Intuit Inc.
Third-Quarter Fiscal 2013
Conference Call Remarks
May 21, 2013

Introduction

Good afternoon and welcome to Intuit's third-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, and the business metrics and associated growth rates refer to worldwide business metrics.

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 2013 Overview

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

Today we reported third-quarter revenue of $2.2 billion, up 13 percent from last year.

Yesterday, we also announced a series of organizational changes to better focus our efforts, develop our leadership bench and accelerate our progress. We anticipate the combination of these two announcements has generated many questions in your minds, so we are going to keep our prepared remarks brief and leave the majority of our time for your questions.

But let me begin by proactively addressing one of the questions that I suspect is on everyone's mind: "What happened this tax season?"

As we announced last month, TurboTax paid units increased 4 percent, and we now anticipate TurboTax revenue will also grow about 4 percent for the fiscal year.

Needless to say, it was a challenging tax season on almost every dimension, and things played out differently than we had expected.

There are four key drivers that form the foundation of our tax planning and results each year:

- The first is the number of overall tax returns filed with the IRS. IRS returns were down nearly 1 percent this year through May 3, versus our expectation of 1 to 2 percent growth. This was a meaningful difference, as each point of total return growth equals about $15 million in TurboTax revenue. So this delta in returns filed accounted for about 2 points of TurboTax growth that did not materialize.
- The second driver is the number of tax filers choosing to use a digital solution. This season, we expected the software category to gain 2 points of share from manual and assisted, but we estimate the software category gained about 1 point. Every point of category share at our current market penetration equates to nearly 3 points of TurboTax growth, so this shortfall cost us about 3 points.
- The third driver is our share of the digital category. While we grew our share in retail and the emerging mobile category, we didn't grow our online share as expected. Maintaining a roughly 60 percent share in a highly competitive season is a positive outcome, but it is not what we set out to achieve. Each point of software share equals about 1.5 points of TurboTax growth.
- The final driver is revenue per customer, which results from favorable mix and improved free-to-paid conversion. We typically get 2 to 3 points of upside in revenue per customer each year, but this year we did not anticipate improvement because of our decision to outsource our debit card offering.

In summary, total IRS returns being down cost us 2 points; slower category growth cost us about 3 points; and not gaining share cost roughly another 1 point. In our view, the majority of the shortfall is an execution opportunity that we are addressing.

While we're not satisfied with this season's overall outcome, we did make progress in several key areas, growing new customers who were first-time filers and former tax store customers, and significantly increasing mobile adoption.

We've already shifted our focus to making adjustments for next year based on what we know about the market and what we learned this season.

The central pillar of our go-forward strategy is to deliver an awesome product experience. This is the key to driving awareness and improving conversion. The TurboTax experience has to be drop-dead simple and more personalized if we're going to win share in the digital category and earn the business of the 40 million assisted tax filers who are willing to try software. Our experiments tell us that personalization works. Our military and mobile offerings delivered a more personalized experience for specific customers to easily file their returns. As a result, we saw double-digit growth this season from the military and digital native customer segments. Given our scale and data capabilities, we plan to extend this advantage to even more taxpayers.

We also need to deliver a great end-to-end customer experience. We've set a high bar for ourselves: to deliver a product so personalized, simple and accurate that customers don't have any questions. But if they do, we need to have the right resources and business model in place to answer them effectively and efficiently.

As I shared, activity is already well underway for next year, with an intense focus on an improved product and an improved customer experience.

With that overview on tax, let me now shift to small business, which posted revenue growth of 17 percent this quarter. The team continues to do an amazing job, growing customers in what remains a weak environment for small businesses overall. Each of our small business groups grew double-digits this quarter, and continued to innovate to set the stage for the next phase of growth:

- For example, we completely reimagined QuickBooks Online for the iPad, which is more like CRM, with the accounting happening in the background. It is designed for small businesses who are mobile by nature, and about half of customers who have downloaded and launched the app are new to the franchise.
- We launched Intuit Pay in the U.K., making Intuit the first-to-market in the region with a mobile payments solution for small businesses.
- QuickBooks Online has doubled to 27,000 paying customers in more than 100 countries outside the United States.

Across our small business landscape, we are building momentum, and I am encouraged by our results.

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

Financial Results and Segment Details

Thanks, Brad.

Let's start with overall company results.

For the third quarter of fiscal 2013, we delivered:

- Revenue of $2.2 billion, up 13 percent.
- Non-GAAP operating income of $1.4 billion, up 17 percent.
- GAAP operating income of $1.2 billion, up 12 percent.
- Non-GAAP earnings per share of $2.97, up 18 percent.
- And GAAP earnings per share of $2.71, up 12 percent.

Business Segment Results

Turning to the business segments:

Small Business

Total **Small Business Group** revenue grew 17 percent in the third quarter, 12 percent excluding Demandforce.

Within small business, **Financial Management Solutions** revenue grew 24 percent for the quarter, 12 percent excluding Demandforce. Customer acquisition in our connected services businesses continues to drive our growth:

- QuickBooks Online subscribers grew 26 percent.
- QuickBooks Enterprise Solutions subscribers grew 29 percent.
- Online Payroll subscribers grew 20 percent.
- And Demandforce subscribers grew over 65 percent.

In addition, QuickBooks desktop managed well through the discounting issues we discussed last quarter, growing units slightly this quarter. Combining our active QuickBooks subscriber base with QuickBooks desktop units sold, QuickBooks customers have grown about 4 percent year to date.

Employee Management Solutions revenue grew 11 percent for the quarter, driven by accelerated new customer acquisition, increased revenue per customer, and improved retention. Total customers grew 3 percent.

Payments Solutions revenue grew 13 percent in the third quarter. Merchants grew 12 percent versus last year. Merchant growth has slowed slightly as we tune our underwriting process in payments, particularly in mobile, to balance customer acquisition with acceptable levels of profitability. Card transaction volume grew 7 percent.

Tax

Consumer Tax revenue of $1.2 billion grew 14 percent. Brad has already covered the details on customers and revenue. I'd like to point out the margins in this business held up extremely well despite single-digit revenue growth.

Accounting Professionals revenue of $257 million increased 9 percent. Our accountant tax group grew customers this season, and total e-filed returns grew 6 percent. We expect revenue growth for the year of 5 to 6 percent.

Financial Services

Financial Services revenue of $99 million was up 9 percent for the quarter. Adjusted for Mint and the sale of the corporate banking business, Financial Services revenue grew 6 percent.

Other Businesses

Other Businesses revenue totaled $116 million, increasing 3 percent. Other Businesses revenue increased 10 percent adjusted for the transfer of Mint to Financial Services.

Revenue for Intuit Health was down 2 percent, and is trending below last year. Based on these results and other factors, we have recorded an impairment charge for Intuit Health, which reduced GAAP earnings per share by $0.14 in the third quarter.

Financial Principles and Capital 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, looking to invest the cash we generate in opportunities that yield 15-plus percent ROI.

We also return cash to shareholders, via share repurchases and dividends.

- We repurchased $92 million of shares in the third quarter, with $1.4 billion remaining on our authorization.
- In addition, our board approved a $0.17 dividend for the fiscal fourth quarter, up 13 percent from last year, payable on July 18, 2013.

Q4 and Full-year FY13 Guidance

We provided our guidance for the fourth quarter, and our updated guidance for fiscal 2013, in our press release.

This guidance does not include incremental costs, if any, that may result from the strategic organizational changes we announced yesterday.

I'll turn it back over to Brad to close.

Closing Comments

Thanks, Neil.

I hope you all had a chance to review our release from yesterday, outlining changes we've made to better position our organization for global growth opportunities. I'd like to close by providing some context around these changes.

These changes were driven by our refreshed company strategy that we unveiled in the fall, and the clarification of two major strategic objectives this spring – to be the small business "operating system" around the globe, and to do the nations' taxes. It is the next chapter of our connected services journey.

As a reminder, our refreshed Connected Services strategy is:

- First, to deliver awesome product experiences that have been designed for a mobile-first, mobile-only world, and deliver an amazing first-time user experience to accelerate new user growth.
- Second, to enable the contributions of others, enlisting end users and third-party developers to participate in localizing, configuring and adding value to our products.
- And third, to use customer data to create delight, making our products easier to use while delivering breakthrough benefits for our customers.

The long-term trends and market opportunities are as clear as ever. With the strategy and organizational changes we've announced, we've proactively focused our talent and resources on the biggest opportunities to ensure that Intuit is set up for the next stage of growth.

As always, I want to thank our employees for their hard work and their ongoing focus. Now let's get right 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 21, 2013 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 regarding changes to our products for next year; 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; all of the statements under the heading "Q4 and Full Year FY13 Guidance", and expectations regarding the impact of our refreshed company strategy and organization changes on Intuit's business.

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 May 21, 2013, and we do not undertake any duty to update any forward-looking statement or other information in these materials.