

Intuit Inc.
Second-quarter Fiscal 2020
Conference Call Remarks
February 24, 2020

Introduction

Good afternoon and welcome to Intuit's second-quarter fiscal 2020 conference call. I'm here with Intuit's CEO Sasan Goodarzi and Michelle Clatterbuck, our CFO. We are also joined by Ken Lin, founder and CEO of Credit Karma.

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 2019 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 2020 Overview

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

We posted strong results for the first half of fiscal 2020. I am also excited to announce that we reached an agreement to acquire Credit Karma, a

pioneer in the financial technology sector, for approximately \$7.1 billion. I could not be more enthusiastic about this transformational transaction, and I am thrilled to welcome the talented Credit Karma team. Ken Lin, the founder and CEO of Credit Karma, is with us today to talk about our shared excitement and commitment to one simple goal: empowering consumers to make smart decisions about their money. We posted a slide deck on our website containing an overview of the agreement which provides more details.

Let me start with a quick recap of the quarter.

We're half-way through fiscal year 2020 and continue to see strong momentum across the company, as we make progress on our strategy to become an A.I.-driven expert platform. Second quarter revenue grew 13 percent overall, fueled by 17 percent growth in the Small Business and Self-Employed Group and 8 percent growth in the Consumer Group. Revenue for the Strategic Partner Group grew 8 percent. With this strong performance, we remain on track to deliver our full-year revenue, operating income and EPS guidance.

Let me remind you of the customer problems we are addressing. All of our customers are consumers and 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. To solve our customers' most pressing problems, we remain focused on becoming an A.I.-driven expert platform.

We're working to achieve this strategy by pursuing five big bets. These include:

- 1) "Revolutionize speed to benefit" so our customers fall in love with the product instantly,
- 2) "Connect people to experts" to improve confidence,
- 3) "Unlock smart money decisions" to put more money back into our customers' pockets,

- 4) “Become the center of small business growth” by fueling our customers’ growth, and
- 5) “Disrupt the small business-mid market” with QuickBooks Online Advanced.

Throughout the call I will update you on where we stand on these bets.

With that context, let me start with tax. We are confident in our strategy and are on-track to achieve our full-year guidance.

As a reminder, there are four key drivers of our Consumer tax business.

- The first is the total number of returns filed with the IRS,
- The second is the percentage of those returns filed using DIY software,
- The third is our share within the DIY software category, and
- The fourth is the average revenue per return.

Based on the latest IRS data, the DIY software category is performing better than assisted, as it has for more than a decade. As the category leader, we view it as our responsibility to help drive category awareness

and growth, so we are pleased with this result. Through February 7, IRS data shows total e-filed returns are up 0.6 percent, with self-prepared e-files up 3.5 percent and assisted e-files down 3.7 percent. Based on what we are seeing our share within the DIY category is up year over year. We are growing the category and growing our share, which is right where we want to be.

Our strategy for the Consumer Group is to expand our lead in the DIY category, transform the assisted tax preparation category and disrupt consumer finance. This is all in service of helping our customers make ends meet and get their largest tax refund. Let me share a few specific examples of how we are delivering for our customers this season.

- Within the DIY category, which is \$3 billion in TAM, we are delivering enhancements to our Premier offering to better serve customers with investments. We are driving faster growth in underpenetrated segments, including Latinx and self-employed. And we are also expanding free eligibility to include all enlisted active duty military and reservists and providing historical tax return access for all customers.

- In the assisted category, which is \$20 billion in TAM, we continue to make progress with our second big bet to “Connect People to Experts” with TurboTax Live. We’re working to further increase customer confidence on our platform by enhancing first time use. This season, we improved accessibility to experts by offering customers the option to connect with an expert when they first sign in to TurboTax Live to address top of mind concerns. We also introduced real-time chat and a floating “Live Help” button to make it easier to connect with live help at all stages of the return process. We continue to accelerate the application of A.I. to create tools for experts to automate repetitive tasks, increase efficiency and drive an even better customer experience.
- Beyond tax, we continue to make progress disrupting consumer finance, which represents \$29 billion in TAM. This aligns with our third Big Bet, to “Unlock Smart Money Decisions” for consumers. Through our Turbo offering we are addressing key customer problems like managing debt, saving money and improving financial

health overall. We are building on last season's success by expanding the financial marketplace. We are now live with pre-qualification partners offering both credit cards and personal loans to help customers save more money, and to provide partners with more qualified leads. Nearly 25 percent of weekly active users have set a credit score, savings, or debt-related goal in Turbo, and we expect this to drive higher engagement over time. Acquiring Credit Karma expands our TAM from \$29 billion to \$57 billion, accelerating our time to market moving beyond tax while also developing new ways to monetize our offerings.

Turning to small business....

We delivered another strong quarter in our Small Business and Self-Employed Group with Online Ecosystem revenue growth of 35 percent, exceeding our target to grow more than 30 percent. We continue to solve key customer pain points as we execute on our big bets.

- We remain encouraged with our early results with QuickBooks Live, part of our second big bet to “connect people to experts,” opening access to a \$10 billion bookkeeping opportunity. QuickBooks Live solves one of our customers’ biggest needs - confidence and peace of mind - while helping experts grow their business and find new customers. We are now also offering set-up help, providing customers with confidence from the moment they subscribe.
- We’re working to achieve our vision of “being the center of small business growth,” our fourth big bet, by helping our customers get paid faster, manage capital and pay employees with confidence. We introduced a new payroll line-up featuring full-service across all offerings, as well as a TSheets integration for time tracking that’s resulting in customers adopting TSheets at three times the rate they did prior to launching the integrated offering and a “tax penalty free” guarantee for select offerings. We also introduced a feature that double checks customers’ overtime calculations, reducing the likelihood of fines and penalties.

- We continue to make progress on our fifth big bet, “disrupting the mid-market with QuickBooks Online Advanced,” our online offering designed to address the needs of small business customers with 10 to 100 employees. We developed this offering to help us increase retention of larger customers, and attract new mid-market customers who are over-served by higher-priced competitive offerings.

Approximately 75 percent of current QBO Advanced customers have traded up from our existing QBO product, unlocking benefits such as faster invoicing with batch import tools, automation, more customized fields and user permissions.

Credit Karma Acquisition

Now I want to address the news we announced today to acquire Credit Karma.

I have long been an admirer of the company that Ken and his team have built. As we have gotten to know each other, Ken and I realized we both

share one simple goal: empowering consumers to make smart decisions about their money.

This combination fits directly with Intuit's mission and long-term strategy.

Our mission is to power prosperity around the world. Our bold goal for 2025 is to double the household savings rate for customers on our platform. This acquisition is a giant step forward in achieving that goal and significantly accelerates execution of our big bet to “unlock smart money decisions.”

This big bet is aimed at helping consumers address the personal finance problems they face today -- helping them reduce debt, maximize savings and put more money in their pockets.

Today, many consumers struggle with not knowing or fully understanding where they stand with their finances, and they struggle to make ends meet. Household debt in the United States hit \$14.1 trillion. Twenty-three million consumers relied on at least one payday loan in 2018 to get faster access to cash. If consumers had the tools to better understand their financial health and opportunities to improve it, they could unlock billions of dollars of potential savings. For example, understanding the difference and availability of lower-cost personal loans versus higher-cost credit cards

could save consumers \$20 to 40 billion. And Credit Karma estimates that 80 percent of Americans overpay on car loans to the tune of \$37 billion, as there's no easy way to compare offerings. Consumers want to do better, and 60 percent say they are trying to improve their credit score, but they need help.

We aspire to do more, and Credit Karma is the perfect partner to help us do this. Credit Karma shares our goal of making it simple for consumers to make better decisions with their money through a platform that works like a personalized financial assistant, and helps consumers find the right financial products, puts more money in their pockets and provides them insights and advice. This platform will provide consumers with transparent access to their critical personal financial information - including their income, spending and credit history - to help them better understand their complete financial picture and use it to their advantage, such as obtaining better interest rates. The result will be a complete financial profile that puts the power in consumers hands so they can take the steps necessary to improve their financial health.

Let me tell you what this will look like. To find the right financial products, we will match consumers with pre-approved offers on personal loans,

home loans, credit cards and insurance. We will put more money in their pockets by connecting them to higher yield savings accounts and faster access to their hard-earned paycheck. We will also provide insights and connect them to experts to help consumers make better decisions about their money and improve their credit score. All this will be done by leveraging artificial intelligence and connecting consumers to over 100 financial partners on the platform, solving a two-sided problem.

This consumer finance platform offers compelling value for our financial institution partners, as we can provide efficient access to a broad set of qualified customers. While consumers strive to be more informed about their finances and want personalized offers from a trusted source, financial institutions want high-quality leads and face real challenges matching their products to the right customers. We can help them target their offers based on metrics like verified income and credit history, giving them the ability to reach qualified prospects.

Ken will get into this shortly, but Credit Karma's history is remarkable. The Credit Karma platform has attracted more than 100 million members, with 88 percent engagement via mobile among active users and over one-third of which are active on the platform each month. The platform has a Net

Promoter Score of 69. The company recorded revenue of approximately \$1 billion in calendar year 2019, growing 20 percent year-over-year.

Impressively, over 90 percent of Credit Karma's annual revenue results from existing members returning to the platform. Together, we can deliver unprecedented benefits to customers, combining the benefits of scale, trust and data.

Let me turn it over to Ken, Credit Karma's founder and CEO, to share his perspective on the transaction.

Thanks, Sasan. I'm incredibly excited about today's announcement. As Sasan mentioned through many conversations we have found a real shared goal for changing personal finance for the better of consumers.

When we started the company in 2007, we had a fundamental belief that consumers were being left behind in financial services innovation. We started the company with a mission to "Champion Financial Progress for All," with the intention of leveling the financial playing field for all consumers. In 2008, we launched the Credit Karma platform by providing consumers completely free credit scores. Now, twelve years later we have provided more than four billion credit scores and created a platform with

over 100 million members, over a third of which are active on the site every month. Notably, we are helping a new generation better manage their finances, as more than half of our members are under the age of 44. We use the term members because our users are unique, have verified information from a third party and begin an engagement loop with our products.

When we started this business we saw consumers lost in a sea of complexity and the opportunity for technology to make a difference.

Today, we are leaders and our business model is quite simple: we help consumers find the right product for them based on their credit and financial profile with their consent. Intuit enables us to strengthen this ability by allowing customers to add income data to that profile, enabling members to see more offers for which they qualify. Then, we simplify the application process, we help members significantly increase their probability of approval, and we help members transparently compare rates and features. We do this for credit cards, personal loans, auto lending, mortgages, high yield savings accounts, auto insurance, home insurance

and other verticals to come. So this opportunity is also meaningful and exciting for all our trusted partners, who believed in us and supported us throughout our history. These personalized recommendations are enabled by technology, and eight billion daily model predictions. Perhaps what I am most excited about is the real impact we've had on consumers' lives. As one example, we have seen meaningful increases in credit scores from members who regularly engage on our platform over time.

There are many reasons why it makes sense to join forces with Intuit right now. First and foremost, we have the ability to collaborate and bring technology solutions to solve real consumer problems. We see a platform which will provide consumers with transparent access to their critical personal financial information - including their income, spending and credit history - to help them better understand their complete financial picture and use it to their advantage, such as obtaining better interest rates. Our shared insights will significantly accelerate Credit Karma's mission and we will be able to make a larger impact on our customers more quickly than either of us are able to alone. With millions of customers, more financial

partners, and more resourcing, I am convinced we will be able to build a more valuable business that enables us to achieve our combined goals.

I also have to say that the culture and team Sasan has put in place are critical factors in our decision to join together. We are inspired by Intuit's mission to power prosperity around the world and our team is ready to join Intuit on that journey.

To each of my 1,300 Credit Karma colleagues (Karmanauts) - thank you. I am deeply proud of the company we have built and the culture we have created. We worked long and hard to get to a day like this, yet as I have always said -- this is just one step in our journey together. Our mission to champion our members' financial progress remains the same. Now, with our partnership with Intuit, we will have the resources and capabilities to achieve our goals in a remarkable, significant and impactful way.

I'll pass it back to you, Sasan.

Thanks, Ken. I'd like to add that while we see a lot of innovation and investment, we don't see anyone with our collective capabilities pursuing a

personalized financial assistant. This is why we believe this combination can transform FinTech and power the economy. We have the ability to bring together consumers and financial institutions in innovative ways that lower costs for all those involved and level the playing field for consumers of all economic status.

After the transaction closes, Ken will report to me, and continue to lead the Credit Karma team from its headquarters in San Francisco. Credit Karma will continue to operate under its current brand. Michelle will share the financial details of the transaction in a few minutes.

To wrap up, we are pleased with the continued momentum of our Small Business and Self-Employed Group, we remain laser focused delivering for our customers during tax season and I could not be more excited about the Credit Karma acquisition and the opportunity it provides us to power prosperity for our customers.

Now let me hand it over to Michelle.

Financial Results and Segment Details

Thanks, Sasan. Good afternoon everyone. I'll start by providing an overview of financial results in the quarter, and then share more details on the proposed acquisition of Credit Karma we announced today.

For the second quarter of fiscal 2020, we delivered:

- Revenue of \$1.7 billion, up 13 percent year-over-year.
- GAAP operating income of \$270 million, a 16 percent increase.
- Non-GAAP operating income of \$384 million, a 13 percent increase.
- GAAP diluted earnings per share of \$0.91, versus \$0.72 a year ago, a 26 percent increase.
- And non-GAAP diluted earnings per share of \$1.16, up from \$1.00 last year, a 16 percent increase.

Business Segment Results

Turning to the business segments:

Consumer and Strategic Partner Groups

Consumer Group revenue was \$499 million, up 8 percent for the second quarter. As we enter our third year of TurboTax Live, our technology-first

approach continues to give us confidence we can expand our Live offerings and maintain attractive Intuit operating margin longer-term. As Sasan shared earlier, we're now using A.I. to automate repetitive tasks for experts on our platform, which we expect to increase efficiency and drive an even better customer experience. Based on data published by the IRS, the broader tax season got off to a slow start through January, when total e-filed returns were down 0.7 percent. We remain confident in our plans and guidance for the year.

And in the Strategic Partner Group, professional tax revenue grew 8 percent in the second quarter, reflecting delivery of more forms during the second quarter as compared to the same period last year.

Small Business and Self-Employed Group

In Small Business and Self-Employed, revenue grew 17 percent during the second quarter, fueled by Online Ecosystem revenue growth of 35 percent. Our strategic focus within Small Business and Self-Employed is to grow the core, connect the ecosystem and expand globally.

- Starting with grow the core, QuickBooks online accounting revenue grew 43 percent in fiscal Q2, driven mainly by strong customer growth, and to a lesser extent higher effective prices and mix-shift.
- Second, we continue to make progress connecting the ecosystem. Online Services revenue - which includes payroll, payments, time tracking and capital - grew 23 percent in fiscal Q2. Within QuickBooks online payroll, we continue to see revenue tailwinds from a mix-shift to our full service offering. Within QuickBooks Online payments, revenue growth reflects continued customer growth, along with an increase in charge volume per customer.
- Third, our progress expanding globally added to the growth of Online Ecosystem revenue during fiscal Q2. Total international online revenue again grew over 60 percent.

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.

Desktop Ecosystem revenue was up 1 percent in the second quarter, in-line with our expectations, as QuickBooks Desktop Enterprise revenue grew at a double-digit pace in the quarter.

Credit Karma Acquisition

Let me now spend a minute on the Credit Karma acquisition that Sasan and Ken described earlier.

Intuit has agreed to pay total consideration of approximately \$7.1 billion to acquire Credit Karma, comprised of half cash and half stock. The total consideration is subject to customary adjustments and includes an estimated \$1 billion of equity awards that will be expensed over a period of up to three years. We will also deliver approximately \$300 million of retention equity through restricted stock awarded to Credit Karma employees that will be expensed over four years. We plan to finance the cash portion of the transaction through cash and our existing unsecured line of credit. We expect the transaction to close in the second half of calendar year 2020, subject to regulatory approval and other customary closing conditions. We do not foresee an impact to maintaining our

dividend and share repurchase principles due to the Credit Karma transaction.

We expect the transaction to be neutral to accretive to Intuit's non-GAAP earnings per share in the first full fiscal year after the transaction closes.

We will provide updated Intuit guidance once the transaction closes.

Financial Principles and Capital Allocation

Now, turning to our financial principles, we remain committed to growing organic revenue double-digits, and growing operating income dollars faster than revenue. Our financial principles in total have not changed and remain a durable framework for us.

- We finished the quarter with \$2.3 billion in cash and investments on our balance sheet.
- We repurchased \$139 million of stock in the second quarter. We have approximately \$2.4 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 April 20, 2020. This represents a 13 percent increase versus last year.

Q3 Fiscal 2020 Guidance

Turning to guidance, our Q3 fiscal 2020 guidance includes:

- Revenue growth of 10 to 11 percent,
- GAAP earnings per share of \$5.53 to \$5.58, and
- Non-GAAP earnings per share of \$5.90 to \$5.95.

We expect a GAAP tax rate of 21 percent for fiscal 2020. You can find our Q3 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.

I'd like to thank our employees, customers, and partners for another strong quarter. I'm excited about joining forces with Credit Karma, and the transformative experience we can offer customers together. We'll share more about our progress in the coming months. Now let's open it up for questions to hear what's on your mind.

Closing Comments After Q&A

Thank you everyone for your time and questions today. I'm excited for the progress we're making on behalf of customers today and the acceleration ahead with Credit Karma. I would like to close by thanking our employees. Last week, we were named #11 in Fortune's Top 100 Companies to Work For in the U.S. This is our second-highest ranking in the 19 years we've been on that list. Our employees' passion and commitment to power prosperity for our customers and in the communities we serve is what fuels our impact. It's an honor to work alongside them. Thank you everyone, looking forward to speaking with you on our next earnings call.

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; expectations regarding the timing, completion, financial performance and impact of the Credit Karma acquisition; and all of the statements under the heading "Q3 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; 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; 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 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; our ability to successfully market our offerings; failure to obtain required regulatory approvals in a timely manner or otherwise; failure to satisfy any closing conditions to the proposed acquisition of Credit Karma; risks associated with tax liabilities or changes in U.S. federal tax laws or interpretations to which the proposed transaction with Credit Karma or parties thereto are subject; failure to successfully integrate any new business; failure to realize anticipated benefits of any combined operations; unanticipated costs of acquiring or integrating Credit Karma; potential

impact of announcement or consummation of the proposed acquisition on relationships with third parties, including employees, customers, partners and competitors; inability to retain key personnel; changes in legislation or government regulations affecting the acquisition or the parties; and economic, and or political conditions that could adversely affect the acquisition or the parties. More details about these and other risks that may impact our business are included in our Form 10-K for fiscal 2019 and in our other SEC filings. You can locate these reports through our website at <http://investors.intuit.com>. Q3 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.

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any jurisdiction pursuant to the proposed transactions or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act. Subject to certain exceptions to be approved by the relevant regulators or certain facts to be ascertained, the public offer will not be made directly or indirectly, in or into any jurisdiction where to do so would constitute a violation of the laws of such jurisdiction, or by use of the mails or by any means or instrumentality (including without limitation, facsimile transmission, telephone and the internet) of interstate or foreign commerce, or any facility of a national securities exchange, of any such jurisdiction.

Additional Information

Important Additional Information Will be Filed with the SEC

Intuit will file with the SEC a registration statement on Form S-4, which will include the prospectus of Intuit (the “prospectus”). INVESTORS AND SHAREHOLDERS ARE URGED TO CAREFULLY READ THE

PROSPECTUS, AND OTHER RELEVANT DOCUMENTS TO BE FILED WITH THE SEC, IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT INTUIT, CREDIT KARMA, THE PROPOSED TRANSACTIONS AND RELATED MATTERS. Investors and shareholders will be able to obtain free copies of the prospectus and other documents filed with the SEC by the parties through the website maintained by the SEC at www.sec.gov. In addition, investors and shareholders will be able to obtain free copies of the prospectus and other documents filed with the SEC on Intuit's website at <http://investors.intuit.com>.