

Intuit Inc.
Third-quarter Fiscal 2020
Conference Call Remarks
May 21, 2020

Introduction

Good afternoon and welcome to Intuit's third-quarter fiscal 2020 conference call.

I'm here with Intuit's CEO Sasan Goodarzi and Michelle Clatterbuck, 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 2019 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 these remarks 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 Sasan.

Third-quarter Fiscal 2020 Overview

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

I'm going to cover four topics on today's call to help you understand our performance in the quarter and our outlook longer-term, in the context of the global COVID-19 pandemic. I'll start by sharing how we've responded to the pandemic with our employees, customers, share our results for the quarter and highlight recent trends in our business. Then I'll put these results in the context of our long-term strategy and finish by talking about our playbook for leading in a downturn to accelerate our performance.

Let's start with our response to the pandemic, where unprecedented uncertainty along with wide-spread shelter-in-place initiatives have upended our daily lives. At the onset of the pandemic, we created an enterprise crisis team to drive four workstreams:

- First, keeping our employees safe and healthy - this has been and will continue to be our number one priority;
- Second, ensuring we run the business effectively and continue to deliver for customers;
- Third, keeping our workforce engaged and productive;
- And fourth, supporting our customers, our partners and the communities where we live and operate.

I'm proud of how our employees adapted to sudden change and how seamlessly we transitioned our 10,000 person workforce around the world to a work-from-home environment.

I'm even more proud of how, in the face of uncertainty our employees' commitment to customers has grown even stronger. The challenges facing consumers and small businesses during this difficult time have inspired our teams to innovate with speed and apply our platform capabilities to help solve several problems caused by the pandemic. As a result, let me share three examples of how we're helping consumers and small businesses get access to aid and relief.

- First, in less than a week following the IRS announcement, we introduced three free stimulus registration tools in partnership with the IRS. These offerings help the more than 10 million Americans not required to file a tax return easily register with the IRS to get their stimulus money. We are proud to have donated our time and expertise to help the IRS quickly disburse billions of dollars in stimulus payments to Americans.
- Second, we launched Intuit Aid Assist to simplify the process of quickly connecting small businesses to the right relief funding programs based on eligibility. Intuit Aid Assist uses artificial intelligence to distill the complexity of hundreds of pages of the CARES Act and convert it into an easy-to-understand user experience delivering a personalized and actionable

recommendation. This new tool is based on the same knowledge engineering which is used by TurboTax to simplify the tax code.

- Third, as of May 20, Intuit helped make available just over \$875 million of approved small business loans to customers from the Paycheck Protection Program or PPP through QuickBooks Capital. The team rapidly developed a solution to simplify and automate the PPP loan application process to help very small businesses access this program. We've helped approximately 25,000 small businesses access loans, with an average loan of approximately \$35,000, keeping up to approximately 150,000 employees on payroll.

These offerings are a testament to our unique platform and technology capabilities, and we will continue to find new innovative ways to help our customers during their time of need.

Now, turning to the fiscal third quarter results.

Through the first part of the third quarter we saw a continuation of the great momentum we built during the first half of the year when revenue grew 14 percent.

At the same time, the impact of the pandemic on taxpayers and small businesses is

real. The extension of the IRS tax filing deadline and local shelter-in-place directives negatively impacted performance beginning in mid-March. As a result, our total revenue declined 8 percent in the quarter. Let me go into more detail with how the quarter played out, starting with our Consumer Group.

The extension of the IRS tax filing deadline from April 15th to July 15th has shifted the timing of millions of tax filings to later in the season, resulting in a 15 percent decline in Consumer Group revenue during the fiscal third quarter.

Based on the latest IRS data, total returns are down 9.4 percent, reflecting the later July 15 tax filing deadline. The DIY software category is performing notably better than assisted and as the category leader, we are driving category awareness and growth, so we are encouraged by this result. Through May 8, IRS data shows total e-filed returns are down 9.6 percent, with self-prepared e-files up 2.2 percent and assisted e-files down 18.8 percent. Because this data includes stimulus filings for individuals not usually required to file a tax return, it is not comparable to prior year data. As of May 8, our data also indicates a majority of expected April higher-value customers with the most complex returns and those with a balance due have yet to file. Therefore, we are proud of our progress so far and feel good about

where we stand with TurboTax Online share and ARPC, keeping us on track entering the last two months of the season.

Our strategy is working, we are accelerating our innovation, and well-positioned for the remainder of the season. We are making progress on serving fast growing, underpenetrated segments, including Latinx, self-employed and customers with investments. We are focused on increasing customer confidence through access to experts with TurboTax Live, and we are seeing a positive impact on both conversion and retention when these customers interact with an expert. The extension of the season has also given us the opportunity to run additional experiments to improve the experience, product line up and pricing for the future.

Turning to small business....

We began to see an impact from COVID-19 on our business in mid-March, as many small businesses began closing or significantly scaling-back their operations, leading to loss of income and rising unemployment. Despite these headwinds, Small Business and Self-Employed Group revenue grew 11 percent and online ecosystem revenue grew 28 percent.

Let me share some of the recent trends in our business.

During the second half of the quarter, QuickBooks Online new customer acquisition decelerated by approximately 15 points versus the first half and retention within the existing customer base decreased by 2 points versus a year ago. We continue to expect the small business customer base and ARPC to grow in fiscal year 2020.

The services offerings within QuickBooks Online have experienced an even greater impact. For example, after growing approximately 30 percent year-over-year through mid-March, payment charge volume was flat year-over-year during the second half of the quarter. Within our online payroll offering, after an increase of 20 percent year-over-year in workers paid through mid-March, workers paid decreased 10 percent year-over-year during the second half of the quarter.

Similarly, after the total number of companies running payroll grew approximately 15 percent year-over-year through mid-March, the number of companies running payroll was approximately flat during the second half of the quarter. These trends could result in higher attrition and lower revenue in the future.

Despite limited visibility near-term, we are more inspired than ever to achieve our 2025 prosperity, reputation and growth goals. As a reminder, our prosperity goals are to double household savings rate and improve the success rate of small businesses by 10 points better than benchmark, for anyone on our platform. We will do so by becoming an AI-driven expert platform and doubling down on our five Big Bets. As we look into the future, we have resourced our big bets for acceleration. Let me share our progress on each of these bets. Big bet number one is foundational to accelerate innovation across our platform. I'll come back to this one in a minute since it supports the other four big bets.

Big bet number two is all about “connecting people to experts.” One of the largest problems our customers face is lack of confidence - to do their own taxes and to manage their business. We’re connecting customers to experts on our platform to solve this problem with TurboTax Live and QuickBooks Live, allowing us to reach more customers, deepen engagement and grow ARPC.

- Within TurboTax Live, this season we improved access to an expert through real-time chat and a floating “Live Help” button, contributing to improving customer conversion and retention. On the expert side of the platform, we’re

using A.I. to improve the experience by automating repetitive tasks and presenting experts with contextual customer information based on the location of the customer within the product experience. As a result, we've seen average session handle time decline nearly 20 percent this season, while - at the same time - providing a better experience for our customers. This season we've earned the highest customer satisfaction scores for TurboTax Live...ever.

- For QuickBooks Live, we are seeing promising early results. With the rapid shift to virtual solutions, we're seeing better-than-expected customer acquisition and we continue to experiment across the line-up. For example, we've further refined the set-up offering we introduced in January. We're seeing an encouraging number of customers who've used the set-up offering to upgrade to a monthly subscription, making us optimistic that it's a great way to introduce customers to the benefits of QuickBooks Live.

Our third big bet is to “unlock smart money decisions” for customers by connecting them to financial tools and partners that help put more money in their pockets. In its third season, we are on track to nearly double active use for Turbo.

This suggests customers are finding value from our recently introduced innovations, like mobile refund tracking and weekly credit score updates. And, in this challenging environment, our pending acquisition of Credit Karma is more important than ever as we help consumers make better financial decisions.

Our fourth big bet is to “become the center of small business growth,” by helping our customers sell in an omni-channel world, get paid fast, manage capital and pay employees with confidence.

- We recently launched Cash Flow Planner in QuickBooks Online. Managing cash flow is the biggest problem our customers face - one that is only magnified during this difficult period. Cash Flow Planner is an A.I.-powered interactive tool that looks at a small business’s financial history to predict future money-in and money-out events, enabling a small business customer to forecast its cash needs more accurately.
- Within payments, we are offering our payments customers free access to Instant Deposit, to put money into their hands even faster. Since this free

offer became available, the volume of payments received instantly by our customers has more than doubled. This offering is in the early days.

- Within payroll, we are enabling our small business customers to hold onto their money longer by using our money movement capabilities to pay employees next-day. As a result, we have reduced the time between running payroll and paying employees by one-third, driving product recommendation scores up 10 percent.

Our fifth big bet is to “disrupt the mid-market with QuickBooks Online Advanced,” our online offering designed to address the needs of small business customers with 10 to 100 employees. We developed this offering to help us increase retention of larger customers, and attract new mid-market customers who are over-served by higher-priced competitive offerings. We introduced several new features to help customers individually tailor the product to their needs, including “build your own dashboard” and additional “custom fields for expense transactions.” We continue to work closely with partners to develop integrations that save our customers time and improve the experience. Now more than ever, a cloud offering is needed by mid-market customers at a disruptive price.

Now, let me wrap up our Big Bets by circling back to bet number one, which is our foundational bet to “revolutionize speed to benefit” for our customers. Our goal is to deliver benefits to our customers instantly and to make the interactions with our offerings frictionless by accelerating the application of A.I. Earlier, I shared several examples of how we are using A.I. to provide our customers access to help through Intuit Aid Assist and PPP funds through QuickBooks Capital. Or how our customers are accessing funds with instant deposit, managing cash flow with Cash Flow Planner, or how we’re improving the experience for experts with A.I. We are uniquely positioned to use A.I. to unlock the power of data in service to our customers, both the velocity and the impact of our innovation.

Now let me share our thoughts on the bigger picture in the current environment.

We expect this environment to act as an accelerant to the bets we have declared.

- First, we expect to see an accelerating shift to a virtual world. This aligns with our big bet to “connect people to experts” using technology to improve confidence.

- Second, the need for small businesses to increase their online presence and commerce will become more essential. This aligns with our big bet to “be the center of small business growth,” by providing tools and visibility for customers to better manage their cash flow.
- Finally, as we have seen in previous times of hardship, we expect consumers to put a high premium on offerings that improve their financial health, which aligns with our bet to help consumers “unlock smart money decisions.” This includes helping our customers with saving more money and getting out of debt, and becoming a trusted financial assistant in their pocket with our pending acquisition of Credit Karma.

Our strategy and Big Bets position us better now than ever before. We have a proven playbook that focuses our investments on accelerated innovation and what matters most. In that context, we have aligned the company to invest in what’s most important for future growth while delivering against our financial principles. We intend to play offense during this downturn by investing in the largest opportunities for the future - our Big Bets. When we do our job well, we believe we will come out of this downturn stronger than ever before.

To wrap up, I'm incredibly proud of our accomplishments this quarter. We remain focused on what matters most to our customers and those things that we can control during this time of uncertainty.

Now let me hand it over to Michelle.

Financial Results and Segment Details

Thanks, Sasan. Good afternoon everyone. I'll start by adding my thoughts on the playbook we are using to run the business during these challenging economic times, and then provide an overview of our financial results this quarter.

As Sasan shared, we have been through tough economic times before, and have developed a playbook of principles for operating in a downturn. These principles are designed to accelerate our execution in the future, and help both our customers and Intuit emerge from a downturn in a stronger position than when it began.

One of those principles is focusing on controlling what we can, including discretionary spending to deliver bottom line results. Roughly three-quarters of Intuit's expense base is variable over time. We are scrutinizing all expenses and

carefully managing what we can control in this environment, such as travel, marketing spend and hiring decisions.

Let me now turn to our results. As Sasan mentioned, we saw a continuation of the strong momentum we built through the second quarter during the first half of the third quarter, followed by a slowdown in our business beginning in mid-March.

For the third quarter of fiscal 2020, we delivered:

- Revenue of \$3.0 billion, down 8 percent year-over-year.
- GAAP operating income of \$1.4 billion, a 21 percent decrease.
- Non-GAAP operating income of \$1.5 billion, an 18 percent decrease.
- GAAP diluted earnings per share of \$4.11, a 21 percent decrease.
- And non-GAAP diluted earnings per share of \$4.49, a 19 percent decrease.

Business Segment Results

Turning to the business segments:

Consumer and Strategic Partner Groups

Consumer Group revenue was \$1.8 billion, down 15 percent in the third quarter.

This decline reflects the delay of the IRS tax filing deadline to July 15th, which is shifting revenue out of the third quarter and into the fourth quarter.

We are pleased with what we have seen season-to-date. The DIY category continues to grow faster than assisted, and we feel good about where we stand with TurboTax Online share. With two months still to go in the season, it's difficult to know if these trends will continue, or whether more consumers will choose to file an extension. Either way we expect the DIY category to gain share again this season as it has for more than a decade.

And in the Strategic Partner Group, professional tax revenue declined 18 percent in the third quarter, reflecting the impact of the delayed tax filing deadline on the timing of consumer tax filings completed by accountants.

Small Business and Self-Employed Group

We grew Small Business and Self-Employed Group revenue 11 percent during the third quarter, driven by Online Ecosystem revenue growth of 28 percent. Our

strategic focus within Small Business and Self-Employed is to grow the core, connect the ecosystem and expand globally.

- Starting with grow the core, QuickBooks online accounting revenue grew 36 percent in fiscal Q3, driven mainly by customer growth, higher effective prices and to a lesser extent mix-shift. During the second half of the quarter we saw the pace of new customer acquisition and retention both decline, especially among lower ARPC customers. Keep in mind that there is a lagging impact to QuickBooks online accounting revenue, although we do expect both our subscriber base and ARPC to grow during fiscal year 2020.
- Second, we continue to focus on connecting the ecosystem. Online Services revenue - which includes payroll, payments, time tracking and capital - grew 16 percent in fiscal Q3. Within payroll, we continue to see revenue tailwinds during the quarter from a mix-shift to our full service offering. Roughly two-thirds of online payroll revenue is generated from monthly subscription fees and one-third is generated from per employee monthly fees. Within payments, revenue growth reflects continued customer growth, along with an increase in charge volume per customer. During the second half of the

quarter, charge volume decelerated, fewer workers were paid and fewer companies ran payroll. These leading indicators could result in higher attrition and lower revenue for these offerings in the future.

- Third, our progress expanding globally added to the growth of Online Ecosystem revenue during fiscal Q3. Total international online revenue again grew over 50 percent, reflecting subscriber and ARPC growth earlier in the fiscal year. However, this momentum has slowed, and could result in decelerating revenue growth in the future.

Desktop Ecosystem revenue declined 6 percent in the third quarter. Desktop units declined sharply, reflecting lower sales through the retail and direct channels beginning in mid-March. This was offset by mid-single digit QuickBooks Desktop Enterprise revenue growth. Within our desktop payroll offering, nearly 10 percent fewer workers were paid during the second half of the quarter versus a year ago. This compares to growth in the mid-single digits during the first half of the quarter through mid-March. Desktop payments charge volume growth declined just over 20 percent in the second half of the quarter.

As we've shared, Intuit is helping small businesses obtain loans from the Paycheck Protection Program through QuickBooks Capital. We are working in partnership with an SBA-approved bank and we are also directly funding a portion of these loans. We don't expect to hold those loans on our balance sheet. Revenue from these loans was immaterial during the quarter.

Let me turn to our pending acquisition of Credit Karma. We expect the acquisition to be accretive over time, but given the current environment we don't have visibility into whether it will be neutral to accretive in the first full fiscal year after closing. We continue to expect the transaction to close during the second half of calendar year 2020. We are excited about the unprecedented benefits we can deliver together for customers.

Financial Principles and Capital Allocation

Turning to our financial principles. We remain committed to growing organic revenue double-digits, and growing operating income dollars faster than revenue. We take a disciplined approach to capital management, investing the cash we generate in opportunities that yield an expected return on investment greater than 15 percent. We continue to focus on reallocating resources to top priorities at the

company, with an emphasis on becoming an A.I.-driven expert platform. These principles remain our long-term commitment, though we recognize that we may not be able to achieve them in the current environment.

Our first priority for the cash we generate is investing in the business to drive customer and revenue growth. We consider acquisitions to accelerate our growth and fill out our product road map. We return excess cash that we can't invest profitably in the business to shareholders via both share repurchases and dividends.

- We finished the quarter with approximately \$4 billion in cash and investments on our balance sheet. On May 7, we drew down the full amount of our \$1 billion revolving credit facility to maintain financial flexibility.
- We repurchased \$40 million of stock in the third quarter, but have temporarily suspended share purchases in conjunction with the Credit Karma acquisition, as is typical during a stock transaction. We have approximately \$2.4 billion remaining on our authorization, and we expect to be in the market in the future.

- The Board approved a quarterly dividend of \$0.53 per share, payable July 20, 2020. This represents a 13 percent increase versus last year.

We will not be providing guidance today. As a reminder we withdrew our fiscal 2020 guidance earlier this month, reflecting uncertainty in current small business trends.

With that, I'll turn it back over to Sasan.

Closing Comments (Sasan)

Thanks, Michelle.

We're uniquely positioned to make a positive impact on the world during this time.

I'm proud of the actions we've taken as a company to support our customers when they need it most. We've acted with speed, enabling our employees to be safe and productive working from home and continuing to innovate for our customers.

We're using our capabilities to rapidly deploy solutions to help consumers and small businesses access the products and relief they need during this difficult time.

I'm confident we'll emerge an even stronger company.

Closing Comments After Q&A

Thank you everyone for your time and questions today. I would like to close by thanking our employees, customers and partners. Be well. I look forward to speaking with you on our next earnings call.

Cautions About Forward-looking Statements

These materials contain forward-looking statements, including the impact of the COVID-19 pandemic on Intuit's business; the timing of when individuals will file their tax returns; Intuit's prospects for the business in fiscal 2020 and beyond; expectations regarding Intuit's growth outside the US; 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 Intuit's corporate tax rate; expectations regarding changes to our products and their impact on Intuit's business; expectations regarding the amount and timing of any future dividends or share repurchases; expectations regarding availability of our offerings; expectations regarding the impact of our strategic decisions on Intuit's business; and expectations regarding the timing, completion, financial performance and impact of the Credit Karma acquisition.

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 risks and uncertainties may be amplified by the COVID-19 pandemic, which has caused significant economic instability and uncertainty. These factors include, without limitation, the following: our ability to compete successfully; our participation in the Free File Alliance; potential governmental encroachment in our tax businesses; our ability to adapt to technological change; our ability to predict consumer behavior; our reliance on third-party intellectual property; our ability to protect our intellectual property rights; any harm to our reputation; risks associated with acquisition and divestiture activity; the issuance of equity or incurrence of debt to fund an acquisition; our cybersecurity incidents (including those affecting the third parties we rely on); customer concerns about privacy and cybersecurity incidents; fraudulent activities by third parties using our offerings; our failure to process transactions effectively; interruption or failure of our information technology; our ability to maintain critical third-party business relationships; our ability to attract

and retain talent; any deficiency in the quality or accuracy of our products (including the advice given by experts on our platform); any delays in product launches; difficulties in processing or filing customer tax submissions; risks associated with international operations; changes to public policy, laws or regulations affecting our businesses; litigation in which we are involved; the seasonal nature of our tax business; changes in tax rates and tax reform legislation; global economic changes; exposure to credit risk of the businesses we provide capital to; amortization of acquired intangible assets and impairment charges; our ability to repay outstanding debt; our ability to repurchase shares or distribute dividends; volatility of our stock price; our ability to successfully market our offerings; failure to obtain required regulatory approvals in a timely manner or otherwise; failure to satisfy any closing conditions to the proposed acquisition of Credit Karma; risks associated with tax liabilities or changes in U.S. federal tax laws or interpretations to which the proposed transaction with Credit Karma or parties thereto are subject; failure to successfully integrate any new business; failure to realize anticipated benefits of any combined operations; unanticipated costs of acquiring or integrating Credit Karma; potential impact of announcement

or consummation of the proposed acquisition on relationships with third parties, including employees, customers, partners and competitors; inability to retain key personnel; changes in legislation or government regulations affecting the acquisition or the parties; economic, and or political conditions that could adversely affect the acquisition or the parties; the impact of the COVID-19 pandemic; and risks associated with assumptions the parties make in connection with the parties' critical accounting estimates and legal proceedings.

More details about these and other risks that may impact our business are included in our Form 10-K for fiscal 2019, in our other SEC filings and in the Registration Statement on Form S-4 and the consent solicitation statement/prospectus contained therein relating to the proposed acquisition of Credit Karma, Inc. You can locate these reports through our website at <http://investors.intuit.com>. Forward-looking statements represent the judgment of the management of Intuit as of the date of this presentation. We do not undertake any duty to update any forward-looking statement or other information in this presentation.

No Offer or Solicitation

This communication is not intended to and does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy or an invitation to purchase or subscribe for any securities or the solicitation of any vote in any jurisdiction pursuant to the proposed transactions or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act. Subject to certain exceptions to be approved by the relevant regulators or certain facts to be ascertained, the public offer will not be made directly or indirectly, in or into any jurisdiction where to do so would constitute a violation of the laws of such jurisdiction, or by use of the mails or by any means or instrumentality (including without limitation, facsimile transmission, telephone and the internet) of interstate or foreign commerce, or any facility of a national securities exchange, of any such jurisdiction.

Additional Information

Important Additional Information Has Been Filed with the SEC

Intuit has filed with the SEC a registration statement on Form S-4, which includes the prospectus of Intuit (the "prospectus"). INVESTORS AND SHAREHOLDERS ARE URGED TO CAREFULLY READ THE PROSPECTUS IN ITS ENTIRETY AND OTHER RELEVANT DOCUMENTS TO BE FILED WITH THE SEC IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT INTUIT, CREDIT KARMA, THE PROPOSED TRANSACTIONS AND RELATED MATTERS.

Investors and shareholders may obtain free copies of the prospectus and other documents filed with the SEC by the parties through the website maintained by the SEC at www.sec.gov. In addition, investors and shareholders may obtain free copies of the prospectus and other documents filed with the SEC on Intuit's website at <http://investors.intuit.com>.