

**Intuit Inc.**  
**Fourth-quarter Fiscal 2019**  
**Conference Call Remarks**  
**August 22, 2019**

**Introduction**

Good afternoon and welcome to Intuit's fourth-quarter fiscal 2019 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 2018 and our other SEC filings. All of those documents are available on the Investor Relations page of Intuit's website at [intuit.com](http://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.

Before I turn it over to Sasan, I wanted to share that I'm retiring at the end of January, so this will be my last Intuit earnings call. It's been a privilege working with the leadership teams at Intuit and a pleasure engaging with all of our shareholders over the years. I'm leaving you in good hands, as Kim Watkins has been promoted to vice president of investor relations.

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

### **Fourth-quarter Fiscal 2019 Overview**

Thanks Jerry for your friendship and the incredible impact you've had over the years; we'll miss you. Thanks to all of you for joining us today.

We had a strong fourth quarter capping off an excellent finish to fiscal 2019.

Fourth quarter revenue grew 15 percent, and full-year revenue grew 13 percent, exceeding the original guidance of 8 to 10 percent growth that we provided at the beginning of the year. We are seeing our "A.I. driven expert platform" strategy play out in our results, and we believe this positions us well for durable growth in the future.

We saw continued momentum across our company in fiscal 2019. Total revenue growth was fueled by 15 percent growth in the Small Business and Self-Employed Group, and 11 percent growth in the Consumer Group. QBO and TTO platform revenue combined grew over 23 percent, totaling approximately \$3.9 billion in fiscal 2019. We are guiding to another year of strong revenue growth for the company in fiscal 2020.

Let's dig into our results starting with small business...

We delivered another strong quarter in our Small Business and Self-Employed Group with Online Ecosystem revenue growth of 35 percent in the fourth quarter and 38 percent in fiscal 2019. Online Ecosystem revenue is at a \$1.8 billion annualized run-rate and we continue to expect it to grow more than 30 percent.

We continue to prioritize online services to deliver more value for our customers by addressing their biggest pain points. We're working to achieve our vision of being the center of small business growth by helping our customers get paid fast, manage capital and pay employees with confidence.

- Earlier this year we launched “next business-day” payments, a service that enables our customers to receive their funds the next business day instead of having to wait two to five days to get their money. This change is resonating

with customers. Our online payments business remains strong, with charge volume up 40 percent in fiscal 2019 for customers using QBO.

- Within payroll, we introduced next-day and same-day direct deposit to enable customers to hold onto their money longer and better manage their cash flow. QuickBooks Online payroll revenue overall grew more than 35 percent in fiscal 2019. At the same time, we're seeing greater adoption of our full-service payroll offering, which is growing more than 35 points faster than our self-service offering and has a higher lifetime value. Full-service payroll provides even more support for our customers as we help them pay their employees accurately and stay compliant.
- On the time-tracking front, we improved the mobile capability of our TSheets offering and added new features such as GPS time-tracking, which increases accuracy and flexibility for both employees and employers. More than one million employees are tracking their time on this platform each month, up nearly 60 percent from last year.

We are optimistic about QuickBooks Online Advanced, our online offering designed to disrupt the mid-market by addressing the needs of small business customers with 10 to 100 employees. While it is still early days, we like what we

see. We are learning a lot about these customers' needs, and remain encouraged that this offering could present a significant opportunity for us longer-term.

Turning to tax...

As we shared last quarter, we had a great tax season and grew revenue for the Consumer Group 11 percent in fiscal 2019. Our Consumer Group strategy is to expand our lead in the DIY category, transform the assisted tax preparation category and disrupt traditional consumer finance by expanding beyond tax to build a consumer platform. This is all in service to helping our customers make ends meet and maximize their tax refund.

Driven by our innovation and significantly improved customer experiences, we grew both the DIY category and our share within it. Across all tax prep methods, TurboTax now has approximately 28 percent share of total individual returns, leaving us with a large opportunity. This season we further personalized the tax preparation process using artificial intelligence. We went to market with our most robust free offering yet. We expect the strategic decisions we made this season, including our investment in artificial intelligence and in our free experience, to drive durable growth across our Consumer business, especially as we look for ways to help our customers make ends meet going beyond taxes.

We also made significant progress in our effort to transform the assisted category by tripling the number of customers using TurboTax Live, which connects people to experts on our platform. TurboTax Live is now a meaningful contributor to our business, and compared to other Intuit product lines is among the fastest ever to reach this revenue level. We feel great about the experience we delivered for our customers to drive increased confidence and the improved experience and operating efficiency we provided to pros on our platform.

Beyond tax, our consumer platform is aimed at helping customers unlock smart money decisions by connecting them to financial products to help make ends meet. We have over 14 million customers registered for Turbo, up from 5 million last season. While we don't expect a significant contribution to revenue in the near-term, we're identifying ways to deliver more value to our customers.

As we look to next season, our team is actively developing the next wave of innovation to better serve consumers. We're confident in our Consumer Group strategy and excited about the opportunities that lie ahead for this business.

To wrap up, we are very pleased with our results in fiscal 2019, and we're energized for another great year in fiscal 2020. Thank you and now let me hand it over to Michelle to walk you through the financial details.

## **Financial Results and Segment Details**

Thanks, Sasan. Good afternoon everyone.

For the fourth quarter of fiscal 2019, we delivered:

- Revenue of \$994 million, up 15 percent year-over-year.
- GAAP operating loss of \$153 million, versus a loss of \$200 million a year ago.
- Non-GAAP operating loss of \$47 million, versus a loss of \$15 million last year.
- GAAP diluted loss per share of \$0.17, versus a loss per share of \$0.15 a year ago.
- And non-GAAP diluted loss per share of \$0.09, versus a loss per share of \$0.01 last year.

## **Business Segment Results**

Turning to the business segments:

### **Small Business and Self-Employed Group**

In Small Business and Self-Employed, revenue grew 16 percent during the quarter and 15 percent in fiscal 2019. Online Ecosystem revenue remains strong, with growth of 35 percent in the fourth quarter and 38 percent for the year. We believe

the best measure of the health and success of our strategy going forward is Online Ecosystem revenue growth, which we continue to expect to grow better than 30 percent.

QuickBooks Online subscribers grew 33 percent, ending the quarter with over 4.5 million subscribers. Growth remains strong across multiple geographies, with U.S. subscribers growing 25 percent to over 3.2 million, and international subscribers growing 58 percent to 1.3 million.

Within QuickBooks Online, Self-Employed subscribers grew to over 1 million, up from roughly 720,000 one year ago.

We continue to expect total subscriber growth to moderate as we place a greater focus on additional services.

Desktop Ecosystem revenue was up 1 percent in the fourth quarter and roughly flat for the year, in-line with our expectations.

Within the Desktop Ecosystem, our QuickBooks Enterprise revenue continued to grow at a double-digit pace in the fourth quarter. This further reinforces our interest in addressing the needs of mid-market small business customers with our QBO Advanced offering.



## **Consumer and Strategic Partner Groups**

Consumer Group revenue grew 11 percent in fiscal 2019, above the high end of our original guidance. Fiscal 2019 is the second consecutive year of double-digit revenue growth for the Consumer Group. TurboTax Online units grew 7 percent this season, while overall units increased 5 percent. As we shared last quarter, the DIY category share grew over a point, the fastest pace since 2016, once again outpacing the assisted tax prep category. Within the DIY category, we estimate our TurboTax Online share grew half a point. We were also pleased to see retention increase again this year for our online tax customers.

We made great progress with our TurboTax Live offering this year. The number of TurboTax Live customers more than tripled year-over-year. We also enhanced the efficiency of our pros this season, improving both the onboarding experience and technology tools for pros on our platform. This resulted in lower attrition and better operating efficiencies throughout the season. For example, we utilized natural language processing, an application of artificial intelligence, to route 100 percent of TurboTax Live customer questions to the optimal pro based on their type and complexity. It's this technology-first approach that gives us confidence we can expand our Live offerings and maintain attractive Intuit operating margin longer-term.

And in the Strategic Partner Group, we reported \$476 million of professional tax revenue in fiscal 2019, up 4 percent, the high-end of the original guidance that we provided at the beginning of the year.

### **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.

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 at the company, with an emphasis on continuing to build our “A.I. driven expert platform.”

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 road map. 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 \$2.7 billion in cash and investments on our balance sheet.

- We repurchased \$148 million of stock in the fourth quarter and \$561 million during fiscal 2019. We have approximately \$2.7 billion remaining on our authorization, and we expect to be in the market each quarter.
- The Board approved a quarterly dividend of \$0.53 per share, payable October 18, 2019. This represents a 13 percent increase versus last year.

### **Q1 and Fiscal 2020 Guidance**

Turning to guidance, our full year fiscal 2020 guidance includes:

- Revenue growth of 10 to 11 percent,
- GAAP earnings per share of \$6.35 to \$6.45, and
- Non-GAAP earnings per share of \$7.50 to \$7.60.

Our Q1 fiscal 2020 guidance includes:

- Revenue growth of 9 to 11 percent,
- GAAP loss per share of \$0.02 to \$0.04, and
- Non-GAAP earnings per share of \$0.23 to \$0.25.

We expect a GAAP tax rate of 21 percent for fiscal 2020. You can find our Q1 and fiscal 2020 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.

To recap, we had a great year and couldn't be more excited about the future as we head into fiscal 2020. I want to thank our employees, customers and partners for their contributions. I look forward to sharing more with you about the evolution of our strategy at our Investor Day on October 3rd.

As a preview of what you're going to experience at Investor Day, let me remind you what matters most to our customers. All of our customers have a common set of needs. They are all trying to make ends meet, maximize their tax refund, save money and pay off debt. And those who've made the bold decision to become entrepreneurs - and go into business for themselves - have an additional set of needs. They want to find and keep customers, get paid, access capital to grow and ensure their books are right.

That's why our mission is to Power Prosperity Around the World, and it's why our One Intuit Ecosystem focuses on unlocking the power of many for the prosperity of one.

The evolution of our strategy is to become an "A.I. driven expert platform." This is about becoming an open, trusted and easy-to-build-on platform where we and our

partners solve the most pressing customer problems and deliver awesome experiences. It's about significantly accelerating our application of Artificial Intelligence, which progressively learns from the rich data sets across the platform. To bring this strategy to life, we are applying A.I. to accelerate speed to benefit, revolutionizing our customers' experiences. We're also solving one of the largest problems customers face - lack of confidence - by connecting them with experts on our platform...and in doing so, we're a leader in digitizing the services industry. At the same time, we're helping customers make smart money decisions using A.I. and by connecting them to financial experts. For small business owners, we are focused on being the center of small business growth, using A.I. across our platform to expand the problems we can solve with our offerings. And last, we aim to disrupt the mid-market with a robust QuickBooks Online offering that grows with our customers.

We had a great year in fiscal 2019, and we're excited for what fiscal 2020 holds. Now let's open it up for questions 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 2020 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 2020 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: our ability to compete successfully; our participation in the Free File Alliance; governmental encroachment in our tax businesses, our ability to adapt to technological change; our ability to predict consumer behavior; our ability to protect our intellectual property rights; our reliance on third party intellectual property; any harm to our reputation; risks associated with acquisitions and divestitures; issue of additional shares as consideration or incurring 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; failure to process transactions effectively; interruption or failure of our information technology; ability to maintain critical third party business relationships; our ability to attract and retain talent; deficiency in quality, accuracy or timely launch of products; 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; seasonal nature of our tax business; changes in tax rates and tax reform legislation; global economic changes; exposure to credit risk of the businesses we provide capital to; amortization of acquired intangible assets and impairment charges; our ability to repay 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 2018 and in our other SEC filings. You can locate these reports through our website at <http://investors.intuit.com>. Fiscal 2020 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.