

Intuit Inc.
Third-quarter Fiscal 2018
Conference Call Remarks
May 22, 2018

Introduction

Good afternoon and welcome to Intuit's third-quarter fiscal 2018 conference call. I'm here with Brad Smith, our chairman and CEO 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 2017 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 Brad.

Third-quarter Fiscal 2018 Overview

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

We delivered very strong results in our third fiscal quarter, with overall revenue growth of 15 percent, fueled by 15 percent growth in the Consumer Group and 16 percent growth in the Small Business and Self-Employed Group. Because of this strength and the continued momentum across the company, we're raising our revenue, operating income, and earnings per share guidance for fiscal year 2018.

With that headline, let me share some observations on our business overall, starting with tax and our consumer business.

Heading into tax season, we foreshadowed that this year's primary drivers of revenue would be DIY category growth and a higher average revenue per return. That is indeed how the season played out, producing very strong results.

As we've communicated over the years, there are four primary drivers in our Consumer business.

- The first is the total number of returns filed with the IRS. The latest IRS data indicates total returns grew about 1 percent, in-line with our expectations.
- The second is the percentage of those returns that were filed using DIY software. As a reminder, DIY category growth is our largest lever of revenue growth. To date, the DIY category share has grown just over half a point, again outpacing the assisted tax prep category. As the category leader, we view it as

our responsibility to help drive category awareness and growth, so we are pleased with this result.

- The third is our share within DIY. We competed well and earned a modest increase in our share of the category this season. When you look beyond DIY to total returns, we also gained half a point of total market share.
- The fourth is the average revenue per return, which increased nicely this season. The growth was driven by a combination of attach, mix-shift to the high-end of our product line – which includes TurboTax Live – and pricing for value.

Bottom line, it was a successful tax season. As we shared at Investor Day last fall, in addition to extending our lead in DIY, we are increasingly focused on transforming assisted tax prep and expanding our business beyond tax. We made encouraging progress behind each of these strategic priorities this season.

In support of transforming assisted tax prep, we're pleased with the results of our TurboTax Live offering in its first season. We delivered an innovative experience that enabled filers seeking more confidence in their personal tax situation, to do so by accessing a tax pro with the touch of a screen. Feedback from the nearly 2,000 pros and the many customers they served reinforced our confidence that TurboTax Live has the potential to be transformative to our Consumer business in the years to come. It opens up the \$20 billion assisted tax prep category and provides us with an opportunity to grow our dollar share while increasing our average revenue per return. Michelle will share some additional data around our progress in a moment.

This season was also the first for our Turbo offering, the consumer financial platform that expands our portfolio beyond tax. Turbo provides customers with a full view of their overall financial health by combining their credit score, verified income data, and a debt-to-income ratio to show customers where they truly stand. This year, TurboTax customers had the option to transfer their tax data into a Turbo account when they completed their return. Nearly 5 million TurboTax customers registered for Turbo in year one, providing us with a strong foundation to extend our business beyond today's user paid model. The real value of this offering comes as customers engage with it on an ongoing basis.

Overall, we feel good about our results this tax season, and I want to congratulate all the employees throughout the company who played a role in delivering that performance. We're just getting started with TurboTax Live, and we're looking forward to what we can deliver next season.

Shifting to the Strategic Partner Group, our professional tax revenue was in-line with our expectations for the quarter, with revenue up 4 percent year-to-date. We continue to focus on multi-service accounting firms that do both books and taxes. This enables us to drive our accountants' success while growing our small business ecosystem at the same time.

Turning to small business...

We delivered another strong quarter in our Small Business and Self-Employed Group. QuickBooks Online subscriber growth continued at a rapid pace, and Online Ecosystem revenue grew 41 percent.

We exited the quarter with over 3.2 million QuickBooks Online subscribers, a 45 percent increase year-over-year. Growth remains strong across multiple geographies, with U.S. subscribers growing 40 percent to approximately 2.5 million, and international subscribers growing 66 percent year-over-year to about 720,000.

Within QuickBooks Online, Self-Employed subscribers grew to over 680,000, up from 360,000 one year ago. Approximately 330,000 of those subscribers are from the TurboTax Self-Employed offering.

Putting a bow around the quarter, our strategy of a vibrant One Intuit Ecosystem continues to gain momentum. We performed ahead of our expectations this tax season, and delivered continued strong performance in our Small Business and Self-Employed Group.

With that overview, let me hand it over to Michelle to walk you through the financial details.

Financial Results and Segment Details

Thanks, Brad and good afternoon everyone.

For the third quarter of fiscal 2018, we delivered:

- Revenue of \$2.9 billion, up 15 percent year-over-year.
- GAAP operating income of \$1.6 billion, versus \$1.4 billion a year ago.
- Non-GAAP operating income of \$1.7 billion, versus \$1.5 billion last year.
- GAAP diluted earnings per share of \$4.59, up 24 percent year-over-year.

- And non-GAAP diluted earnings per share of \$4.82 up 24 percent year-over-year.

Our non-GAAP tax rate is 26.3 percent, which is lower than the 27 percent rate we anticipated earlier this year. The reduction is a result of our continued analysis of the impacts from the new U.S. tax legislation. This lower tax rate contributed \$0.05 to non-GAAP earnings in the third quarter.

Business Segment Results

Turning to the business segments:

Consumer and Strategic Partner Groups

Consumer Group revenue grew 15 percent in the quarter and is up 14 percent year-to-date, exceeding the annual guidance of 7 to 9 percent we gave at the beginning of the fiscal year. We now expect 14 percent revenue growth for the year. TurboTax Online units grew 6 percent this season, while total TurboTax units grew 4 percent. This unit performance was driven by faster growth in both our paid and free offerings. As Brad mentioned earlier, our share within the DIY category was up slightly while our share of the total tax preparation market grew half a point.

We're pleased with the performance of TurboTax Live in its first season. We scaled the offering from an in-market test during extension filing last fall, to a meaningful contributor this season. This is great progress for a new offering in its first year, and we are encouraged by the positive feedback we have received. Customers who used our final review feature rated their care experience nearly 20 points higher than those

who did not, and TurboTax Live had the highest product recommendation score of any of our consumer tax paid offerings. Additionally, feedback was positive from CPAs, enrolled agents and tax attorneys serving clients on our platform. We look forward to applying what we learned to scale this offering further in the future.

Turning to the Strategic Partner Group, we reported \$131 million of professional tax revenue for the third quarter, up 4 percent year to date. We now expect revenue to grow two to three percent in fiscal 2018, slightly better than the zero to two percent growth we guided previously.

Small Business and Self-Employed Group

Total Small Business and Self-Employed revenue grew 16 percent in the quarter.

Online Ecosystem revenue grew 41 percent, up from 39 percent in the second quarter.

We continue to expect Online Ecosystem revenue to grow better than 30 percent.

QuickBooks Online subscribers grew 45 percent, ending the quarter with over 3.2 million subscribers. TurboTax was a significant channel for QuickBooks Self-Employed, and a total of 330,000 subscribers have come through that channel. We now expect to end the year with 3.350 to 3.375 million subscribers, equating to approximately 41 to 42 percent growth.

Desktop Ecosystem revenue grew 3 percent in the quarter and is up 7 percent year-to-date. For fiscal 2018, we expect QuickBooks desktop units to decline mid to high-teens and Desktop Ecosystem revenue to be up mid-single digits.

Financial Principles and Capital Allocation

Turning to our financial principles, we continue to take a disciplined approach to capital management, investing the cash we generate in opportunities that yield a return on investment greater than 15 percent.

We finished the quarter with \$1.9 billion in cash and investments on our balance sheet. Our first priority for that cash remains investing in the business to drive customer and revenue growth. Next, we use acquisitions to accelerate our growth and fill out our product road map. We return cash that we can't invest profitably in the business to shareholders via both share repurchases and dividends.

- We repurchased \$19 million of shares in the third quarter. Approximately \$1.2 billion remains on our authorization.
- The board approved a quarterly dividend of \$0.39 per share, payable July 18, 2018.

Fiscal 2018 Q4 Guidance

Our fourth quarter fiscal 2018 guidance includes:

- Revenue growth of 12 to 14 percent,
- GAAP diluted earnings per share of \$0.04 to \$0.06, and
- Non-GAAP diluted earnings per share of \$0.22 to \$0.24.

We now expect a GAAP tax rate of 24 percent and a non-GAAP tax rate of 26.3 percent for fiscal 2018. You can find our Q4 and updated fiscal 2018 guidance details in our press release and on our fact sheet.

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

Closing Comments (Brad)

Thanks, Michelle.

Before closing, I want to set some context for the management changes in our Consumer Group that we shared in our earnings release today. Effective at the end of the fiscal year, Dan Wernikoff, general manager of the Consumer Group, will step down as the leader of Intuit's consumer business, but he'll remain at Intuit working on strategic projects with me. Greg Johnson, senior vice president of marketing, will succeed Dan as general manager of the Consumer Group.

Dan's done a tremendous job leading the team, and I couldn't be more proud of the foundation he's built. Under his leadership, we extended our lead in the do-it-yourself category, advanced our efforts to disrupt the assisted tax prep category and expanded our business beyond tax. I want to thank him for an outstanding tax season and for re-positioning the business for continued growth for years to come.

At the same time, I couldn't be more confident in Greg's ability to lead the Consumer Group into the next chapter. Greg has spent the last five years as a key member of the Consumer Group senior leadership team. He's been leading our go-to-market initiatives, commercial innovation, analytics and marketing capabilities that have accelerated the growth of Intuit's Tax business. He's been a driving force in the reinvention of our consumer business model, spearheaded the introduction of Absolute Zero, helped bring TurboTax Self Employed and QuickBooks Self

Employed together and was a key member of the team that brought TurboTax Live and Turbo to market.

For those of you who have followed Intuit for awhile, you know that we pride ourselves on building a deep talent bench, and this change is reflective of those efforts. I'm excited to watch our momentum continue as Greg takes the baton from Dan to lead the Consumer Group.

To sum it up, we delivered a very strong quarter, and we feel good about where we stand at this point in the year. While we remain focused on closing out the fiscal year on a high note, we already have our sights set on next year and beyond as we pursue our mission of Powering Prosperity Around the World. For now, we'll continue to keep our heads down and focus on execution with the finish line in sight.

With that, let's open it up to hear what's on your mind.

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; Intuit's prospects for the business in fiscal 2018 and beyond; 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 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 of our strategic decisions on Intuit's business; and all of the statements under the heading "Fiscal 2018 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 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; changes in the total number of tax filings that are submitted to government agencies due to economic conditions or otherwise; 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 and global trends; our ability to adequately protect our intellectual property rights; our ability to develop and maintain brand awareness and our reputation; disruptions, expenses and risks associated with our acquisitions and divestitures; we may issue additional shares in an acquisition causing our number of outstanding shares to grow; any failure to properly use and protect personal customer or employee information and data; a security breach could result in third-party access to confidential customer, employee and business information; privacy and cybersecurity concerns relating to our offerings, or online offerings in general; 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; availability of our products and services

could be impacted by business interruption or failure of our information technology and communication systems; our ability to develop, manage and maintain critical third-party business relationships; our ability to attract, retain and develop highly skilled employees; any significant product accuracy or quality problems or delays; any problems with implementing upgrades to our customer facing applications and supporting information technology infrastructure; increased risks associated with international operations; increases in or changes to government regulation of our businesses; the cost of, and potential adverse results in, litigation involving intellectual property, antitrust, shareholder and other matters; the seasonal and unpredictable nature of our revenue; unanticipated changes in our income tax rates; adverse global economic conditions; amortization of acquired intangible assets and impairment charges; our use of significant amounts of debt to finance acquisitions or other activities; any lost revenue opportunities or cannibalization of our traditional paid franchise due to our participation in the Free File Alliance; and changes in the amounts or frequency of share repurchases or dividends More details about the risks that may impact our business are included in our Form 10-K for fiscal 2017 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 May 22, 2018, and we do not undertake any duty to update any forward-looking statement or other information in these materials.