;" our expectation regarding revenue to be reported in future quarters; and our assessment of our growth potential and opportunities for our businesses. 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 regulating the 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; 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 February 21, 2008, and we do not undertake any duty to update any forward-looking statement or other information in these remarks.