

Intuit Inc.
Second-quarter Fiscal 2021
Conference Call Remarks
February 23, 2021

Introduction

Good afternoon and welcome to Intuit's second-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.

Second-quarter Fiscal 2021 Overview

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

Second quarter results reflect strong momentum across the company.

Small Business and Self-Employed Group revenue grew double digits and Credit Karma performed very well. We are encouraged by our early results this tax season, and are on track for Intuit to deliver double-digit full-year revenue growth.

We are confident our game plan to win is durable, accelerated by digital tailwinds given the pandemic. Our platform is well positioned to help customers take advantage of a shift to virtual solutions, acceleration to online and omni-channel capabilities, and new ways to reduce debt and save money. The velocity of our innovation is helping our customers at a time when they need us most, and positions us to accelerate growth in light of these structural and behavioral changes.

We closed the acquisition of Credit Karma on December 3rd, and welcomed 1,300 Credit Karma employees to the Intuit family. We bring together a large customer base of 110 million Credit Karma members and 57 million Intuit customers to help them unlock smart money decisions.

Credit Karma's data platform creates powerful network effects through personalized financial offers - benefitting members and partners - while adding a new monetization engine to Intuit. We are off and running executing on our innovation roadmap which I will touch on shortly. Since we're in the middle of tax season, let's start there.

We are very confident in our strategy and momentum extending our lead in the DIY segment and transforming the assisted segment. We are making great progress serving fast growing underpenetrated Latinx, self-employed and investor segments. This season, we also expanded our free eligibility to better serve customers receiving unemployment benefits. We continue to aggressively transform the assisted segment by reshaping how 86 million filers can get their maximum refund with confidence virtually. We feel great about how the season is progressing.

We are seeing strong momentum and accelerating innovation across the business with our AI-driven expert platform strategy and five Big Bets.

These Big Bets are focused on the largest problems our customers face, and represent durable growth opportunities for Intuit. I will highlight our progress, covering Big Bet number one last as it accelerates innovation across our platform and is foundational to the other bets.

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've relied on assistance in the past the opportunity to access tax experts on our platform, from wherever they are. We continue to lead the way in shaping the category, helping customers understand how they can get their taxes done in a new way with our marketing campaigns and for a limited time, offering free Live expertise to filers with very simple returns to attract them into the category. We have significantly improved the TurboTax Live platform by making it easier for customers to access an expert throughout the filing process, and now with our innovative full service offering, our customers can hand-off their return to an expert who will prepare it and file it for them.

We continue to make progress with QuickBooks Live, which is built on the same expert platform. Entering our second peak season with QuickBooks Live, our customer base has doubled from a year ago and retention rates are improving. Although it's early days for QuickBooks Live, we are confident in the long-term opportunity to penetrate non-consumption.

Our third big bet is to “unlock smart money decisions.” 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. 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 money innovation including savings and checking accounts. As we make personalized financial offers to customers across our platform, Credit Karma provides an additional monetization engine, increasing our combined wallet share with both free and paying customers.

We’ve made great initial progress combining our capabilities to fuel success of the Credit Karma platform. First, to create a complete financial profile for existing and prospective members, with customer consent, we combined income data from 26 million TurboTax returns with Credit Karma. The combination of verified income data with credit history will enable Credit Karma to better personalize offers, driving engagement and creating

a win-win-win for our members, partners and us over time. This enables us to grow in our core verticals for credit cards and personal loans and growth verticals for insurance and mortgages. Second, we integrated Credit Karma Money into the TurboTax filing experience, providing approximately 36 million TurboTax customers the ability to deposit up to \$88 billion of tax refunds into a no-fee checking account. And third, we are migrating Turbo users to Credit Karma. We are excited about the journey ahead of us.

Our fourth big bet is to “become the center of small business growth” by helping our customers get paid fast, manage capital, pay employees with confidence and grow in an omnichannel world. Sixty percent of small businesses struggle with cash flow, and we are innovating with velocity to create solutions for customers to overcome this challenge.

- We are making it even easier for customers to get paid fast with tools like payment-enabled invoices, by auto-enabling new customers to accept payments immediately, increasing our charge volume.
- We continue to innovate with QuickBooks Cash, a small business bank account that helps our customers manage working capital by

providing visibility into their full financial picture, along with the ability to move money instantly and ensure their money is working for them, while taking advantage of the built-in accounting of QuickBooks. We integrated bill pay into the offering this quarter. We are seeing growing adoption and active use of QuickBooks Cash, including a meaningful increase in activation rates.

- We are making good progress with QuickBooks Commerce, launched last September. QuickBooks Commerce is designed to better serve the 1 million product-based businesses on our platform and 6.4 million product-based businesses in our core markets. The offering provides inventory and order management tools small businesses need to grow their businesses in an omnichannel world. We continue to add new partner integrations, enabling a streamlined experience. We're further bolstering the offering with the acquisition of OneSaas in early February. OneSaas is an infrastructure platform that integrates data streams from multiple sources of ecommerce

platforms. This will help our customers see a complete view in QuickBooks.

It's still early for both QuickBooks Cash and QuickBooks Commerce, but we're encouraged by what we're seeing.

Our fifth big bet is to "disrupt the small business mid-market" with QuickBooks Online Advanced. The features we are introducing individually tailor the offering to the needs of small businesses with 10 to 100 employees at a disruptive price point. We continue to build out the offering and innovate to better serve these small business mid-market customers, by adding more deeply integrated partners, important to acquisition and retention.

And finally, our first big bet, "revolutionize speed to benefit," enables us to put more money in our customers' pockets, eliminate friction and deliver confidence at every touch point by using AI and customer insights. In TurboTax, we're leveraging advanced models to proactively offer customers the right resources at the right time to keep them engaged and

give them confidence to file their taxes. And in QBO Advanced, we're using AI to detect anomalies in price and quantity on customer invoices, saving our customers time and the frustration of having to resend an invoice. Our Live offerings are benefiting from a common AI platform that is creating efficiencies at scale, driving profitable growth.

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. I'm excited about the opportunity we have ahead of us, and I'm proud of the progress we are making as a team.

Now let me hand it over to Michelle.

Financial Results and Segment Details

Thanks, Sasan. Good afternoon everyone.

For the second quarter of fiscal 2021, we delivered:

- Revenue of \$1.6 billion.
- GAAP operating loss of \$25 million, versus operating income of \$270 million last year.

- Non-GAAP operating income of \$235 million, versus \$384 million last year.
- GAAP diluted earnings per share of \$0.07, versus \$0.91 a year ago.

The GAAP earnings include a \$30 million gain from the sale of a note receivable that was previously written off.

- And non-GAAP diluted earnings per share of \$0.68, versus \$1.16 last year.

Business Segment Results

Turning to the business segments:

Consumer and ProConnect Groups

Consumer Group revenue declined 71 percent in Q2, driven by the later IRS opening this year. We continue to focus on our strategy to expand our lead in DIY and transform the assisted segment with TurboTax Live. We remain confident in our plans and guidance of 9 to 10 percent growth in fiscal 2021.

Turning to the ProConnect Group, revenue declined 8 percent in Q2, reflecting a delay in forms availability.

Small Business and Self-Employed Group

In the Small Business and Self-Employed Group, revenue grew 11 percent during the quarter, while Online Ecosystem revenue was up 22 percent.

Our strategic focus within Small Business and Self-Employed is to grow the core, connect the ecosystem and expand globally. Our longer-term expectation remains 30 percent or greater online ecosystem revenue growth, driven by 10 to 20 percent growth in both customers and ARPC.

- First, we continue to focus on growing the core. QuickBooks online accounting revenue grew 22 percent in fiscal Q2, driven mainly by customer growth and mix-shift. We lapped a full quarter of a price increase last year, driving slower year-over-year growth versus last quarter.

- Second, we continue to focus on connecting the ecosystem. Online Services revenue - which includes payments, payroll, time tracking and capital - grew 20 percent in fiscal Q2.
 - Within payments, revenue growth reflects continued customer growth, along with an increase in charge volume per customer.
 - Within payroll, we continue to see revenue tailwinds during the quarter from a mix-shift to our full service offering and growth in payroll customers.
- Third, our progress expanding globally added to the growth of Online Ecosystem revenue during fiscal Q2. Total international online revenue grew 44 percent. The slower growth from last quarter was driven by lapping price increases a year ago, and the lingering impact from lower retention and customer acquisition at the beginning of the pandemic.

Desktop Ecosystem revenue declined 2 percent in the second quarter, in-line with our expectations for the business to decline longer-term. Within this, QuickBooks Desktop Enterprise revenue grew mid-single digits.

Small businesses are resilient, and we continue to help them put more money in their pockets when they need it most. We are pleased to see most QuickBooks indicators are back to or better than pre-pandemic levels. This includes growth in customer acquisition, the number of companies running payroll and payments charge volume. This reinforces the digital tailwinds and positioning of our platform and Big Bets Sasan touched on earlier.

Credit Karma

We closed the acquisition of Credit Karma on December 3rd, resulting in revenue of \$144 million for the partial quarter.

Our strategic focus with Credit Karma 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 money innovation including savings and checking accounts. I'll share more detail on each of these strategic focus areas.

- First, our focus is growing the core. We are seeing new credit card and personal loan partners onboarding while overall partner activity continues to recover. Adoption of the industry-first Lightbox continues to grow. Lightbox enables Credit Karma to more tightly integrate with its financial partners which helps match members to the products that are right for them. This now represents approximately 40 percent of credit card transactions and approximately 30 percent of personal loan transactions, up substantially year-over-year.
- Second, our focus is expanding growth verticals. Although it's early days, we are seeing strong growth in auto insurance followed by home loans and then auto loans. January revenue in the growth vertical is up over 1.5 times year-over-year, a high-water mark. During the quarter we introduced Karma Drive, providing members an easy opportunity to qualify for an auto insurance discount based on actual driving habits.

- Third, our focus is developing emerging verticals, particularly on money innovation. We're just getting started with Credit Karma Money.

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 are starting to see the opportunity for faster margin expansion over time.

I'm proud of the progress the team is making. 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 focus on reallocating 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 \$2.7 billion in cash and investments on our balance sheet.
- We repurchased \$175 million of stock during the second quarter. We have approximately \$2.2 billion remaining on our authorization, and we expect to be in the market each quarter this year.
- The Board approved a quarterly dividend of \$0.59 per share, payable April 19, 2021. This represents an 11 percent increase versus last year.

Fiscal 2021 Q3 Guidance

Moving on to guidance. While macro uncertainty continues, we remain confident in how our business is performing in the current environment. Our guidance for third quarter fiscal 2021 includes:

- Revenue growth of 53 to 55 percent

- GAAP earnings per share of \$5.85 to \$5.95
- Non-GAAP earnings per share of \$6.75 to \$6.85

You can find our full Q3 and reiterated fiscal 2021 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. Let's now open it up to your questions.

Closing Comments After Q&A

Thank you everyone for your time and questions today. I would like to close by thanking our employees, customers and partners.

Cautions About Forward-looking Statements

These materials contain forward-looking statements, including the size of the market for tax preparation software and the timing of when individuals

will file their tax returns; forecasts and timing of expected growth and future financial results of Intuit and its reporting segments, including Credit Karma; Intuit's prospects for the business in fiscal 2021 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 of our strategic decisions on Intuit's business; and all of the statements under the heading "Fiscal 2021 Q3 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 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 2021 full-year and Q3 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.