Intuit Inc.
Third-Quarter Fiscal 2012
Conference Call Remarks
May 17, 2012

Introduction

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

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 Third Quarter 2012 Overview

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

Let me begin by sharing my reflections on our third quarter results. We delivered 11 percent revenue growth in small business, and year to date, we've delivered 11 percent revenue growth in consumer tax. Solid performance overall, but to be candid, we did not deliver the best tax season we could. We're capable of more, and we will need to execute better next year to deliver the performance that we, and you, expect from the category leader.

Since it is top of mind, let me review our performance in our consumer tax business.

As you know, there are four main drivers of growth for TurboTax.

- The first driver is the number of tax returns filed with the IRS. Latest estimates are that the total number of returns filed grew roughly 2 percent year over year, which was a little better than our expectations.

- The second key driver is digital category growth. As the category champion, we had planned to grow the digital category faster than its historical rate of 6 percent. The digital category grew 5 percent year-over-year. While that's significantly faster than any other method, we did not succeed in accelerating the pace as we had planned.

  Our research tells us there are 40 million filers who currently have their taxes prepared with assistance but are willing to file their own taxes digitally. To grow the category this year, we had built our game plan based on attracting more of these filers by providing free tax assistance.

  We think our Free Tax Advice offering helped improve the overall net promoter score for TurboTax and helped increase our acquisition of first-time tax filers, which grew 34 percent. It also helped us convert more customers from tax stores than we did last year, although we fell short of the goal we had set for ourselves. Those that used Free Tax Advice gave it high marks, but many TurboTax customers weren't aware of the offering. Not bad for year one, but we can do much better.

- The third driver is our fight for share within the digital category. This is another area where we did not achieve our own expectations.
  - In the online channel, we had planned to take another point of share. The reality is our online share was relatively flat year-over-year at about 60 percent. While it is three times greater than our nearest competitor, it is not the trajectory, nor the goal, we had set for the season.
  - In the retail channel, where we have approximately 85 percent share, we held share as well.
  - And in the Free File Alliance, where we donate our software for free to qualified filers, and are prohibited from cross-selling or upselling, we lost share. While this may not have a commercial impact today, it is something we plan to address.

  Net, net: We need to step up our game as we compete for share next season.

- Our fourth major driver is revenue per customer. This was a bright spot this year. We grew paid units 7 percent for the season, while growing revenue 11 percent, implying about 4 points of growth coming from improvements in revenue per customer.

  The majority of the improvement came from increased conversion from free to paid and better overall mix, and we also benefitted from growth in our debit card business.

> But as we've told you in the past, our priority is to compete for category growth and share, and if we had our druthers, we would prefer that unit growth outpaces revenue growth, giving us the opportunity to monetize those customers over their lifetime.

So with this assessment of our consumer tax season, let's not lose sight of the big picture.

We have 25 million active TurboTax customers, and as I mentioned, our research tells us that 40 million more filers are willing to use software to prepare their taxes.

We continue to be at the center of the shift to digital tax preparation, which we estimate grew at 5 percent this year, even when we didn't play our best game.

We will apply what we learned this year as we look toward next tax season. We'll share more about our plans for next year at our investor day in September.

Let me now shift to our largest business, our small business group, where we posted 11 percent revenue growth this quarter and are continuing to build momentum.

Our connected services strategy is paying real benefits as more small businesses turn to the cloud. As a reminder, connected services revenue is more predictable and recurring, with a higher lifetime value. This quarter:

- QuickBooks Online subscribers grew 31 percent, and while we are still early in our global expansion, we have seen signs of success in markets outside the U.S.
- Our small business payroll services are also benefiting from the shift to the cloud, with the Intuit Online Payroll subscriber base growing 19 percent.
- And small business payments customers grew 13 percent, with GoPayment driving both attach and new-to-the-franchise customer acquisition.

On the subject of payments, we realize there is a lot of buzz in the marketplace about established and new players entering the mobile payments space.

Let me simply say … it is not a zero-sum game.

Less than half of small businesses accept credit cards, so generating more enthusiasm for mobile payments creates greater category awareness and faster growth opportunities for all of us.

We have a $400 million payments business that processes more than $20 billion annually, helping small businesses get paid, and not just on mobile devices. With our software, a small business's transaction data goes directly into QuickBooks with no additional work. This interoperability, combined with our existing base of 4 million customers, gives us a structural advantage.

Our mobile payments solution, GoPayment, is expanding our market opportunity. As of the end of April, the active GoPayment customer base was four times greater than it was a year ago. In fact, GoPayment has driven more than half of our new customer acquisition year to date. Overall, we produced 14 percent revenue growth in our payments business this quarter, and we expect the payments group to be a key driver of small business revenue growth in the coming years.

Finally, we've been actively managing our portfolio, strengthening and adding assets in our small business segment, while divesting non-strategic assets in other areas.

On the acquisition front, there are two strategic transactions worth noting. Both of them are cloud-based solutions that help our customers extract more value from their data:

- The first is an exciting move into a critical adjacent segment we've been foreshadowing for some time… the front office, helping small businesses get and keep customers. The acquisition of Demandforce will accelerate Intuit's capabilities to solve this important challenge for small businesses, with a fast-growing, industry-leading solution that carries a high net promoter score.
- We also made a small talent and technology acquisition in our point-of-sale and payments business with the purchase of AisleBuyer. This puts a little more fuel on the fire of that fast-growing payments business I described a few moments ago.

On the divestiture side, we completed the sale of our corporate banking business to Bottomline Technologies in the third quarter. This allows our Intuit Financial Services team to remain laser focused on innovating for our core customers.

So that's my perspective on the quarter. While our overall results were solid, we know we are capable of more. I remain confident in our strategy and opportunities for long-term growth.

With that, I'll turn it over to Neil to walk you through the financial details.

<u>Financial and Segment Highlights</u>

Thanks, Brad. Let's start with overall company results…

In the third quarter, revenue grew 5 percent, non-GAAP operating income grew 3 percent, and non-GAAP earnings per share grew 8 percent. As a reminder, last year we saw tax revenue shift from our second quarter to the third quarter as the IRS was unable to accept certain returns until mid-February. This created a tough grow-over for the third quarter this year.

Year-to-date, this impact is normalized, and we grew revenue 9 percent, non-GAAP operating income 12 percent, and non-GAAP earnings per share 17 percent.

We invested a little more than planned this quarter in marketing and support within the tax segment. Combined with lower-than-expected revenue, we saw some margin compression in consumer tax. We offset this in other areas, including reductions in variable compensation and other discretionary costs. On a year-to-date basis, our margin at the total company level expanded by about 90 basis points.

Business Segment Results

Turning to business segment highlights:

Small Business Group

Our small business group grew revenue 11 percent overall and expanded segment operating margin by nearly 300 basis points.

In Financial Management Solutions, revenue grew 8 percent. QuickBooks Online and Enterprise customers grew 31 percent and 19 percent respectively, demonstrating the continued shift to connected services.

Employee Management Solutions revenue grew 12 percent, driven by improved retention and increased revenue per customer.

And Payments revenue grew 14 percent, driven by fee structure changes and double-digit growth in total card transaction volume. Merchants grew 13 percent, driven by customer acquisition in our mobile solution GoPayment.

Tax

Turning to tax, year-to-date Consumer Tax revenue growth was 11 percent.

As I mentioned earlier, last year the IRS experienced delays in accepting certain returns, so we grew Consumer Tax revenue 3 percent over that difficult comparison.

Accounting Professionals revenue grew 5 percent. Units were up versus last year, but up less than our expectations. We faced a modest mix headwind as more new customers chose our lower-priced services.

Financial Services

In Financial Services, revenue grew 2 percent, or approximately 7 percent adjusting for the sale of our corporate banking business. New services, such as the updated online banking portal and mobile, are contributing to growth and helping improve revenue per user.

As Brad mentioned, we sold our corporate banking business to Bottomline Technologies in April. For the third quarter, the impact on financial services revenue was about $4 million, and the fiscal 2012 impact will be about $12 million. That’s factored into the guidance we’re providing today. The business generated roughly $30 million in annual revenue.

Other Businesses

Revenue for other businesses grew 6 percent in the third quarter.

Small business revenue in Canada and the U.K. grew double digits, but tax grew single digits, resulting in global revenue growth of 7 percent.

Intuit Health Group revenue grew fast off a small base, and Personal Finance revenue was flat.

Balance Sheet and Resource Allocation

Shifting to the balance sheet…

In the third quarter, we repurchased $207 million worth of shares, bringing us to just under $800 million year to date; we have $1.8 billion remaining on our authorization.

Our board approved a $0.15 dividend for fiscal Q4, payable on July 18.

We also paid off $500 million in debt, which had an interest rate of 5.4 percent. The benefit to EPS for fiscal 2012 was already included in guidance, and paying off the notes helps EPS by about 5 cents a year moving forward.

As Brad mentioned, there are two transactions, AisleBuyer and Demandforce, in small business to note:

- We paid $20 million for AisleBuyer, which brings talent and technology to accelerate our cloud-based point of sale functionality in the payments business.
- And Demandforce's applications automate marketing and customer communications for approximately 15,000 small businesses. We expect the transaction to add one to two points to Intuit's revenue growth in FY13 and to be neutral to modestly dilutive for earnings per share in FY12 and FY13.

Fourth Quarter and Full-year FY12 Guidance

Finally, turning to our guidance:

We are updating our **fiscal year 2012** guidance. We expect:

- Revenue of $4.205 billion to $4.22 billion, growth of 9 to 10 percent.
- Non-GAAP operating income of $1.4 billion to $1.41 billion, growth of 12 to 13 percent.
- GAAP operating income of $1.18 billion to $1.19 billion, growth of 17 to 18 percent.
- Non-GAAP diluted EPS of $2.92 to $2.97, growth of 16 to 18 percent.
- GAAP diluted EPS of $2.44 to $2.49, growth of 22 to 25 percent.

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

- Revenue of $647 million to $662 million, growth of 9 to 12 percent.
- Non-GAAP operating income of $30 million to $40 million.
- GAAP operating loss of $15 million to $25 million.

- Non-GAAP diluted EPS of $0.05 to $0.07.
- GAAP loss per share of $0.05 to $0.07

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

Closing Comments

Thanks, Neil.

To close, I'd like to remind you of our growth strategy, which guides everything we do at Intuit. It is foundational and built to endure fluctuations in the economy and our business performance.

Our strategy has enabled us to deliver revenue growth of 12 percent on average over the past five fiscal years, with 400 basis points of non-GAAP operating margin expansion.

As a reminder, our three-point growth strategy is to:

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

We have a broad portfolio of solutions for consumers and small businesses, which provides resiliency as we execute against our long-term growth objectives. We are innovating across our businesses to create the next wave of customer acquisition, which will continue to come from connected services, mobile solutions and, increasingly, data-driven insights that help our customers save time and money.

Overall, as consumers and small businesses continue to adopt technology, our opportunity to innovate and convert non-consumption remains strong. We expect to grow revenue double digits, with margin expansion, over the long term.

As always, I want to thank our employees for their hard work and their ongoing focus.

Now, let's get 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, 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 May 17, 2012 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 or share repurchases; the impact of acquisitions and divestitures on Intuit's business; expectations regarding availability of our offerings; and all of the statements under the heading "Fourth 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 May 17, 2012, and we do not undertake any duty to update any forward-looking statement or other information in these materials.