

Intuit Inc.
Second-quarter Fiscal 2022
Conference Call Remarks
February 24, 2022

Introduction

Good afternoon and welcome to Intuit's second-quarter fiscal 2022 conference call. I'm here with Intuit's CEO Sasan Goodarzi and Michelle Clatterbuck, our CFO. Unfortunately Michelle has lost her voice, so I will be reading her prepared remarks today. Sasan and I will take your questions during Q&A.

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 2021 and our other SEC filings. All of those documents are available on the Investor Relations page of Intuit's

website at [intuit.com](https://www.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.

Second-quarter Fiscal 2022 Overview

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

Second quarter results reflect continued strong momentum across the company as we execute on our strategy to be a global AI-driven expert

platform powering the prosperity of consumers and small businesses. We have a nearly \$300 billion addressable market driven by tailwinds that include a shift to virtual solutions, acceleration to online and omnichannel capabilities, and digital money offerings. This - combined with the team's excellence in execution - is contributing to the strength of our performance. Second quarter revenue of \$2.7 billion was driven by strong results from our Small Business and Self-Employed Group, Credit Karma, and reflects an earlier start to the tax season compared to last year in the Consumer Group. Since tax season is now underway, let me start there.

We are confident in our strategy of extending our lead in the DIY category and transforming the assisted segment. Based on our analysis, we are on track to gain share overall again this season. This, and other early indicators, gives us reason to be excited about our innovation and go-to-market decisions. Our focus this season is threefold:

- First, we continue to aggressively transform the assisted category by reshaping how 88 million filers get their maximum refund with

confidence, virtually. This opens up the \$20 billion assisted tax prep category to Intuit.

- Second, we are serving the underpenetrated LatinX, self-employed, and investor segments, which are growing faster than overall tax filings.
- And third, we are serving millions of members on the Credit Karma platform with personalized experiences.

Our team has developed a strong game plan to win this season, and we are on track to achieve our full year Consumer Group guidance of 10 to 11 percent revenue growth.

Our AI-driven expert platform strategy is accelerating innovation and our five Big Bets are solving the largest problems our customers face. We continue to deliver strong proof points that demonstrate this success, and are well-positioned for durable growth in the future. As a reminder, these Big Bets are:

- Revolutionize speed to benefit

- Connect people to experts
- Unlock smart money decisions
- Be the center of small business growth, and
- Disrupt the small business mid-market

Today, I'd like to highlight examples of our recent progress across three of these Big Bets.

Our second big bet is to “connect people to experts.” We are solving one of the largest problems our customers face - lack of confidence - by connecting people to experts virtually with TurboTax Live and QuickBooks Live.

With TurboTax Live we are transforming the \$20 billion assisted category by providing the 88 million filers who have previously relied on in-person assistance, the opportunity to access expert help or have an expert file their taxes for them. We've improved the experience for customers by applying AI to match them with an expert who is right for their specific situation, and to deliver insights to experts so they can provide excellent

service. These capabilities are also now available in the Credit Karma app for members that used an assisted method to file their taxes last year.

We are off to a strong start in our busy season with QuickBooks Live.

We're now giving customers earlier visibility into how their business is performing, getting their books cleaned up faster, and connecting with an expert easier. We've seen some of our strongest weeks of new customer acquisition in January and retention rates in our target customer segment increase several points versus a year ago. We believe QuickBooks Live will enable us to reach small and mid-market businesses that have not used financial management software. We are eager to continue accelerating our momentum for this offering.

Our third big bet is to “unlock smart money decisions.” Credit Karma is a data platform with powerful network effects solving a two-sided problem.

Our vision is to unlock smart money decisions by creating an autonomous financial platform that helps consumers find the right financial products, puts more money in their pockets and connects them to insights and advice.

In Credit Karma, we are innovating across all verticals. Our proprietary Lightbox technology allows us to better personalize and connect members to the products that are right for them, providing more certainty. Credit Karma's data platform and engagement model creates powerful network effects.

- We continue to see strength in credit cards and personal loans. Lightbox approximately doubles the average approval rate for members who apply for credit cards on Credit Karma versus outside of Credit Karma, making it a competitive differentiator for both our members and partners.
- We are solving a larger set of financial challenges for consumers in the auto and home verticals. In auto insurance, we continue to strengthen the Karma Drive program.

We launched new features and experiences this tax season designed to help the majority of Credit Karma members file easily with TurboTax and gain deeper insights into their finances. We are also offering tax filers

earlier access to refunds through direct deposit and refund advance programs.

- First, Credit Karma launched a capability for members who previously filed with TurboTax to provide them with insights about their finances, income and taxes.
- Second, most Credit Karma members are able to file with TurboTax within the Credit Karma app and are eligible for special offers.
- Third, tax filers who choose to deposit their refund into a Credit Karma Money account will receive their refund up to five days early with direct deposit, or get a portion of their refund in as little as one hour after their return is accepted through the TurboTax Refund Advance program. These TurboTax customers drive Credit Karma member growth and get access to personalized products across the platform which accelerates engagement over time.

Big picture, we continue to grow members by delivering personalized financial products, helping members save money, pay down debt and get faster access to their money while providing insights and advice. Over time,

we are creating a virtuous cycle, which we expect to increase the frequency of engagement, transactions, and monetization across our ecosystem.

Our fourth big bet is to “become the center of small business growth” by helping our customers get customers, get paid fast, manage capital, pay employees with confidence and grow in an omnichannel world. Sixty percent of small businesses struggle with cash flow, and we continue to innovate to help customers overcome this challenge.

- In payments, we continue to improve discoverability, increase usage of features like Instant Deposit, and roll out new innovations like Get Paid Upfront that help qualified customers get paid soon after the invoice is sent. All of this innovation is driving strength in our charge volume.
- And in payroll, we continue to focus on making it easier for small businesses to pay their employees and provide them with expanded benefits. Nearly 40 percent of Americans say they would struggle to pay an unexpected \$400 emergency expense. We recently announced QuickBooks Early Pay, which will allow eligible

employees paid through QuickBooks Online Payroll to access money between pay days.

Getting and engaging customers remains a significant pain point for small and mid-market businesses. With Mailchimp, we are well on our way to becoming the source of truth for our customers to help them grow and run their business.

We have three acceleration priorities with Mailchimp:

- First, is to deliver on our vision of an end-to-end customer growth platform,
- Second, disrupting the mid-market, by developing a full marketing automation, CRM and eCommerce suite; and
- Third, accelerating global growth with a holistic go-to-market approach.

Since the acquisition closed in November, we've been moving with speed to deliver for our customers. We are aggressively building a seamless integration between QuickBooks and Mailchimp to create a growth

platform, investing in marketing and introducing the Intuit leadership playbook and operating system to execute at scale. Together, we are uniquely positioned to enable small and mid-market businesses combine their customer data from Mailchimp and purchase data from QuickBooks to deliver actionable insights they need to grow and run their businesses with confidence. This is where the real magic happens.

Shifting to the long-term, we're also looking far ahead to anticipate our customers' future needs through our 6-year planning process, a part of Intuit's Operating System which we use to run the company. In December, our top leaders studied our customer problems and industry trends, the progress we've made since declaring our Big Bets three years ago, and where we can have the largest impact in the future. This led to refreshing our five Big Bets to accelerate innovation, powering the prosperity of those we serve. While our strategy remains durable, and the essence of our Big Bets are the same, we have expanded the customer problems we want to solve, and our vision for each Big Bet. For instance, as part of our first Big Bet, "revolutionize speed to benefit," we are accelerating investments in

decentralized technologies such as blockchain and cryptocurrency enabling us to help customers put more money in their pockets faster. As part of our second Big Bet, “connect people to experts,” we’re reframing how we think about virtual experiences by exploring metaverse technologies and expanding the segments we serve beyond tax and accounting, to play a more meaningful role in our customers’ lives. We will unpack this evolution in more detail at our Investor Day this fall.

We remain focused on our role as a strong corporate citizen and the impact we’re making on the communities where we live and work to further our mission. Intuit was recently recognized by JUST Capital, on its JUST 100 top performing companies list for 2022 for our progress on DEI, along with our focus on climate change, worker wellness, job creation, and customer privacy.

Wrapping up, our strong business fundamentals, including our balance sheet, our speed of innovation and demand for our platform, continue to put Intuit in a position of strength. Despite macro conditions such as rising inflation, supply chain issues, the Great Reshuffling and geopolitical

conflicts, our platform continues to thrive as digitization is more important now than ever, supporting our customers' needs to put more money in their pockets and helping them run and grow their businesses. We are proud to be the platform of choice for over 100 million customers around the world who rely on Intuit to prosper. Now let me hand it over to Kim.

Financial Results and Segment Details

Thanks, Sasan.

For the second quarter of fiscal 2022, we delivered:

- Revenue of \$2.7 billion, up 70 percent, including 31 points from the addition of Mailchimp and Credit Karma.
- GAAP operating income of \$56 million, versus an operating loss of \$25 million last year.
- Non-GAAP operating income of \$612 million, versus \$235 million last year.
- GAAP diluted earnings per share of \$0.35, versus \$0.07 a year ago.

- And non-GAAP diluted earnings per share of \$1.55, versus \$0.68 last year.

After the quarter ended, we entered into an agreement that will resolve a majority of pending arbitration claims related to the Free File litigation, without admitting any wrongdoing. This resulted in an immaterial charge reflected in our fiscal Q2 GAAP and non-GAAP results.

Business Segment Results

Turning to the business segments:

Small Business and Self-Employed Group

In the Small Business and Self-Employed Group, revenue grew 47 percent during the quarter, or 24 percent on an organic basis, excluding \$240 million in revenue from Mailchimp. Online ecosystem revenue grew 74 percent, or 37 percent excluding Mailchimp. With the aim of being the source of truth for small businesses, our strategic focus within the Small Business and Self-Employed Group is three-fold: grow the core, connect the ecosystem and expand globally.

- First, we continue to focus on growing the core. QuickBooks online accounting revenue grew 35 percent in fiscal Q2, driven mainly by higher effective prices, customer growth, and mix-shift.
- Second, we continue to focus on connecting the ecosystem. Online services revenue - which includes Mailchimp, payroll, payments, capital and time tracking - grew 139 percent in fiscal Q2. Excluding Mailchimp, online services revenue grew 39 percent.
 - Mailchimp revenue recorded in online services was \$240 million in the quarter. This was in line with our expectations.
 - Within payroll, we continued to see revenue tailwinds during the quarter from growth in payroll customers and a mix-shift to our full service offering.
 - Within payments, revenue growth reflects an increase in charge volume per customer and ongoing customer growth.
- Third, we continue to make progress expanding globally. Total international online ecosystem revenue grew 226 percent in fiscal Q2

on a constant currency basis, and 33 percent on an organic basis excluding Mailchimp.

We believe the best measure of the health and success of our strategy is online ecosystem revenue growth, which we expect to grow better than 30 percent organically over time. This is driven by 10 to 20 percent expected growth in both customers and ARPC.

Desktop Ecosystem revenue grew 6 percent in the second quarter.

QuickBooks Desktop Enterprise revenue grew low-double digits, driven by strong customer growth and price increases. As a reminder, this fall we transitioned to a subscription model for this year's desktop offering, which we expect to be a headwind to revenue growth in the second half of the year. Longer term, we expect the desktop business to decline.

Consumer and ProConnect Groups

Consumer Group revenue of \$411 million grew 180 percent in Q2, reflecting the earlier IRS opening this year. We are seeing a slower forming tax season, taking into consideration both the earlier IRS open date this

year and the latest IRS data. While still early in the season, our analysis shows we are on track to gain share overall, excluding users of the TurboTax Free File offering in prior year periods. We remain confident in our plans and guidance of 10 to 11 percent revenue growth for fiscal 2022. We continue to focus on our strategy to extend our lead in DIY and transform the assisted segment with TurboTax Live.

As a reminder, there are four key drivers of our Consumer tax business.

- The first is the total number of returns filed with the IRS,
- The second is the percentage of those returns filed using do-it-yourself software,
- The third is our share, and
- The fourth is average revenue per return.

Turning to the ProConnect Group, revenue grew 14 percent in Q2, also reflecting the earlier IRS opening this year.

Credit Karma

Moving on to Credit Karma, revenue was \$444 million in Q2, another record revenue quarter, driven by high levels of monthly active users and revenue per monthly active user.

Within the core, we saw another record quarter driven by the combined strength in personal loans and credit cards. The growth verticals reflected momentum year-over-year in auto loans and home loans. And we are developing the emerging vertical by focusing on innovation with Credit Karma Money, which we believe is key to growing the frequency of visits over time. We remain excited about the opportunities ahead.

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. As we've shared before, as we lean into our platform strategy, we see the opportunity for margin expansion over time. 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 reallocate resources to top priorities, with an emphasis on being an AI-driven expert platform. These principles guide our decisions and remain our long-term commitment.

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 roadmap. 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 \$1.4 billion in cash and investments on our balance sheet.
- We repurchased \$519 million of stock during the second quarter.

Depending on market conditions and other factors, our aim is to be in the market each quarter.

- The Board approved a quarterly dividend of \$0.68 per share, payable April 18, 2022. This represents a 15 percent increase versus last year.

Fiscal 2022 and Q3 Guidance

Turning to guidance, we are reaffirming our fiscal 2022 guidance, including 26 to 28 percent revenue growth, or 18 to 20 percent growth excluding Mailchimp.

Our guidance for the third quarter of fiscal 2022 includes:

- Revenue growth of 32 to 33 percent.
- GAAP earnings per share of \$6.18 to \$6.24, and
- Non-GAAP earnings per share of \$7.51 to \$7.57.

You can find our full Q3 and fiscal 2022 guidance details in our press release and on our fact sheet.

As you are aware, we completed the acquisition of Mailchimp, the largest transaction in Intuit's history during the second quarter. We are working to finalize the purchase price accounting process, which could result in a one-time impact to our second quarter GAAP-only results and full year fiscal 2022 GAAP-only guidance issued today. This process will not result in a

change to the total consideration of the transaction. We expect to complete this process before we file our 10-Q.

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

Closing Comments (Sasan)

Thanks, Kim.

During our busiest season of the year, we're seeing continued momentum across the company given our strategy of being an AI-driven expert platform that is powering prosperity for consumers and small businesses. I am proud of what the team accomplished this quarter and I am excited about the opportunities ahead to find new, innovative ways to serve our more than 100 million customers. Let's now open it up to your questions.

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 for another great quarter. We come to work every day passionate about helping customers and communities overcome their most important financial challenges. We

are proud of what we've accomplished, and the speed we were able to deliver new innovations to help our customers.

Cautions About Forward-looking Statements

These materials contain forward-looking statements, including expectations regarding: the purchase price accounting for the Mailchimp acquisition; the size of the market for tax preparation software; the timing of when individuals will file their tax returns; forecasts and timing of growth and future financial results of Intuit and its reporting segments; Intuit's prospects for the business in fiscal 2022 and beyond; Intuit's growth outside the US; timing and growth of revenue from current or future products and services; demand for our products; customer growth and ARPC; Intuit's corporate tax rate; changes to our products and their impact on Intuit's business; the amount and timing of any future dividends or share repurchases; availability of our offerings; and the impact of acquisitions and other strategic decisions on our business; as well as all of the statements under the heading "Fiscal 2022 and Q3 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 risks and uncertainties may be amplified by the COVID-19 pandemic, which has caused significant global economic instability and uncertainty. These factors include, without limitation, the following: our ability to compete successfully; 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, including the acquisition and integration of Credit Karma and Mailchimp; 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 tax rate 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, counterparty and other risks in providing capital to businesses; amortization of acquired intangible assets and impairment charges; our ability to repay or otherwise comply with the terms of our outstanding debt; our ability to repurchase shares or distribute dividends; volatility of our stock price; and our ability to successfully market our offerings. More details about these and other risks that may impact our business are included in our Form 10-K for fiscal 2021 and in our other SEC filings. You can locate these reports through our website at <http://investors.intuit.com>. Fiscal 2022 full-year and Q3 guidance speaks

only as of the date it was publicly issued by Intuit. Other 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.