Intuit Inc.
First-Quarter Fiscal 2011
Conference Call Remarks
November 18, 2010

Introduction

Good afternoon and welcome to Intuit's first-quarter 2011 conference call. I'm here with Brad Smith, our president and CEO; Neil Williams, our CFO; Scott Cook, our founder; and Jerry Natoli, our VP of Finance.

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 2010 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 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 website after this call ends.

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

First Quarter 2011 Overview

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

As you can see from the results we just released, we're off to a good start in fiscal 2011. Our biggest quarters still lie ahead of us, and the macro-environment remains challenging, but we're executing well against our connected services strategy, and that's driving solid financial performance.

First-quarter revenue was $532 million, up 12 percent versus last year. Most of the growth came from our Small Business Group, which has now posted three straight quarters of double-digit revenue growth. We also had strong performance in our Other Businesses segment, with contributions from Quicken and Mint, Intuit Health and Small Business in Canada and the UK. Our first quarter results are in line with what we anticipated, so we're reaffirming our guidance for the year. That means we still expect fiscal year revenue growth of 8 to 11 percent, non-

GAAP operating income growth of 11 to 14 percent and non-GAAP EPS growth of 12 to15 percent.

As you know, our earnings are highly seasonal and we typically report a loss in the first quarter of the year. Our first quarter loss was in line with expectations and slightly higher than prior year, primarily due to the acquisitions of Medfusion and Mint.com. We're also pulling marketing investment forward into the first half, relative to fiscal 2010, which will impact our second quarter profitability as well.

The results we've delivered reflect our continued focus on our 3 point strategy to:

- First, drive growth in our core businesses.
- Second, build adjacent businesses and enter new geographies.
- And third, to accelerate Intuit's transition to connected services.

Here are some highlights to demonstrate how we're performing in each area. First, behind driving growth in our **core businesses:**

- We generated double-digit revenue growth in the Small Business Group in Q1, led by a strong quarter in Financial Management Solutions which grew 15 percent, as well as Employee Management Solutions which posted 11 percent growth year-over-year.
- The collective Small Business franchise is doing well, and we've introduced several compelling new offerings into the market this year.
- These include:
    - QuickBooks 2011;
    - Three new tiers of service and pricing for QuickBooks Online offering;
    - and several mobile applications and services. One of these is GoPayment, a solution that seamlessly integrates with QuickBooks and helps small businesses process credit card payments on the go.
- Early reviews of QuickBooks 2011 have been very positive. We've seen strong recommendations, including those generated by the accountants we rely on to grow the business. And while it's still very early, we're also excited about the new QuickBooks desktop subscription bundle that is designed to keep customers on the current version of the software. This subscription bundle enables us to deliver new value to these desktop customers, while also increasing the predictable and stable revenue streams in our small business franchise.
- As you can tell, this year's QuickBooks release is far more than desktop software, and we believe this ongoing transformation will make Financial Management Solutions a strong growth business for years to come.
- In our tax business, we've been talking for some time about the secular shifts in the market that are driving the software and online category to grow faster than other tax

preparation methods. A proposed acquisition by one of our competitors has validated the importance of this secular shift and the strength of tax software as a value proposition versus tax stores and manual preparation. We will continue to take advantage of the ongoing shift to digital tax preparation. This is our sweet spot—on our playing field.

The second part of our strategy is building adjacent businesses and entering into new geographies. As you know, these are longer term opportunities that we expect to add one to two points of growth over the next three years. It's still early, but we're also making progress against this second core strategy. For example:

- The integration of Medfusion continues in full swing. We now have more than 3 million patients on the Intuit Health portal and we've added more than 1 million patients since January.
- Global efforts remain on track. We had a good quarter in the UK and Canada, and we are working with Nokia to deliver a small business marketing product that we've been testing in India.
- And as you know, we are in the very early stages of launching the Intuit Payment Network. The network is available in QuickBooks 2011 and we expect adoption to ramp up over time.

The third part of our strategy is accelerating our transition to **connected services**, and we're continuing to build momentum in this area as well. As we've shared:

- We currently generate about 60 percent of revenue from connected services, and our goal is to increase the mix to 75 percent of revenue over the next three to five years.
- We've factored the necessary investments needed to accelerate our connected services strategy into our results and our guidance, and our financial performance already reflects these efforts.
- Some proof points to demonstrate the momentum we're building in this strategic area include:
    - QuickBooks Online subscribers were up 46 percent year over year in the first quarter. This was the fourth straight quarter of acceleration in year-over-year growth.
    - Intuit Websites subscribers and revenue were up over 60 percent.
    - And we're working with a hardware partner, mophie, to offer customers a Complete Credit Card Solution, a best- in-class product that enables small businesses to easily process credit card payments via the Apple iPhone.

Clearly, our strategy is working. We're proud of what we've accomplished so far in fiscal 2011, and we expect to deliver another outstanding year for our shareholders.

Now I'd like to turn it over to Neil to talk about the financial highlights and our guidance in more detail.

Financial and Segment Highlights

Thanks Brad. Let's start with overall company results. Our financial results included:

- Revenue of $532 million, up 12 percent.
- A non-GAAP operating loss of $53 million, and a GAAP operating loss of $104 million.
- A non-GAAP net loss of 12 cents per share, and GAAP net loss of 22 cents per share.

- The operating loss and loss per share are slightly higher than we had last year. Expenses grew faster than revenue, primarily driven by the acquisitions of Mint.com and Medfusion, and increased sales and marketing as we pulled advertising spend forward, as expected. We expect sales and marketing expense to grow a bit slower than revenue for the full year.

Business Segment Results

Turning to the business segments…

Small Business Group

Total **Small Business Group** revenue grew 12 percent for the quarter.

In **Financial Management Solutions**, revenue grew 15 percent for the quarter, driven by a favorable product mix and strong revenue performance across the board. We saw excellent customer growth in QuickBooks Online and QuickBooks Enterprise, as well as Intuit Websites. Recurring revenue from these businesses now makes up more than one-third of the segment and drove FMS growth in the quarter. This recurring revenue is one of the main reasons that segment revenue is growing faster than QuickBooks units. In fact, QuickBooks units decreased year over year, as we grew over the heavy discounting that occurred in the first quarter of last fiscal year. We break out the growth in the QuickBooks Online and QuickBooks Enterprise customer bases on our fact sheet in addition to the QuickBooks unit figures. This will help you understand the growing impact that Financial Management revenue sources beyond QuickBooks desktop have on the overall segment.

Employee Management Solutions revenue grew 11 percent in the first quarter, led by growth in online payroll subscribers. Total payroll customers were flat versus last year, in line with our expectations.

Payments Solutions revenue grew 7 percent in the first quarter, with merchants up 15 percent and volume per merchant down 3 percent. We've seen good adoption of our GoPayment mobile payments solution, and we remain confident that the payments business is a double-digit growth opportunity longer term as the economy improves.

Tax

Our **Consumer Tax** group revenue totaled $29 million in the first quarter, up $7 million from last year. This increase occurred because more people took advantage of the filing extensions and completed their tax returns by the October 15th filing deadline.

TurboTax for 2010 will go on sale in retail stores on November 26, and the season begins in earnest in January. We'll provide tax season updates this year in the same time frame as last year, with the first update in February when we announce second-quarter results. The second update will be in mid-March, and the final update will come in mid-April. We continue to make TurboTax the easiest way for taxpayers to get the maximum possible refund. As we discussed at Investor Day, our priorities are to deliver the customer benefit, create a better first-use experience to drive conversion and retention, and improve average revenue per customer. We have a great product lineup supported by aggressive marketing efforts, and we look forward to another strong tax season.

Accounting Professionals segment revenue grew 15 percent in the first quarter. We remain focused on improving accountants' productivity and growth with our tax and accounting flagship products and new SaaS-based offerings.

Financial Services

Financial Services revenue grew 1 percent in the first quarter. Adjusted for the sale of the lending business in the fourth quarter of FY10 and a nonrecurring revenue item that impacted FY10, core revenue growth would have been approximately 6 percent year over year. User growth was strong for the quarter. Internet banking users increased by 11 percent and bill pay users by 19 percent versus Q1 last year.

As we look out to the balance of FY11, we expect continued strong user growth from adoption and from signing new financial institutions. This is the primary way we offset the natural price compression in this business. We also expect to achieve additional revenue growth from increased sales of attach services like Finance Works, Mobile and Imaging. We remain focused on transforming the online banking experience for our banks' customers and are on track to hit the guidance range we set for the fiscal year.

Other Businesses

Our **Other Businesses** segment posted 27 percent revenue growth in Q1. Canada, the UK and personal finance performed ahead of expectations. Quicken 2011 is off to a really strong start, with great customer-driven product improvements. The combined Mint and Quicken team has delivered a revitalized best-in-class desktop product, as evidenced by external user ratings so far.

Balance Sheet and Capital Allocation

Turning to the balance sheet…

We continue to generate strong cash flows, in line with our operating income, and maintain a strong balance sheet. Sound financial principles support our strategy and objectives, enabling disciplined and thoughtful investment for growth. Over the long term, we expect double-digit organic revenue growth, and we expect to grow expenses slower than revenue.

Our target is to carry $500 million to $1 billion of cash on our balance sheet, net of total debt. This cash balance could vary up or down during the year depending on seasonality and expected cash flow needs.

We always seek to deploy the cash we generate to the highest-yield opportunities, and we target risk-adjusted returns of 15-20 percent. We evaluate the investment opportunities within our capital allocation framework:

- We first look internally for growth investments, which would include R&D, marketing, and infrastructure.
- We then consider strategic acquisitions and partnerships.
- Beyond that, we'll return cash to shareholders, typically in the form of a share repurchase.

We repurchased $330 million worth of common stock in the first quarter. Over the past five years, we've repurchased $3.3 billion worth of shares at an average price of $29 per share. We have $1.67 billion remaining on our current share repurchase authorization.

Guidance

As Brad mentioned, we are reiterating our full-year guidance. For fiscal year 2011 we expect:

- Revenue growth of 8 to 11 percent.
- GAAP operating income growth of 14 to 18 percent.
- GAAP diluted EPS growth of 6 to 10 percent. Note that the GAAP EPS growth rates are 7 points higher when the gain from the sale of discontinued operations is excluded from the FY10 GAAP results.

- Non-GAAP operating income growth of 11 to 14 percent.
- Non-GAAP diluted EPS growth of 12 to 15 percent.

- While full year guidance is unchanged, you'll see movement in how our results play out by quarter. As Brad mentioned, we've accelerated our marketing spend into the second quarter to get off to a fast start in our core businesses. You'll also see us get closer to breakeven in the fourth quarter driven by growth in recurring revenue from connected services.

For the second-quarter we expect:

- Revenue of $920 million to $940 million, growth of 10 to 12 percent.
- GAAP operating income of $135 million to $155 million, compared with $139 million in the year-ago quarter.
- GAAP diluted EPS of $0.24 to $0.28, compared with $0.35 in the year-ago quarter. GAAP diluted EPS for the year-ago quarter included $0.10 for the gain on the sale of our Intuit Real Estate Solutions business.
- Non-GAAP operating income of $190 million to $210 million, compared with $206 million in the year-ago quarter.
- Non-GAAP diluted EPS of $0.36 to $0.40, compared with $0.38 in the year-ago quarter.

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 strong revenue and earnings growth for fiscal 2011.

We are executing against a strategic plan that rewards shareholders and generates the cash we need to make our core products better, while also investing aggressively in new opportunities and the infrastructure necessary to deliver leading connected services.

While we aren't immune to ongoing economic challenges, we've demonstrated that we are resilient if we remain focused and continue to deliver great value to our customers. We are committed to growing and delighting our 50 million customers and looking for new ways to improve their financial lives. We continue to benefit from the ongoing shift away from brick-and-mortar, pencil-and-paper solutions toward intuitive digital products that save our customers time and money, and help them grow.

Bottom line, we believe we can continue to grow revenue double-digits and earnings and cash flow faster than revenue. We see lots of headroom in the large and growing markets that we serve, and as we like to say, it's all about execution from here.

We are looking forward to a good year in all our businesses, and I want to thank all of our employees in advance for their ongoing dedication and hard work.

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, amortization of acquired intangible assets, 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 November 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 http://investors.intuit.com.

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 2011 and beyond; growth opportunities in our core, adjacent, and connected services businesses; 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 innovate and introduce new offerings and business models to meet our growth and profitability objectives, and current and future offerings 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 future financial results; as we upgrade and consolidate our customer facing applications and supporting information technology infrastructure, any problems with these implementations could interfere with our ability to deliver our offerings; any failure to properly use and protect personal customer information and data could harm our revenue, earnings and reputation; if we are unable to develop, manage and maintain critical third party business relationships, our business may be adversely affected; increased government regulation of our businesses may harm our operating results; if we fail to process transactions effectively or fail to adequately protect against potential fraudulent activities, our revenue and earnings may be harmed; any significant offering quality problems or delays in our offerings 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; the continuing global economic downturn may continue to impact consumer and small business spending and financial institutions, which could negatively affect our revenue and profitability; 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; 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 inability to adequately protect our intellectual property rights may weaken our competitive position and reduce our revenue and earnings; our acquisition and divestiture activities may disrupt our ongoing business, may involve increased expenses and may present risks not contemplated at the time of the transactions; our use of significant amounts of debt to finance acquisitions or other activities could harm our financial condition and results of operation; 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 2010 and in our other SEC filings. You can locate these reports through our website at http://investors.intuit.com. Forward-looking statements are based on information as of November 18, 2010, and we do not undertake any duty to update any forward-looking statement or other information in these materials.