Intuit Inc.
Third-Quarter Fiscal 2009
Conference Call Remarks

May 20, 2009

Introduction

Good afternoon and welcome to Intuit's third-quarter 2009 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 2008 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 report are presented on a non-GAAP basis. We've reconciled the comparable GAAP and non-GAAP numbers in today's press release.

A copy of our prepared remarks and supplemental financial information will be available on our Web site after this call ends.

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

Third Quarter Overview

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

Today we announced third-quarter revenue growth of 9 percent and non-GAAP operating income growth of 15 percent. Both results are at the upper end of the guidance we provided last quarter. I'm pleased with our performance in several key areas.

- Consumer Tax had another successful season. Customers grew by 11 percent and our data suggests we gained share overall, with very strong performance in the online segment.
- At the company level, our revenue generated from connected services has grown 15 percent year-to-date and is now 56 percent of total revenue.
- And we continued to grow our operating income faster than revenue by increasing our productivity while continuing to be disciplined in our resource allocation.

With three quarters in the books, we're narrowing our full-year revenue and earnings guidance. We're still within our previously guided range, and are on track to deliver another strong year.

I'll share more of my perspective later, but first, let me turn it over to Neil to walk us through the financial results.

Financial and Segment Highlights

Thanks Brad. Let's start with companywide results:

- Third-quarter revenue was $1.4 billion, up 9 percent year-over-year.
- Non-GAAP operating income totaled $837 million, up 15 percent.
- Non-GAAP diluted EPS was $1.68, up 21 percent, and GAAP diluted EPS was $1.47, up 11 percent.
- Cash from operations was $935 million, up 12 percent year-over-year.

As Brad mentioned, revenue and non-GAAP operating income came in at the upper end of our expected range. We're pleased we've been able to demonstrate the operating rigor to consistently deliver operating income leverage.

Business Segment Results

Now let's review the business segment results, starting with the **Tax segments**. I'll focus on year-to-date results for the Tax segments because that's most relevant given where we are in our reporting cycle.

Consumer Tax third-quarter revenue was $777 million. Year-to-date revenue was up 7 percent from last year. And year-to-date total Consumer Tax units were up 11 percent.

Revenue per return was in line with last year, but total revenue did not come in where we expected. The shortfall was primarily due to our decision partway through the tax season to eliminate charges for multiple returns prepared with the TurboTax desktop product. While we anticipated an adverse impact from the change, we expected to make up the shortfall with higher unit volume. But though the season-end peak was higher than last year, it wasn't as high as we expected.

That said, our free offering performed as expected and brought in lots of new, profitable customers. And we gained share versus low-priced competitors and tax stores. We are still analyzing the season and will have more information at investor day.

Our **Accounting Professionals** segment wrapped up a very good year. Revenue for the quarter was $179 million, and year-to-date revenue was up 8 percent.

Let's turn to **Small Business.** While the environment remains difficult for our small business customers, we offer solutions that help people save and make money.

Customers are responding to that. Third-quarter revenue was $307 million, which is 1 percent higher than the third quarter of last year. We also continued to grow customers.

Within Small Business, **QuickBooks segment** revenue totaled $149 million, down 8 percent from last year. QuickBooks units grew 7 percent for the quarter, and are up 4 percent year-to-date. Given the environment, we're pleased that we increased our total units, especially considering the strong quarter we had a year ago. And unit growth is key to the health of the Small Business ecosystem because it gives us the opportunity to monetize these customers over their lifetime through cross-sell and up-sell efforts.

The Payroll and Payments segment had another good quarter, with revenue of $157 million, or 11 percent growth. Our payroll retention rate remains in the mid-80s, and our customer base grew year-over-year. We are particularly pleased with the growth in our online payroll product. The opportunity to sell payroll solutions to customers who are outside the QuickBooks base is very attractive. Our payments business is also holding up well, and we grew customers 12 percent. Average charge volume per merchant remains lower than last year, although the 8 percent decline this quarter is in line with our expectations.

The Financial Institutions segment had revenue of $78 million in the third quarter, or 3 percent growth. We see strong customer interest in our FinanceWorks products and we're pleased to see increasing growth in our user bases. We had 5 percent growth in Internet banking users and 20 percent growth in bill pay users.

Balance Sheet and Stock Repurchase Program

On the balance sheet, we ended the quarter with $1.7 billion in cash and investments. We still expect to generate about $900 million in operating cash for the year. We did not repurchase shares this quarter and have $400 million remaining in the current authorization. Capital expenditures for the quarter were $31 million and we're on track to hit our $200 million capital spending estimate.

We have a strong balance sheet that allows us to take advantage of strategic opportunities. Our preferred use of cash is to drive growth by investing in the businesses we have, or in strategic acquisitions. Each of our businesses has an inorganic roadmap that's part of their long-term strategy. In general, we look for skills, technology and products that will accelerate our ability to grow. We expect a risk adjusted return of about 15 to 20 percent on our investments. We continue to invest in internal development and we made a couple of very small technology buys in the second and third quarters.

Fiscal 2009 and Updated Tax Guidance

Turning to guidance, with three quarters in the books, we're tightening our full-year guidance range.

Fiscal 2009 guidance is now:

- Revenue of $3.155 billion to $3.185 billion, which is annual growth of 3 to 4 percent.
- Non-GAAP operating income of $918 million to $938 million, which is annual growth of 7 to 10 percent.
- Non-GAAP diluted EPS of $1.78 to $1.82, which is annual growth of 11 to 14 percent.

Full-year Consumer Tax segment revenue guidance has been updated to $980 million to $990 million, which is annual growth of 5 to 7 percent. All other segment revenue guidance remains the same.

And now I'll turn it back to Brad.

Business Perspective

Thanks Neil.

As we said last quarter, good companies find ways to capitalize on difficult times to strengthen their position. That is what we are doing.

Our goal remains the same: to be an innovative growth company that empowers consumers and small businesses to achieve their dreams. We contribute to their success by helping them save and make money with our easy-to-use connected services.

We're seeing tangible results from the five-point plan we put in place last fall to execute through this downturn. As a result, we're growing our customer bases and continuing to drive revenue and operating profit growth. Here are some examples:

- The first principle of our plan is our laser focus on customers. Growing our customer bases remains our number one goal.
  - You can see the results in Consumer Tax, where we grew customers 11 percent year-over-year, with 36 percent growth online. That's faster than the category and resulted in a 5 to 6 point gain in online share.
  - You see similar results in Small Business, where QuickBooks units have grown the past two quarters in a very tough environment, and we've gained 3 points of unit share.
  - Our Financial Institutions business is also accelerating customer growth, driven by our improved online banking offering and a streamlined bill-pay process that improves ease of use for end users.

- The second principle is to deliver operating income, in spite of pressure on the top line. Our operating income increased 15 percent this quarter and we expect to end the year with operating income up 7 to 10 percent.

    - We took a hard look at resource allocation last year, focusing on our G&A processes and other investments. And we will continue to make tough decisions to make sure we're allocating our resources to the highest-yield opportunities.

- Our third principle is going for growth. We're investing to grow share so when this turbulent time ends, we'll be ahead of the game.
    - Our free initiatives are working. We're bringing new customers into the franchise and we've been able to monetize them. For example, our Simple Start free offering generated about $30 per customer in the first 12 months. We've now increased that to about $40 per customer by improving our cross-sell and up-sell efforts.
    - TurboTax Free remains an extremely effective way to bring new customers into our tax franchise, and maintained our price per return and segment margin.
    - We also continue to grow our Payroll segment. Our Online Payroll product is gaining strong momentum, adding thousands of new customers each month and extending our payroll franchise outside of the QuickBooks base.

- Our fourth principle is protecting and nurturing innovation. In an environment like this, it would be easy to scale back on innovation. But we're putting it front-and-center. Even as we adjust our short-term spending, we're planning for long-term growth by keeping the ideas flowing and exploring new markets.
    - For example, we recently launched our Quicken Health Expense Tracker offering through Cigna, with two additional plans in the queue in the coming months. This is an online tool that makes it easier to keep track of your medical bills and resolve physician charges.
    - We're also making tangible progress in the mobile space. A couple of weeks ago, we launched Quicken for the iPhone. And we are launching GoPayment, a mobile application that allows small businesses to process credit card payments on their mobile phones.
    - And our internal pipeline of innovative offerings has never been stronger.

- Our fifth and final principle is capitalizing on opportunities for strategic alliances, mergers and acquisitions. Our strong balance sheet makes it possible to invest for the long-term and take advantage of M&A opportunities when they make sense. Not all of our acquisitions and partnerships make headlines, but even the small ones can move the strategy forward.
    - For example, we made a technology purchase in Q2 that should accelerate our delivery of CRM offerings to our small business customers.
    - This quarter we purchased technology to help users understand and manage their online reputations.

    - And we recently signed two strategic partnerships that integrate FinanceWorks into our partners' banking channels.

As Neil mentioned earlier, we continue to evaluate opportunities of all sizes, and have rigorous ROI hurdles in place to ensure we continue to effectively allocate the company's capital relative to alternative uses of cash.

Together, these five operating principles are working. They're delivering concrete results, extending our leadership position, and helping us succeed. And they're enabling us to help our customers do the same. We're on track to deliver a solid year in a very difficult environment. And we're setting ourselves up for even stronger results in the future.

With that, let's go to your questions.

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 2009 and beyond; our guidance for fiscal 2009, including all of the statements under the heading "Fiscal 2009 and Updated Tax Guidance"; our expectations regarding monetization of customers and delivery of offerings to our customers; and our expected return on our investments.

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 or public policy affecting the preparation and filing of tax returns could negatively affect our operating results and market position; if economic and market conditions in the U.S. and worldwide continue to decline, our customers may delay or reduce technology purchases which may harm our business, results of operations and financial condition; 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 deliver products and services 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 2008 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 May 20, 2009, and we do not undertake any duty to update any forward-looking statement or other information in these remarks.