Intuit Inc.
First-quarter Fiscal 2013
Conference Call Remarks
November 15, 2012

Introduction

Good afternoon and welcome to Intuit's first-quarter 2013 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 2012 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 2013 Overview

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

We're off to a strong start in fiscal year 2013. We grew first-quarter revenue 12 percent, and we're reiterating our guidance of double-digit top-line and bottom-line growth for the full year. You'll hear more on that from Neil in a moment.

The key driver of our performance continues to be the secular tailwind we are riding toward a connected services economy, backed up by continuous innovation and strong execution.

In the first quarter, our total small business revenue grew 18 percent, with 13 percent growth, excluding the benefit of Demandforce. Our connected services offerings are powering this performance.

- Financial Management Solutions revenue grew 20 percent, with subscriber growth of 29 percent in QuickBooks Online, 25 percent in QuickBooks Enterprise and over 60 percent in Demandforce.
- Employee Management Solutions revenue grew 12 percent, with our Intuit Online Payroll subscribers growing 20 percent in the quarter.
- And payments revenue grew 21 percent, with customers growing 16 percent behind the strong adoption of GoPayment, our mobile payment solution.

As we shared at our Investor Day in September, we have refreshed our connected services strategy to further capitalize on these structural shifts that will continue to serve as growth catalysts for many years to come.

Our refreshed three-point growth strategy is grounded in:

- First, delivering awesome product experiences.
    - Computing devices have moved to the palm of our hands in the form of tablets and smart phones, and we're increasingly focused on reimagining our products with a mobile-first – and in some cases, mobile-only – design.
    - A key success factor to winning in this world is ensuring we deliver an amazing first-use experience. That means our customers get the value they signed up for, as easily and quickly as possible.
- The second key tenet of our growth strategy is enabling the contributions of others, while seeking to create network effect platforms.
    - By moving to more open platforms with APIs that enable the contributions of end users and third-party developers, we can solve more customer problems, faster and more efficiently for our growing base of end users.
    - As an early example, QuickBooks Online can now be used by small businesses all over the world. Customers, wherever they live, contribute to localizing the product for the markets in which they reside.
- And our third core strategy is enabling data to create delight.
    - In a world where we all have computers in our pockets with cameras, sensors and always-on access, our 60 million customers are generating incredibly valuable data that we can use to deliver even better products and breakthrough benefits.

This refreshed connected services strategy marks the next chapter of Intuit's transformation. And there's real momentum behind it.

For example, our mobile products are contributing meaningful growth. We have more than doubled the number of mobile customers in the past 12 months, with average user ratings of 4.5 for iOS and 4.3 for Android. We generated $70 million in mobile revenue in fiscal 2012, which we expect to grow by more than 50 percent in fiscal 2013. And the good news is our proven business models transfer well to mobile from the Web, with around half of our mobile customers being new to the franchise, which is expanding our market reach and our category growth.

This momentum is despite the reality we see in the macroeconomic environment. Our own internal indicators suggest the macro picture remains sluggish at best. Our October Small Business Index reflected the seventh consecutive month of small business revenue declines, with small business employment levels on the decline since May as well.

While we're not completely insulated against these external challenges, we have proven to be resilient. Our customers need our products most when times are tough, because we save them time and money on the things they need to improve their business results and financial lives.

We remain laser focused on executing against the principles that have guided us through these tough times. At the core of these principles is customer acquisition, which remains job one. At the same time, our teams remain rigorous in adjusting to external conditions, running our businesses efficiently and delivering on our commitments to our shareholders, which you see reflected in today's results.

With that context, let me hand it over to Neil to walk you through the financial details.

<u>Financial and Segment Highlights</u>

Thanks, Brad.

Moving to the results:

For the first quarter of fiscal 2013, we delivered:

- Revenue of $647 million, up 12 percent, 11 percent on an organic basis.
- A non-GAAP operating loss of $8 million, compared to a non-GAAP operating loss of $20 million in the first quarter of fiscal 2012.
- A GAAP operating loss of $69 million.
- A non-GAAP loss per share of $0.03, compared to a non-GAAP loss per share of $0.08 in the first quarter of fiscal 2012.
- And a GAAP loss per share of $0.06.

A quick note about some changes we've made to our fact sheet:

Given our ongoing expansion beyond the U.S., we are now reporting our customer metrics on the fact sheet on a worldwide basis, for all periods shown, which will be reflected in our comments today.

For Financial Management Solutions, we've also broken out QuickBooks desktop units and added more detail on subscribers. And for payments, we're now reporting total card transaction volume growth. These changes are designed to provide more clarity on the factors driving our growth and profitability.

Business Segment Results

Turning to the business segments:

Small Business

Total **Small Business Group** revenue grew 18 percent for the quarter as reported, and 13 percent on an organic basis.

Within Small Business, **Financial Management Solutions** revenue grew 20 percent for the quarter, 9 percent excluding the acquisition of Demandforce. Customer acquisition in our connected services businesses continues to drive our growth in this segment:

- Demandforce subscribers grew by more than 60 percent.
- QuickBooks Online subscribers grew 29 percent.
- And Enterprise Solutions subscribers grew 25 percent.

Employee Management Solutions revenue grew 12 percent for the quarter, driven by improved retention, price and mix. Online payroll customers grew 20 percent.

Payment Solutions revenue grew 21 percent for the quarter. Card transaction volume grew 11 percent, and adjustments in rates and fees made up the balance of the revenue growth.

Tax

Consumer Tax revenue was $36 million, versus $41 million in the first quarter last year. We believe total consumer tax returns were also down year over year during the same period. As you know, our consumer tax business is highly seasonal and our first quarter is a light one.

Accounting Professionals revenue of $32 million grew 19 percent for the quarter, with our recently enhanced QuickBooks Accountant offerings helping to drive growth.

Financial Services

Financial Services revenue was up 4 percent in the first quarter. Adjusting for the sale of our corporate banking business and the addition of Mint to IFS, Financial Services revenue grew approximately 11 percent. The details of the adjustments are on our fact sheet. New sales and strong adoption of online and mobile banking continue to drive revenue growth for IFS.

Other Businesses

Other Businesses revenue grew 5 percent for the quarter. Other Businesses revenue grew approximately 12 percent if adjusted for the transfer of Mint from this category to Financial Services.

Global Small Business revenue grew double digits. We have more than 20,000 QuickBooks Online subscribers in larger markets, as well as trial users in about 150 countries.

Balance Sheet and Resource Allocation

Turning to the balance sheet:

Our financial principles and capital allocation strategy have not changed. We target double-digit organic revenue growth while growing revenue faster than expenses. We also take a disciplined approach to capital management and, when it's the best use of cash, we'll return cash to shareholders via share repurchases. We repurchased $100 million of shares in the first quarter, with $1.6 billion remaining on our authorization. We expect our share count for fiscal 2013 to be roughly flat year over year.

In addition, our board approved a $0.17 dividend for fiscal Q2, up 13 percent from last year, payable on January 18, 2013.

Q2 and Full-year FY13 Guidance

Turning to our guidance:

As Brad mentioned, we are reiterating our fiscal year 2013 guidance. You'll find a summary of our company and segment guidance for the year on our website.

As we said at our Investor Day, the tables are set for late tax legislation, which could impact the availability of tax forms and push Consumer Tax and Accounting Professionals revenue from our second fiscal quarter to our third quarter. We've assumed the impact is $50 million to $75 million in revenue and $0.10 to $0.15 in EPS.

For the second quarter of fiscal 2013, we expect:

- Revenue of $1.02 billion to $1.04 billion.
- Non-GAAP operating income of $190 million to $210 million.
- GAAP operating income of $130 million to $150 million.
- Non-GAAP diluted EPS of $0.40 to $0.43.
- GAAP diluted EPS of $0.27 to $0.30.

To provide additional transparency into our expected results in the back half of the year, we're providing revenue and EPS guidance ranges for the third and fourth quarters. We obviously can't predict exactly what will happen with tax legislation, but this is how our plan currently lines up by quarter.

For the **third quarter of fiscal 2013**, we expect:

- Revenue of $2.155 billion to $2.215 billion.
- Non-GAAP diluted EPS of $2.78 to $2.83.
- GAAP diluted EPS of $2.65 to $2.70.

For the **fourth quarter of fiscal 2013**, we expect:

- Revenue of $728 million to $748 million.
- Non-GAAP diluted EPS of $0.12 to $0.14.
- GAAP loss per share of $0.01 to GAAP diluted EPS of $0.01.

This quarterly guidance reflects the impact of late legislation we expect in our tax business. We're assuming normal seasonality for all other segments. With that, I'll turn it back to Brad.

Closing Comments

Thanks, Neil.

We talked a lot today about our Small Business Group results. I'm very proud of those results, especially considering the macro environment.

But we know from conversations with you that the focus is already shifting to tax, so I want to provide a preview of how our refreshed company strategy will be playing out in Consumer Tax in the coming season.

First, delivering awesome product experiences.

We talked at Investor Day about our traffic: Over 70 million unique visitors come to TurboTax.com every year, roughly half of all filers. So clearly, we do not have a traffic or awareness challenge.

In fact, we have a huge opportunity to increase conversion of that traffic into active filers with an amazing first use experience. This year, an increasing number of TurboTax users will be dynamically routed to a simple, new interface – a very different experience than the standard TurboTax workflow. This elegant new design will ease getting started and build confidence, with the goal of converting a greater percentage of those 70 million visitors into TurboTax customers.

On the mobile-first/mobile-only front, we have many exciting developments including the ability for SnapTax to handle more types of simple returns, not just 1040-EZs.

Second, enabling the contribution of others.

We've been ahead of the curve for a while in TurboTax when it comes to leveraging the wisdom of the community.

Tax Advice and Live Community are great examples of how we can delight our customers by connecting them to experts and each other, to ensure they are confident that their taxes are done right and they're receiving the maximum refund possible.

You'll see even more this season. We believe there are 40 million filers using tax stores and pros who are willing to use do-it-yourself software if they know they have someone in their corner if needed. To attract these customers and reduce attrition, we're again providing TurboTax customers with access to certified tax professionals.

And finally, there is the opportunity to use data to create delight.

In fiscal 2012, we served more than 25 million customers.

With more than 18 million returns done in the cloud through TurboTax Online, our ability to guide users to find the maximum deductions based on their unique circumstances is second to none.

As a result, users will have a more personalized experience this season, which should, in turn, deliver better retention and conversion for us.

Of course this will all be occurring within a dynamic tax season, which includes the potential for late legislation as Neil has shared. Our plans currently reflect a season where late legislation becomes reality, but if that changes, we will adjust our game plans accordingly.

In closing, across the company we're building on a strong foundation, while reimagining our products to capitalize on a rapidly changing environment.

This continuous innovation powers the consistent performance we've been able to deliver: Doubling our customer base over the past five years to over 60 million users. Transforming our portfolio with over 45 million of those customers in the cloud. And producing revenue growth of 10 percent on average, with non-GAAP EPS growing 16 percent in the midst of a fairly rocky economic environment.

With big market opportunities in front of us, and the tailwind of technology adoption at our backs, we expect to deliver similar results for years to come.

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 November 15, 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 2013 and beyond; expectations regarding growth opportunities 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 on the timing of tax legislation; 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 "Q2 and Full Year FY13 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 2012 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 15, 2012, and we do not undertake any duty to update any forward-looking statement or other information in these materials.