Intuit Inc.
First-Quarter Fiscal 2012
Conference Call Remarks
November 17, 2011

Introduction

Good afternoon and welcome to Intuit's first-quarter 2012 conference call. I'm here with Brad Smith, our president and CEO; Neil Williams, our CFO; and Scott Cook, our founder.

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 2011 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.

Unless otherwise noted, all growth rates refer to the current period versus the comparable prior-year period.

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.

Fiscal First Quarter 2012 Overview

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

I'm pleased to share that we're off to another strong start in fiscal 2012. First-quarter revenue was $594 million, representing an increase of 12 percent versus last year. Our Small Business Group led the way in the first quarter, growing revenue 13 percent, making it the seventh consecutive quarter of double-digit revenue growth in small business. Across the board, our results are in line with our expectations and give us confidence to reiterate our guidance for fiscal 2012.

As you know, we typically report a loss in the first quarter of each fiscal year. The good news is our operating loss this quarter narrowed significantly compared to the first quarter last year, reinforcing the strengthening benefit of our ongoing shift to more recurring, reliable connected services revenue.

I'm often asked how we continue to produce the kind of growth we've been delivering, despite a volatile macroeconomic environment. The answer is simple: Secular tailwinds are overpowering cyclical uncertainty. We are well positioned and capitalizing on the long-term, structural shift to connected services.

We're seeing the impact of this structural shift in each of our businesses. For example:

- In Consumer Tax, the software category has grown 6 percent on average over the past five years, far outpacing any other tax prep method. Professional tax preparers grew a modest 1 percent, and tax stores and manual declined during the same time period.
- In Small Business, our online and mobile solutions are our fastest-growing services. We now have 300,000 QuickBooks Online customers, 300,000 websites customers, 200,000 online payroll customers, and over 100,000 customers using our mobile solutions.
- And in Financial Services, our mobile banking customer base more than tripled over the last year, now totaling 1.2 million end users.

Intuit has *another* strategic advantage – 50 million customers. As the old adage goes, "it's easiest to sell to the customer you already have." And we're doing just that. We're enriching the mix as our customers rapidly adopt connected services. This generates the recurring revenue streams that I mentioned earlier, as well as favorable lifetime value economics for Intuit. In addition, we're also benefiting as customers attach additional services and adopt more full-featured offerings that carry higher average selling prices. Let me share a couple of examples to illustrate the power of this favorable mix shift:

- QuickBooks Online comes with a recurring revenue stream and a lifetime value that is 20 percent higher than that of a QuickBooks Pro desktop customer. Posting 40 percent year-over-year subscriber growth in the first quarter, it's one of our fastest-growing connected services.
- In payroll, the rapid growth in our online payroll solution, increased success in attaching direct deposit, and a favorable mix shift toward our higher-end products are driving higher revenue per customer. Combine these trends with customer retention rates in the mid-80s, and we have a large and growing payroll customer base into which we can sell new solutions.

While enriching our mix and maximizing our up-sell and cross-sell opportunities are excellent levers for growth, we're also staying laser focused on growing our categories by converting non-consumption. Our teams are innovating in key areas and are striving to simplify our first-use experiences for users, making it easier for new customers to get up and running on our products and services. This will continue to expand our categories and, over time, convert millions of consumers and small businesses who do not currently take advantage of digital solutions.

Some examples include:

- GoPayment, which as you may recall, enables small businesses to accept payments anywhere on mobile devices. Over 70 percent of standalone GoPayment customers are new to our small business franchise, and GoPayment is also attracting customers who sign up for a broader set of payments services.
- Another example is our recently released Mint.com for the iPad, which makes it easier for consumers to interact with their personal finances on the go. Early feedback has been very positive on this application, earning 4.5 out of 5 stars in the Apple app store.

When you put it all together, these opportunities are a reflection of our enduring strategy to capitalize on the long-term shift to connected services. Our results in the first quarter reinforce that our strategy is working. Our three-point growth strategy remains unchanged:

- First, to drive growth in our core businesses which benefit from high share, low penetration and superior net promoter scores relative to competitive alternatives and other substitute methods.
- Second, to build adjacent businesses and enter new geographies, which we expect to add 1-2 points of growth over the next several years.
- And third, to accelerate our company's transition to connected services, which now represent 62 percent of total revenue, with over 35 million customers using our hosted offerings.

I am encouraged by our results this quarter, but we realize that we have plenty of game left to play this year, so we are staying focused. With that, I'll turn it over to Neil to provide the financial details.

Financial and Segment Highlights

Thank you, Brad.

Let's start with total company performance for the first quarter of fiscal year 2012. Our financial results were:

- Revenue of $594 million, up 12 percent.
- A non-GAAP operating loss of $29 million, and a GAAP operating loss of $94 million.
- A non-GAAP net loss of 10 cents per share, and a GAAP net loss of 21 cents per share. As Brad mentioned, this represents significant improvement in our operating results versus last year.

Business Segment Results

Turning to business segment highlights:

Total **Small Business Group** revenue grew 13 percent for the quarter.

Within Small Business, **Financial Management Solutions** revenue grew 9 percent for the quarter. QuickBooks Online and Enterprise Solutions customers grew 40 percent and 28 percent respectively, again contributing to an improved revenue mix. These two products combined now represent more than 20 percent of Financial Management Solutions revenue on an annualized basis. Websites, Supplies, Support and Other Services represent almost 50 percent of FMS revenue and are growing in the low-teens collectively. And while QuickBooks desktop still represents about 30 percent of FMS revenue, desktop units declined slightly in Q1.

Employee Management Solutions revenue grew 13 percent for the quarter, driven by online growth, improved direct deposit attach, and mix. Online payroll subscribers grew 20 percent, and we've extended strategic partnerships to expand distribution of our new online Intuit Full Service Payroll solution.

Payments Solutions revenue grew 19 percent in the first quarter. The number of merchants grew by 11 percent, with 1 percent growth in volume per merchant, which drove most of the increase in revenue. Adjustments in rates and fees, including those related to the Durbin amendment, benefited payments revenue growth by a few percentage points in the quarter.

I'd like to talk for a second about how we measure our performance in Small Business, and some changes we're making to better communicate our performance as we continue the shift to connected services. Historically, we've focused on QuickBooks desktop unit growth as a proxy for the health of the business. But now, approximately 70 percent of small business customers enter the Intuit franchise via connected services, including QuickBooks Online and other services, up from 40 percent in 2008.

To reflect the shifting nature of our business, we've made the following changes to the fact sheet:

- Provided revenue breakdowns by connected services and product revenue for all reported segments.
- Added a more granular breakdown of Financial Management Solutions revenue.
- Added the total number of Small Business customers.
- Added the total number of online payroll subscribers.
- And made some changes to the way we disclose QuickBooks units to align with internal metrics, which tie more closely to revenue.

We hope these changes give you a clear picture of our current performance and future growth potential, and we welcome your feedback.

Tax

Our **Consumer Tax** revenue totaled $41 million in the first quarter, up $12 million from last year. The increase is due to more people taking advantage of the filing extensions and completing their tax returns by the Oct. 17 filing deadline.

TurboTax for 2011 will go on sale in retail stores on Nov. 25 and be available online on Dec. 1.

Financial Services

The **Financial Services** segment grew revenue by 9 percent in the first quarter. We're adding financial institutions and end users in line with our plans and, as Brad mentioned, we've done an excellent job of adding new services, like our mobile offerings.

Other Businesses

Revenue in our Other Businesses segment declined 3 percent in the first quarter. The decrease is primarily the result of a tough comparison for Quicken against the same quarter last year.

Balance Sheet and Resource Allocation

Shifting to the balance sheet:

The sound financial principles that support our strategy and objectives have not changed. We continue to generate strong cash flows, in line with our operating income, and maintain a strong balance sheet. Over the long term, we expect double-digit organic revenue growth, and we expect to grow revenue faster than expenses.

We always seek to deploy the cash we generate to the highest-yield opportunities, and we target risk-adjusted returns of greater than 15 percent. Beyond internal growth investments and M&A, we consistently return cash to shareholders.

On Oct. 18, we paid our first cash dividend to shareholders, and our board approved a $0.15 dividend for our fiscal second quarter, to be paid on Jan. 18 to shareholders of record as of the close of business on Jan. 10.

In the first quarter, we repurchased over $250 million worth of our shares, leaving $2.4 billion remaining on our authorization. It's important to note that we have reduced our share count by 5 percent, net of shares issued through our stock-based compensation plans, over the last 12 months.

Second Quarter and Full-year FY12 Guidance

Finally, turning to our guidance:

As Brad mentioned, we are reiterating our **fiscal year 2012** guidance:

- Revenue of $4.185 billion to $4.285 billion, growth of 9 to 11 percent.
- Non-GAAP operating income of $1.4 billion to $1.425 billion, growth of 12 to 14 percent.
- GAAP operating income of $1.185 billion to $1.21 billion, growth of 18 to 20 percent.
- Non-GAAP diluted EPS of $2.85 to $2.94, growth of 14 to 17 percent.
- GAAP diluted EPS of $2.38 to $2.47, growth of 19 to 24 percent.

You'll find a summary of our segment guidance for the year on our web site.

For the **second quarter of fiscal 2012**, we expect:

- Revenue of $1 billion to $1.02 billion.
- Non-GAAP operating income of $210 million to $230 million.
- GAAP operating income of $155 million to $175 million.
- Non-GAAP diluted EPS of $0.43 to $0.47.
- GAAP diluted EPS of $0.30 to $0.34.

Last year, you'll remember that we saw tax revenue, as well as operating profit, pushed from our second fiscal quarter to the third quarter. We're expecting to return to a more typical consumer tax revenue split between the second and third quarters this year, and we expect the shift to connected services to continue to improve revenue and profitability in our fiscal fourth quarter. We are anticipating another competitive tax season and have allocated our resources appropriately.

Given these moving pieces, we want to provide additional transparency into our expected results in the back half of the year, so we're providing EPS guidance ranges for the third and fourth quarters:

For the **third quarter of fiscal 2012**, we expect:

- Non-GAAP diluted EPS of $2.45 to $2.50.
- GAAP diluted EPS of $2.34 to $2.39.

For the **fourth quarter of fiscal 2012**, we expect:

- Non-GAAP diluted EPS of $0.06 to $0.08.
- GAAP loss per share of $0.02 to $0.04.

As we stated in August, our guidance reflects confidence in our ability to grow, but also considers a wide array of macroeconomic variables. It does not assume improvement in the macroeconomic environment.

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

<u>Closing Comments</u>

Thanks, Neil.

As you can see from the results we've discussed today, the long-term story remains the same – we are benefitting from a secular shift to connected services, and we have a durable strategy to grow our categories and increase our share.

We are in a digital jet stream, as consumers and small businesses increasingly demand access to applications anytime, anywhere, and on any device. That demand will only get stronger as the proliferation of mobile devices continues. Our job is to put innovative products in our customers' hands and make it inconceivable that they'd go back to manual or competitive methods to do their work.

We recognize how distracting it can be when the predominant news of the day focuses on the challenges in our global economy. But we feel very good about the resiliency of Intuit's business model, and the consistent performance we've been able to deliver over the past several years.

I'm proud of our results so far this year, and I'd like to thank our employees for their hard work.

With that, let's open it up 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 Nov. 17, 2011 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 website 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 2012 and beyond; expectations regarding growth opportunities in Intuit's core and adjacent businesses and from connected services; 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 the amount and timing of any future dividends; expectations regarding availability of our offerings; and all of the statements under the heading "Second Quarter and Full-year FY12 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: inherent difficulty in predicting consumer behavior; difficulties in receiving, processing, or filing customer tax submissions; consumers may not respond as we expected to our advertising and promotional activities; 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, financial institutions and tax filings, which could negatively affect our revenue and profitability; year-over-year changes in the total number of tax filings that are submitted to government agencies due to economic conditions or otherwise may result in lost revenue opportunities; 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 2011 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 Nov. 17, 2011, and we do not undertake any duty to update any forward-looking statement or other information in these materials.