Intuit Inc.
Second-Quarter Fiscal 2010
Conference Call Remarks
February 18, 2010

Introduction

Good afternoon and welcome to Intuit's second-quarter 2010 conference call. I'm here with Brad Smith, our president and CEO; Neil Williams, our CFO.

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 2009 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. Note also that the sale of our Real Estate Solutions business, completed in January, is accounted for as a discontinued operation. That means the Real Estate Solutions net operating results appear on the discontinued operations line. These results are excluded from the operational results, operational guidance figures, and non-GAAP EPS for all periods presented. GAAP EPS includes the gain on the sale of our Real Estate Solutions business.

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.

Second Quarter 2010 Overview

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

We are very pleased with our fiscal second quarter results. Revenue and EPS exceeded the top end of our guidance, growing 8 percent and 12 percent, respectively. While it's still early in the season, we feel confident in our ability to perform well in the second half. Therefore, we're raising our revenue and earnings guidance for the year. We now expect revenue to grow 6 to 9 percent, up from our prior guidance of 4 to 8 percent. And we expect non-GAAP EPS growth of 8 to 12 percent, up from our prior guidance of 4 to 8 percent as well.

Here's my perspective on these results.

In a headline, Intuit is both uniquely advantaged, and is helping drive the shift to a connected services economy. Everywhere you look, services are transitioning from paper-based, human-produced and brick-and-mortar bound to services that are produced, marketed and delivered through connected devices. Small businesses are abandoning the shoe box for connected services. Taxpayers are moving beyond a tax form at the post office or a visit to a local tax store to the more preferred method of completing their taxes online. And the same structural shift holds true for online banking, electronic payments, online payroll, and even the shift to electronic health care.

This connected services tide will only strengthen as the next generation of customers enters the market, having grown up with the Web, video games and smart phones. And delivering connected services makes it convenient for customers to be served anytime, on any device.

This structural shift in the marketplace is providing a tailwind to our business performance, and reinforces the viability of our three-point strategy, which focuses on:

- Driving growth in our core businesses.
- Building adjacent businesses and expanding into new geographies.
- And accelerating our transition to connected services.

This quarter's results once again demonstrate that our strategy is working. Here are a few examples, starting with the first component of our strategy, driving growth in our core businesses:

- In Consumer Tax, the shift to connected services continues to fuel category growth for the tax software and Web category. Q2 revenue was up 15 percent. That growth was helped by having an extra weekend day at the end of the month when compared with last year. Through February 13th, total TurboTax federal units are up 11 percent. We're growing share in the desktop *and* online categories, and we're increasing revenue per return. We now believe the Consumer Tax business will grow 8 to 12 percent this year versus the 5 to 9 percent we had estimated last August. It's early in the season, but we're off to an excellent start.
- In small business, our Employee Management Solutions and Payment Solutions segments both grew revenue double digits and grew revenue per customer compared to the second quarter of last year. These results were driven by the strength of Intuit's Online Payroll service, as well as the continuing adoption of electronic payments by small businesses.
- Our Financial Institutions segment reported 10 percent revenue growth, driven by strong online banking and bill pay user growth, and positive early results for TurboTax for Online Banking. TurboTax for Online Banking is a great example of how we can leverage capabilities between multiple segments to create a compelling new offering that solves important customer needs in innovative ways, and is not easily matched by competitors. It also shows how we can leverage the banking channel to reach new customers. This is what we had in mind when we made the Digital Insight acquisition.

The second component of our strategy is to build adjacent businesses and expand into new geographies. We're seeing strong progress here, as well:

- Intuit Website customers grew 63 percent, and we've more than doubled the Homestead customer base since completing the acquisition at the end of 2007. These customers are largely new to the franchise, and we're excited about the potential for these customers to adopt additional Intuit services such as e-mail marketing and payments.
- Our health care initiative continues to show promise. Quicken Health Expense Tracker, a Web-based offering, is now in market and available to more than 26 million health plan members. We've gone from fewer than 10,000 to more than 40,000 users in the past three months.
- And Intuit's first product for the global market, Intuit Money Manager, was launched in India on December 29th. In the first four weeks, we had over 10,000 registered users actively using this online service, and the early feedback is promising.

In each of these cases, customer growth is ahead of expectations, but let me be clear: While we are attempting to be more transparent about early results, it is still premature to bank on any material near-term revenue. We do believe these efforts will add a couple of points of revenue growth at the company level over the next three years.

The third component of our strategy is to continue to accelerate our transition to connected services. You've already heard me talk a lot about connected services, but let me share some key results in this area:

- Over half of the company's revenue is generated from connected services, and roughly one-third is generated from what is called "software-as-a-service" offerings.
- In the second quarter, we generated a 22 percent growth in our connected services revenue, driven by TurboTax Online, Digital Insight Online Banking, Intuit Online Payroll, QuickBooks Online and other small business services.
- In every category we serve, Intuit has the leading software-as-a-service offering as measured by customer satisfaction and user share. For example, QuickBooks Online, which grew its customer base 14 percent this quarter, has more active users than all other small-business online accounting software offerings combined.
- We are continuing to build our portfolio of new connected services that customers love:
    - In addition to the acquisitions of such great companies as Homestead Websites, PayCycle's Online Payroll, and Mint.com, we're building great offerings as well.
    - In the mobile application space, we recently launched SnapTax in California. This application allows Californians filing simple tax returns to take a picture of their W-2 using their iPhone, and have the data automatically pre-populate their tax return without the need for data entry. Early feedback has been very positive, and we expect to roll it out more broadly in the future.

Our offerings have a significant effect on our customers' lives where it matters most: in their wallets. Nothing excites us more than delivering on our mission of improving someone's financial life so profoundly, they can't imagine going back to the old way of doing things.

All of this didn't happen overnight. Last year we talked about investing through the downturn and we're seeing some tangible results. We'll continue to make smart investments like these to solve important customer problems, and accelerate our revenue growth and profitability as a result.

Now let me turn it over to Neil to share some of the operational details.

Financial and Segment Highlights

Thanks Brad. Let's start with companywide results for the second quarter:

- Revenue of $837 million, up 8 percent and more than $20 million over the top end of our guidance range, adjusted for the sale of the Real Estate Solutions business.
- Non-GAAP operating income of $206 million, up 20 percent, and $31 million over the top end of our guidance range. Year-to-date, the non-GAAP operating margin is up 100 basis points, indicating our efforts to continue to improve operating leverage are paying off.
- Non-GAAP diluted earnings per share of 38 cents, 6 cents better than the top end of our guidance range.
- On a GAAP basis, operating income was $139 million. And GAAP diluted EPS was 35 cents, 17 cents better than the top end of our guidance range and up 35 percent from the same period last year. The GAAP results include the 10-cent gain from the sale of our Intuit Real Estate Solutions business.

Turning to the business segments:

Tax

Our **Consumer Tax** group had revenue of $216 million in the second quarter, up 15 percent from last year. We've seen very strong early season filing, particularly on the Web. We're seeing a nice increase in revenue per customer, driven by continued conversion from free to paid, and continued improvements in product mix. It's early in the season. Typically, more than two-thirds of our tax units are sold in our third quarter. But based on the strength of the early season, we now expect Consumer Tax revenue to grow 8 to 12 percent, up from 5 to 9 percent.

The Accounting Professionals segment had revenue of $124 million, down 7 percent from last year. We previously told you about a revenue shift of $9 million that was deferred from Q2 to Q3, so this is not unexpected. Revenue in Q2 would have been roughly flat if not for that change. We still expect a nice season in this segment.

Small Business Group

In our **Small Business Group**, total revenue was up 5 percent. The growth was driven by Payment Solutions revenue, which was up 14 percent, and Employee Management Solutions revenue, up 12 percent. Though Financial Management Solutions revenue was down 3 percent, revenue per customer was up for the quarter and year-to-date because we offered fewer promotional discounts on QuickBooks than we did last year. QuickBooks unit growth may lag revenue as we go through this pricing transition, but we continue to believe there is a large opportunity to grow penetration in this market. And this quarter we had very strong growth in QuickBooks Online and Intuit Websites. We believe services like those will be effective front doors to the small business franchise. We're leading more with those offers and reducing our emphasis on Simple Start Free for the desktop.

Payments customers were up 13 percent, which makes this another strong growth quarter. Charge volume per merchant was down only 3 percent in Q2 versus 9 percent a year ago and 8 percent last quarter. This is a welcome sign that consumer spending seems to be stabilizing.

We're continuing to see nice growth from Intuit Online Payroll and steady retention of our existing Payroll customers.

Financial Institutions

The Financial Institutions division had a very strong quarter in what continues to be a tough environment for the financial sector. Revenue grew 10 percent and bill pay users grew 16 percent. For the first time we've integrated our TurboTax Online product with Digital Insight's online banking platform, making it easier for our financial institution customers to offer online tax preparation to their customers. About 1,200 financial institutions are actively offering TurboTax for Online Banking this season. The revenue for TTOB is reported in the Financial Institutions segment, though the units are included with the TurboTax Web totals. TTOB revenue contributed about 2 points of the Financial Institutions segment revenue growth.

Other Businesses

Our Other Businesses segment posted revenue growth of 38 percent in Q2 driven primarily by strength in Personal Finance. The Personal Finance business is benefiting from a strong new Quicken desktop release and the Mint acquisition. Mint registered-user growth has accelerated since the acquisition.

Balance Sheet and Capital Allocation

We continue to generate strong cash flows, in line with our operating income. Free cash flow more than doubled in Q2 versus Q2 of last year. And we exited the quarter with $1 billion of cash and investments.

We purchased $250 million of Intuit stock in the second quarter and have $350 million remaining on our authorization. We expect to continue to repurchase Intuit securities in the market.

Guidance

As Brad mentioned, we are updating our outlook to reflect the stronger than expected tax season. For fiscal year 2010 we expect:

- Revenue of $3.3 billion to $3.4 billion, growth of 6 to 9 percent.
- Non-GAAP operating income of $1.01 billion to $1.05 billion, growth of 9 to 13 percent.

- GAAP operating income of $785 million to $825 million, growth of 15 to 21 percent.

  Note that even at the low end of our revenue and operating income guidance range we expect the non-GAAP operating margin to be 30 percent.

- Non-GAAP diluted EPS of $1.97 to $2.04, growth of 8 to 12 percent.
- GAAP diluted EPS of $1.63 to $1.70, growth of 21 to 26 percent.

For the third-quarter we expect:

- Revenue of $1.51 billion to $1.59 billion, growth of 7 to 12 percent.
- Non-GAAP operating income of $860 million to $910 million, growth of 3 to 9 percent.
- GAAP operating income of $811 million to $861 million.
- Non-GAAP diluted EPS of $1.75 to $1.85, growth of 4 to 10 percent.
- GAAP diluted EPS of $1.64 to $1.74, growth of 12 to 18 percent.

As mentioned earlier, we now expect Consumer Tax full-year revenue of $1.075 billion to $1.115 billion, which is growth of 8 to 12 percent.

We are also updating guidance for the Other Businesses segment to reflect the strength in Personal Finance and the sale of the Real Estate Solutions business. We expect Other Businesses full-year revenue of $240 million to $250 million, or growth of 12 to 17 percent.

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

Closing Remarks

Thanks Neil.

We're off to a good start and we're on track to deliver better-than-expected revenue and earnings growth for fiscal 2010.

Our long-term goal remains unchanged: to be an innovative growth company that helps consumers and small businesses save and do more with their money. Our long-term objectives are to grow organic revenue double digits while growing revenue faster than expenses, generate improved operating income leverage and strong cash flow.

We're pleased to see that our strategic initiatives are having a positive impact, and that we're building momentum as we work towards our long-term objectives.

I'd like to thank our employees for a great quarter and for all they're doing to position the company for continued success in the future.

With that, let me turn it over to you for 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 February 18, 2010 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 materials contains 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 2010 and beyond; expectations regarding revenue growth from current or future products and services; and all of the statements under the heading "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: 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; 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; business interruption or failure of our information technology and communication systems may impair the availability of our products and services, which may damage our reputation and harm our financial results; 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; any significant product quality problems or delays in our products could harm our revenue, earnings and reputation; any failure to properly use and protect personal customer information could harm our revenue, earnings and reputation; 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; our acquisition activities may be disruptive to Intuit and may not result in expected benefits; 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 2009 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 Feb. 18, 2010, and we do not undertake any duty to update any forward-looking statement or other information in these materials.