Intuit Inc.
Fourth-Quarter Fiscal 2009
Conference Call Remarks

August 20, 2009

Introduction

Good afternoon and welcome to Intuit's fourth-quarter and fiscal year 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.

Fiscal Year 2009 Overview

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

Today we announced fiscal year 2009 results with revenue growth of 4 percent and non-GAAP operating income growth of 9 percent. These results are at the upper end of the guidance we provided last quarter.

I'm proud of what we accomplished this past fiscal year. Because when it was all said and done, we had a good year.

- We responded quickly to the challenging macro-economic environment, defined a game plan to play offense in the downturn and executed well.
- In doing so, we grew our customer bases and gained share in all of our key businesses, generating top-line revenue growth.
- We also delivered solid operating income growth, margin expansion, and double-digit EPS growth through a relentless focus on operational discipline.
- Throughout the year, we kept our eyes on the horizon and made the necessary investments to build the foundation for an even stronger future.

- We made smart internal investments in R&D and new product innovation, and closed on strategic acquisitions that better position us for future growth.
- And finally, we continued our evolution to an increasingly “connected services” company. Over 56 percent of our company’s revenue comes from these services and they grew 14 percent in FY09.

Like I said, we had a good year. But not a great one. We can do better.

We learned a lot this past year. And as we look ahead, we’re applying the lessons we’ve learned. We’re entering the new fiscal year with a stronger foundation of assets, a robust pipeline of new innovative ideas, and an increased intensity in our operational rigor to deliver stronger results.

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

Financial and Segment Highlights

Thanks Brad. Let’s start with total company performance for fiscal year 2009. Our financial results were:

- Revenue of $3.2 billion, up 4 percent on a year-over-year basis.
- Free cash flow, defined as cash from operations minus capital expenditures, grew 20 percent, to $630 million.
- Non-GAAP operating income of $931 million, up 9 percent.
- Non-GAAP diluted EPS was $1.82, up 14 percent, and GAAP diluted EPS was $1.35, down 4 percent.

  As you may recall, last year we recorded a pre-tax gain of $52 million for the sale of certain payroll assets to ADP, which added approximately 10 cents to GAAP EPS. We also had an 8-cent gain in GAAP EPS from discontinued operations from the sale of IDMS. Without these items, our FY09 GAAP EPS would have grown 10 percent, in line with our non-GAAP results.

  In FY09, both our GAAP and our non-GAAP EPS benefited from certain tax items. We had a GAAP effective tax rate of approximately 31 percent due to tax benefits from a favorable settlement of prior-year issues and the retroactive reinstatement of the R&D tax credit. These benefits added 8 cents to our 2009 EPS.

Fourth-quarter results were:

- Revenue of $476 million, flat to last year.
- A non-GAAP operating loss of $49 million versus a loss of $41 million in the prior year.

Both the GAAP and non-GAAP results include the $9 million charge we took for the write-down of assets and consolidation of workforces associated with the PayCycle acquisition that closed July 23. The operating charges associated with the acquisition were offset by our resource allocation efforts. Fourth-quarter results also include a $10 million charge we took for severance and facilities closures related to a reallocation of resources, primarily in the Small Business Group. We expect margin improvement in that segment as we see the benefits of these resource allocation decisions going forward.

As Brad mentioned, we applied the discipline necessary to achieve strong operating results. We're not going to let up as we enter the next fiscal year.

Business Segment Results

Before we turn to the segment results, let me explain some changes we've made that affect the way we report our results.

In the fourth quarter, we aligned our Small Business workforce with our long-term growth strategy to maximize our effectiveness across the small business ecosystem. The changes let us more effectively apply our resources across our offerings and improve our ability to make trade-offs that serve small business customers while accelerating growth. The three operating segments included in the Small Business Group are:

- **Financial Management Solutions**, formerly known as QuickBooks.
- **Employee Management Solutions**, formerly known as Payroll.
- And **Payments Solutions.**

Beginning this quarter, we will report the results of all three main businesses in the Small Business Group. Guidance will be provided only at the Small Business Group level. Please refer to the Fact Sheet to see these changes and the associated metrics.

Now let's look at the results.

Total **Small Business Group** revenues grew 4 percent for the year, and 1 percent for the fourth quarter.

Within the Small Business Group, our **Financial Management Solutions** segment, which we used to call QuickBooks, finished the fourth quarter with $135 million in revenue, or a 5 percent decline over a very strong quarter a year ago. Our relative share in the category has improved and we've successfully focused on growing the category over the past few quarters. We had 12 percent unit growth in the fourth quarter. And in June, we drove a 57 percent increase in unit growth at retail in the accounting software category through online promotions.

The Employee Management Solutions segment, formerly Payroll, had revenue of $91 million in the fourth quarter, or 5 percent growth. We had flat customer growth, 9 percent with the addition of PayCycle. We completed the acquisition of PayCycle in the fourth quarter, expanding our online payroll capabilities and strengthening our position as a leader in small business SaaS. The acquisition is expected to be neutral to FY10 earnings.

The **Payments Solutions** segment had $76 million in revenue in the fourth quarter, or 10 percent growth. Customer growth continues to be strong at 14 percent. Charge volume remains lower than last year, but seems to be stabilizing with a 9 percent year-over-year decrease in the last three quarters.

In the tax segments, our **Consumer Tax** business ended the year with 7 percent revenue growth and 12 percent unit growth. Remember that this past year we eliminated charges for multiple returns prepared with TurboTax desktop. We executed well and took share online and from tax stores. We've also learned that this tax season was somewhat atypical. Historically, we've seen about 1 to 2 percent growth in overall tax filers. It appears that this year, the total number of filers didn't grow as it had in past years, similar to what has happened in past recessions.

Our **Accounting Professionals** segment executed well, ending the year with $352 million in revenue and 8 percent growth. We continue to focus on increasing accounting professionals' productivity and growing their practices.

Our **Financial Institutions** segment achieved 4 percent revenue growth for the year and is exiting the fourth quarter with a 6 percent run rate – not as strong a finish as we expected earlier in the year, but strong performance considering the overall state of the financial services sector. We're pleased with the success our FinanceWorks products enjoyed in their first year of release. And we're entering the new fiscal year with momentum.

Capital Resource Allocation

We generated $812 million in cash from operations this year. We repurchased $100 million of Intuit shares in the fourth quarter, $300 million for the full year. We invested $187 million in strategic acquisitions Brad referred to earlier and $182 million in capital expenditures. We ended the fourth quarter with $1.4 billion in cash and investments.

Our financial operating principles served us well in fiscal 2009. Going forward, we expect to continue to grow revenue faster than expense, and generate operating income leverage and strong cash flows, in line with our operating income. Discipline is key. We weigh both internal and external investments carefully. We expect all of our investments to generate a risk-adjusted return of 15 to 20 percent over a five-year horizon. Internal investments include R&D, specific initiatives related to selling and marketing, and infrastructure. Within the investment horizon, we have explicit milestones that have to be met before we release further funding. External activities may include strategic acquisitions, partnerships and joint ventures.

We expect to maintain approximately $1 billion of cash and investments to ensure we have the liquidity we need to run the business and take advantage of strategic opportunities as they arise. This amount may fluctuate by $500 million based on the seasonality of our business and on other changes in business conditions. Resources that are not invested as I described earlier, or are required for general liquidity, will be returned to shareholders. In the past, share repurchases have proved to be the most effective way for us to do this.

Fiscal 2010 and Q1 FY10 Guidance

As we provide guidance for the coming quarter and fiscal year, let me be clear: Our plans for 2010 assume that general economic conditions remain much as they are today. We are not expecting a strong rebound or significant weakening. Until we see sustainable improvement in indicators such as retail sales and new business starts, we will continue to utilize the game plan for managing in a downturn.

With that caveat, our fiscal 2010 guidance is:

- Revenue of $3.30 billion to $3.43 billion, which is annual growth of 4 to 8 percent.
- Non-GAAP operating income of $985 million to $1.025 billion, which is annual growth of 6 to 10 percent.
- Non-GAAP diluted EPS of $1.89 to $1.96, which is annual growth of 4 to 8 percent.
- GAAP EPS of $1.49 to $1.56, or growth of 10 to 16 percent.
- Capital expenditures of $150 million.

We expect the following revenue growth by segment:

- Small Business Group: 4 to 8 percent.
- Consumer Tax: 5 to 9 percent.
- Accounting Professionals: 3 to 7 percent.
- Financial Institutions: 6 to 10 percent.
- Other Businesses: 6 to 10 percent.

For the first quarter of fiscal 2010, we expect:

- Revenue of $479 million to $493 million, or growth of zero to 2 percent versus the year-ago quarter.
- A non-GAAP operating loss of $79 million to $60 million, versus a loss of $30 million in the year-ago quarter.
- A non-GAAP loss per share of 19 cents to 15 cents, versus a loss of 9 cents per share in the year-ago quarter.

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

Business Perspective

Thanks Neil.

As we've said all year, good companies find ways to capitalize on difficult times to strengthen their position. That is exactly what we've been doing.

We saw tangible results from the game plan we established last fall to execute through this downturn, growing our customer bases, expanding our share and continuing to drive revenue and operating profit growth.

Through it all, we haven't lost sight of our long-term objective: to be an innovative growth company that helps consumers and small businesses achieve their dreams. We contribute to our customers' success by solving their most important problems in ways that help them put more money in their pockets. And we do it with solutions that are easier to use and a better value than other alternatives in the market.

While we have strong leadership positions in our core businesses, we still have plenty of headroom for growth. Many of our flagship products are category leaders, but have low penetration relative to the overall market opportunity. That is why we focus on growing the categories, bringing in new users, and growing our revenue and operating profit as a result.

As we look to the future, we see several growth catalysts that will serve us well if we capitalize effectively.

- The first catalyst is the demographic shift. The next generation of customers entering the market are 20-something "do-it-yourselfers" who grew up with technology as a part of their lives. They typically look first to software and services to address the kinds of problems we solve, and that fuels growth in the categories where we participate.
    - For example, many of the 5 million new tax filers entering the market each year are younger, first-time filers, who turn to the web to solve most of their problems. That's one of the primary reasons why the tax software and Web segment has grown four times faster than the next closest alternative for the past five years.
- The second catalyst is a technology shift to more connected services. End users expect to be able to work on a desktop, over the Web or using their mobile devices. Our leadership positions in both desktop and online, combined with our recent expansion onto mobile devices, positions us well for this transition.
    - A case in point is our own line-up of software-as-a-service offerings, which now account for over $900 million of our revenue and grew 22 percent this past year, much faster than the company average.

- The third catalyst is a shift to increasingly open environments, where more value is created as the user base grows. With more than 40 million end users as customers, combined with our push to more user-contribution platforms and services, our large customer bases are a valuable asset.
    - This year our introduction of “live community” support in 11 of our product offerings enabled millions of questions to be answered by other customers in ways that we could not have delivered on our own.
- The fourth catalyst for growth is global expansion. As the economy becomes more global, and the ability to localize services becomes easier using hosted technologies, our ability to move into new markets is even more opportunistic and compelling.
    - You’ll hear more about these global opportunities as we share greater details around our in-market tests and product launches in India and Southeast Asia in the coming fiscal year.

With these external catalysts playing in our favor, our business strategy is clear.

- Our first strategy is to continue to drive growth in our core businesses, where we still have lots of headroom. It is a good time to be in the business of helping your customers manage their financial lives, and doing it in ways that are easier and a better value than other alternatives. This simply works, and we’ve shown that we can grow our core businesses, even in a tough economy.
- Our second strategy is to build adjacent businesses and enter new geographies. We won’t stray too far from what we are good at, which is helping customers put more money in their pockets. Instead, we’ll look to repeat success like we’ve had in small business payroll and payments in other related areas that help end users save and make money.
    - For example, one of the ways we’ll monetize our new Quicken Health Expense Tracker product is by having customers make online payments using our payments capabilities. By finding the intersection between their healthcare needs, their financial decisions and our core capabilities, we believe we can create a new business.
    - I’ll give you another example: mobile card acceptance. As you’ve probably seen, we introduced GoPayment, which helps small businesses give a mobile phone the ability to accept electronic payments. It works on the iPhone. It works on the iPod Touch. It works on the Palm Pre. It works on any mobile phone with a Web browser.
- And finally, our third strategy is to continue our transformation into a connected services company. As an industry analyst recently reported, Intuit is already the third-largest cloud computing software company in terms of revenue, and growing very quickly with leadership positions in most of the categories we serve. We’re not playing catch-up here; we’ve been quietly leading the way.

Like the products we build, we like to keep our growth strategies simple. As a result, our highly engaged workforce, our customer-driven passion, our technical flexibility and our operational discipline have enabled us to build a strong and durable company. And if we capitalize on these growth catalysts and continue to execute our game plan effectively, we believe our future remains quite promising.

In closing, there's no question in my mind that the coming year will be just as challenging as the past year has been, but I believe we are well positioned to deliver another strong year in FY'10. I'd like to thank our employees who have worked tirelessly this past year, and have continued to execute with enthusiasm and dedication. In my book, they are second to none.

Now let's go to your questions.

About Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures. These measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with Generally Accepted Accounting Principles ("GAAP"). These non-GAAP financial measures do not reflect a comprehensive system of accounting, differ from GAAP measures with the same names and may differ from non-GAAP financial measures with the same or similar names that are used by other companies.

We compute non-GAAP financial measures using the same consistent method from quarter to quarter and year to year. We may consider whether other significant items that arise in the future should be excluded from our non-GAAP financial measures. We believe that these non-GAAP financial measures provide meaningful supplemental information regarding Intuit's operating results primarily because they exclude amounts that we do not consider part of ongoing operating results when planning and forecasting and when assessing the performance of the organization, our individual operating segments or our senior management. Segment managers are not held accountable for share-based compensation expenses, acquisition-related charges, or the other excluded items and, accordingly, we exclude these amounts from our measures of segment performance. We believe that our non-GAAP financial measures also facilitate the comparison by management and investors of results for current periods and guidance for future periods with results for past periods.

The tables that accompany the press release issued by Intuit on August 20, 2009 provide more details on Intuit's historical performance and financial projections, a description of our non-GAAP financial measures, including the reasons management uses each measure, and reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures. A copy of the press release can be found on the investor relations page of Intuit's web site at www.intuit.com/about_intuit/investors.

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 2010 and beyond; our guidance for fiscal 2010, including all of the statements under the heading "Fiscal 2010 and Q1 FY10 Guidance," our assessment of our growth potential and opportunities for our businesses; our assessment of expected growth in internal and external investments; expected growth in our businesses and our connected services and the future performance of our large growth engines and longer term initiatives. 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 August 20, 2009, and we do not undertake any duty to update any forward-looking statement or other information in these remarks.