

May 22, 2018



Intuit Third Quarter Revenue Growth Tops 15 Percent; Company Raises Full-Year Guidance

Strong Performance Powered by 41% Online Ecosystem Revenue Growth and Share Gains in TurboTax

MOUNTAIN VIEW, Calif.--(BUSINESS WIRE)-- [Intuit Inc.](#) (Nasdaq: INTU) announced financial results for the third quarter of fiscal 2018, which ended April 30.

"We achieved very strong results this quarter, with overall revenue growth of 15 percent, and double-digit growth in both the Consumer Group and the Small Business and Self-Employed Group," said Brad Smith, Intuit's chairman and chief executive officer. "We are pleased with our momentum across the Online Ecosystem and we are encouraged by our strong performance through the tax season, including the successful debut of TurboTax Live, which we'll continue to scale next season."

Financial Highlights

For the third quarter, Intuit:

- Grew revenue to \$2.925 billion, up 15 percent.
- Increased Consumer Group revenue 15 percent in the quarter and 14 percent year-to-date, exceeding the annual guidance of 7 to 9 percent provided at the beginning of the fiscal year.
- Grew TurboTax units 4 percent this season, including 6 percent growth from TurboTax Online.
- Increased total Small Business and Self-Employed Group revenue 16 percent.
- Finished the quarter with over 3.2 million QuickBooks Online subscribers, up 45 percent.
- Grew to 683,000 Self-Employed subscribers within QuickBooks Online, up from 360,000 one year ago.
- Raised its full-year revenue guidance to \$5.915 billion to \$5.935 billion, growth of 14 to 15 percent.

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.

Snapshot of Third-quarter Results

	GAAP			Non-GAAP		
	Q3	Q3	Change	Q3	Q3	Change
	FY18	FY17		FY18	FY17	
Revenue	\$2,925	\$2,541	15%	\$2,925	\$2,541	15%
Operating Income	\$1,615	\$1,444	12%	\$1,714	\$1,519	13%
Earnings Per Share	\$4.59	\$3.70	24%	\$4.82	\$3.90	24%

Dollars are in millions, except earnings per share. See “About Non-GAAP Financial Measures” below for more information regarding financial measures not prepared in accordance with Generally Accepted Accounting Principles (GAAP). Earnings per share for the fiscal 2018 periods reflects the impact of the Tax Cuts and Jobs Act.

Business Segment Results

Small Business & Self-Employed Group

- Online Ecosystem revenue grew 41 percent.
- U.S. subscribers grew 40 percent to approximately 2.5 million, and international subscribers increased 66 percent to about 720,000.
- TurboTax was a significant channel for QuickBooks Self-Employed. Approximately 330,000 of the QuickBooks Self-Employed subscribers are from the TurboTax Self-Employed offering.

Consumer and Strategic Partner Groups

- Consumer Group revenue is up by 15 percent.
- Delivered an innovative experience with TurboTax Live, a video-based assisted tax preparation experience. TurboTax Live performed well in its first full season, utilizing a platform leveraging nearly 2,000 public accountants, enrolled agents and tax attorneys to serve customers.
- Nearly 5 million TurboTax customers registered for Turbo this year providing customers with a full view of their overall financial health by combining a credit score, verified income data and a debt-to-income ratio to show customers where they truly stand beyond the tax season.
- In the Strategic Partner Group, professional tax revenue was in-line with expectations for the quarter, with revenue up 4 percent year-to-date.

Capital Allocation Summary

In the third quarter the company:

- Repurchased \$19 million of shares, with \$1.2 billion remaining on the authorization.
- Received board approval for a \$0.39 per share dividend for the fiscal fourth quarter, payable on July 18, 2018.

Forward-looking Guidance

Intuit announced guidance for the fourth quarter of fiscal year 2018, which ends July 31. The company expects:

- Revenue of \$940 million to \$960 million, growth of 12 to 14 percent.
- GAAP operating loss of \$20 million to \$30 million.
- Non-GAAP operating income of \$75 million to \$85 million.
- GAAP diluted earnings per share of \$0.04 to \$0.06.
- Non-GAAP diluted earnings per share of \$0.22 to \$0.24.

Intuit raised guidance for full fiscal year 2018. The company now expects:

- Revenue of \$5.915 billion to \$5.935 billion, growth of 14 to 15 percent.
- GAAP operating income of \$1.545 billion to \$1.555 billion, growth of 11 percent.
- Non-GAAP operating income of \$1.950 billion to \$1.960 billion, growth of 12 to 13 percent.
- GAAP diluted earnings per share of \$4.50 to \$4.52, growth of 21 to 22 percent.
- Non-GAAP diluted earnings per share of \$5.51 to \$5.53, growth of 25 percent.
- QuickBooks Online subscribers of 3.350 million to 3.375 million.

This guidance is based on a full year GAAP tax rate of 24 percent and a non-GAAP tax rate of 26.3 percent.

"We're raising our guidance for fiscal year 2018 on the strength of our performance across the businesses this quarter," said Michelle Clatterbuck, Intuit's chief financial officer. "These results demonstrate that our One Intuit strategy is also gaining traction, and we expect it to continue to gain momentum through the rest of this fiscal year and beyond."

Consumer Group Management Succession Plan

Dan Wernikoff, general manager of the Consumer Group, will step down from the role at the end of Intuit's fiscal 2018. Greg Johnson, senior vice president of marketing, will succeed Wernikoff as general manager of the Consumer Group.

"I couldn't be more confident in the state of the business and in Greg's ability to lead us into the next chapter of our growth," Smith said. "At the same time, I couldn't be more proud of the foundation Dan has built. When he took this role in 2016, we agreed this would be a two or three-year assignment. In those two years, under Dan's leadership, we've extended our lead in the do-it-yourself tax prep category, advanced our efforts to disrupt the assisted tax prep category and expanded our business beyond tax."

Johnson, a 20-year veteran in consumer-based businesses, has spent the last five years as an integral member of the senior leadership team, leading Intuit's go-to-market initiatives, commercial innovation, analytics and marketing capabilities that have accelerated the growth of Intuit's Tax business.

“Greg is a seasoned executive who has been a driving force in the reinvention of our consumer business model. He spearheaded the introduction of Absolute Zero, helped bring TurboTax Self Employed and QuickBooks Self Employed together in the One Intuit Ecosystem and was a key member of the team that brought TurboTax Live and Turbo to market.

“As we pass the baton to Greg, I want to thank Dan for an outstanding 2017 tax season and for positioning the business for continued growth for years to come,” said Smith.

Conference Call Details

Intuit executives will discuss the financial results on a conference call at 1:30 p.m. Pacific time on May 22. To hear the call, dial 844-246-4601 in the United States or 703-639-1172 from international locations. No reservation or access code is needed. The conference call can also be heard live at <http://investors.intuit.com/Events/default.aspx>. Prepared remarks for the call will be available on Intuit’s website after the call ends.

Replay Information

A replay of the conference call will be available for one week by calling 855-859-2056, or 404-537-3406 from international locations. The access code for this call is 5878617.

The audio webcast will remain available on Intuit’s website for one week after the conference call.

About Intuit

Intuit’s mission is to Power Prosperity Around the World. Our global products and platforms, including [TurboTax](#), [QuickBooks](#), [Mint](#) and [Turbo](#), are designed to empower consumers, self-employed, and small businesses to improve their financial lives, finding them more money with the least amount of work, while giving them complete confidence in their actions and decisions. Our innovative ecosystem of financial management solutions serves 46 million customers worldwide, unleashing the power of many for the prosperity of one. Please visit us for the latest news and in-depth information [about Intuit](#) and its brands and find us on [Facebook](#).

About Non-GAAP Financial Measures

This press release and the accompanying tables include non-GAAP financial measures. For a description of these non-GAAP financial measures, including the reasons management uses each measure, and reconciliations of these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with Generally Accepted Accounting Principles, please see the section of the accompanying tables titled "About Non-GAAP Financial Measures" as well as the related Table B1, Table B2, and Table E. A copy of the press release issued by Intuit today can be found on the investor relations page of Intuit’s website.

Cautions About Forward-looking Statements

This press release 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 2018 and beyond; expectations regarding timing and growth of revenue for each of Intuit's reportable segments and from current or future products and services; expectations regarding customer growth; 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 Intuit's corporate tax rate; expectations regarding availability of our offerings; expectations regarding the impact of our strategic decisions on Intuit's business; and all of the statements under the heading "Forward-looking 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; changes in the total number of tax filings that are submitted to government agencies due to economic conditions or otherwise; the competitive environment; governmental encroachment in our tax businesses or other governmental activities or public policy affecting the preparation and filing of tax returns; our ability to innovate and adapt to technological change and global trends; our ability to adequately protect our intellectual property rights; our ability to develop and maintain brand awareness and our reputation; disruptions, expenses and risks associated with our acquisitions and divestitures; we may issue additional shares in an acquisition causing our number of outstanding shares to grow; any failure to properly use and protect personal customer or employee information and data; a security breach could result in third-party access to confidential customer, employee and business information; privacy and cybersecurity concerns relating to our offerings, or online offerings in general; any failure to process transactions effectively or to adequately protect against potential fraudulent activities; any loss of confidence in using our software as a result of publicity regarding such fraudulent activity; availability of our products and services could be impacted by business interruption or failure of our information technology and communication systems; our ability to develop, manage and maintain critical third-party business relationships; our ability to attract, retain and develop highly skilled employees; any significant product accuracy or quality problems or delays; any problems with implementing upgrades to our customer facing applications and supporting information technology infrastructure; increased risks associated with international operations; increases in or changes to government regulation of our businesses; the cost of, and potential adverse results in, litigation involving intellectual property, antitrust, shareholder and other matters; the seasonal and unpredictable nature of our revenue; unanticipated changes in our income tax rates; adverse global economic conditions; amortization of acquired intangible assets and impairment charges; our use of significant amounts of debt to finance acquisitions or other activities; any lost revenue opportunities or cannibalization of our traditional paid franchise due to our participation in the Free File Alliance; and changes in the amounts or frequency of share repurchases or dividends. More details about the risks that may impact our business are included in our Form 10-K for fiscal 2017 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 22, 2018, and we do not undertake any duty to update any forward-looking statement or other information in these materials.

TABLE A
INTUIT INC.
GAAP CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	April 30, 2018	April 30, 2017	April 30, 2018	April 30, 2017
Net revenue:				
Product	\$ 505	\$ 467	\$ 1,140	\$ 1,063
Service and other	2,420	2,074	3,836	3,272
Total net revenue	<u>2,925</u>	<u>2,541</u>	<u>4,976</u>	<u>4,335</u>
Costs and expenses:				
Cost of revenue:				
Cost of product revenue	27	29	87	95
Cost of service and other revenue	272	205	649	522
Amortization of acquired technology	5	3	10	9
Selling and marketing	549	467	1,326	1,155
Research and development	296	246	875	735
General and administrative	159	146	447	412
Amortization of other acquired intangible assets	2	1	4	2
Total costs and expenses [A]	<u>1,310</u>	<u>1,097</u>	<u>3,398</u>	<u>2,930</u>
Operating income	<u>1,615</u>	<u>1,444</u>	<u>1,578</u>	<u>1,405</u>
Interest expense	(5)	(8)	(16)	(28)
Interest and other income (expense), net	7	3	15	—
Income before income taxes	<u>1,617</u>	<u>1,439</u>	<u>1,577</u>	<u>1,377</u>
Income tax provision [B]	417	475	415	430
Net income	<u>\$ 1,200</u>	<u>\$ 964</u>	<u>\$ 1,162</u>	<u>\$ 947</u>
Basic net income per share	<u>\$ 4.68</u>	<u>\$ 3.76</u>	<u>\$ 4.54</u>	<u>\$ 3.68</u>
Shares used in basic per share calculations	<u>257</u>	<u>256</u>	<u>256</u>	<u>257</u>
Diluted net income per share	<u>\$ 4.59</u>	<u>\$ 3.70</u>	<u>\$ 4.47</u>	<u>\$ 3.63</u>
Shares used in diluted per share calculations	<u>262</u>	<u>260</u>	<u>260</u>	<u>261</u>
Cash dividends declared per common share	<u>\$ 0.39</u>	<u>\$ 0.34</u>	<u>\$ 1.17</u>	<u>\$ 1.02</u>

See accompanying Notes.

**INTUIT INC.
NOTES TO TABLE A**

[A] The following table summarizes the total share-based compensation expense that we recorded in operating income for the periods shown.

<i>(in millions)</i>	Three Months Ended		Nine Months Ended	
	April 30, 2018	April 30, 2017	April 30, 2018	April 30, 2017
Cost of revenue	\$ 14	\$ 2	\$ 30	\$ 6
Selling and marketing	25	19	75	66
Research and development	30	24	99	89
General and administrative	23	26	79	80
Total share-based compensation expense	\$ 92	\$ 71	\$ 283	\$ 241

[B] We compute our provision for or benefit from income taxes by applying the estimated annual effective tax rate to income or loss from recurring operations and adding the effects of any discrete income tax items specific to the period.

Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act (Tax Act) was enacted on December 22, 2017 and reduces the U.S. statutory federal corporate tax rate from 35% to 21%. The effective date of the tax rate change was January 1, 2018. With our fiscal year ending July 31, the change will result in a blended lower U.S. statutory federal rate of 26.9% for fiscal year 2018. As a result, we adjusted our annual effective tax rate for the three and nine months ended April 30, 2018, as well as adjusted our U.S. net deferred tax asset balance at the lower rates.

As of April 30, 2018, we have not completed our accounting for the tax effects of enactment of the Tax Act; however, we have made a reasonable estimate of the effects on our existing deferred tax balances. We recorded a provisional charge of \$39 million in the second quarter of fiscal 2018 related to the re-measurement of certain deferred tax balances. During the three months ended April 30, 2018, we recorded an additional provisional charge of \$5 million related to the re-measurement of deferred tax balances, resulting in a total tax expense of \$44 million for the nine months ended April 30, 2018.

Current quarter and year to date income tax and effective tax rates

For the three and nine months ended April 30, 2018, we recognized excess tax benefits on share-based compensation of \$8 million and \$41 million in our provision for income taxes. For the three and nine months ended April 30, 2017, we recognized excess tax benefits on share-based compensation of \$12 million and \$38 million in our provision for income taxes.

Our effective tax rate for the three and nine months ended April 30, 2018 was approximately 26% and did not differ significantly from the federal statutory rate of 26.9%.

Our effective tax rates for the three and nine months ended April 30, 2017 were approximately 33% and 31%. Excluding discrete tax items primarily related to share-based compensation tax benefits, our effective tax rate for both periods was 34% and did not differ significantly from the federal statutory rate of 35%.

TABLE B1
INTUIT INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
TO MOST DIRECTLY COMPARABLE GAAP FINANCIAL MEASURES
(In millions, except per share amounts)
(Unaudited)

	Fiscal 2018				Year to Date
	Q1	Q2	Q3	Q4	
GAAP operating income (loss)	\$ (57)	\$ 20	\$1,615	\$—	\$ 1,578
Amortization of acquired technology	2	3	5	—	10
Amortization of other acquired intangible assets	1	1	2	—	4
Professional fees for business combinations	—	2	—	—	2
Share-based compensation expense	97	94	92	—	283
Non-GAAP operating income (loss)	<u>\$ 43</u>	<u>\$ 120</u>	<u>\$1,714</u>	<u>\$—</u>	<u>\$ 1,877</u>
GAAP net income (loss)	\$ (17)	\$ (21)	\$1,200	\$—	\$ 1,162
Amortization of acquired technology	2	3	5	—	10
Amortization of other acquired intangible assets	1	1	2	—	4
Professional fees for business combinations	—	2	—	—	2
Share-based compensation expense	97	94	92	—	283
Net (gain) loss on debt securities and other investments	2	2	—	—	4
Other income from divested businesses [A]	—	—	(8)	—	(8)
Tax Act [B]	—	39	5	—	44
Other income tax effects and adjustments [B]	(56)	(29)	(36)	—	(121)
Non-GAAP net income (loss)	<u>\$ 29</u>	<u>\$ 91</u>	<u>\$1,260</u>	<u>\$—</u>	<u>\$ 1,380</u>
GAAP diluted net income (loss) per share	\$(0.07)	\$(0.08)	\$ 4.59	\$—	\$ 4.47
Amortization of acquired technology	0.01	0.01	0.02	—	0.04
Amortization of other acquired intangible assets	—	—	0.01	—	0.01
Professional fees for business combinations	—	0.01	—	—	0.01
Share-based compensation expense	0.38	0.36	0.35	—	1.09
Net (gain) loss on debt securities and other investments	0.01	0.01	—	—	0.02
Other income from divested businesses [A]	—	—	(0.03)	—	(0.03)
Tax Act [B]	—	0.15	0.02	—	0.17

Other income tax effects and adjustments [B]	(0.22)	(0.11)	(0.14)	—	(0.48)
Non-GAAP diluted net income (loss) per share	<u>\$ 0.11</u>	<u>\$ 0.35</u>	<u>\$ 4.82</u>	<u>\$—</u>	<u>\$ 5.30</u>

Shares used in GAAP diluted per share calculation

	<u>256</u>	<u>256</u>	<u>262</u>	<u>—</u>	<u>260</u>
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Shares used in non-GAAP diluted per share calculation

	<u>259</u>	<u>260</u>	<u>262</u>	<u>—</u>	<u>260</u>
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[A] During the three months ended April 30, 2018, we received payments from contingent earn out provisions related to businesses we previously divested.

[B] The Tax Act adjustments relate to the provisional tax expense for the re-measurement of deferred tax balances at the enacted lower tax rates.

[C] As discussed in “About Non-GAAP Financial Measures - Income Tax Effects and Adjustments” following Table E, our non-GAAP tax rate eliminates the effects of non-recurring and period specific items. Other income tax adjustments consist primarily of tax adjustments for the non-GAAP pre-tax adjustments and the excess tax benefits on share-based compensation.

See “About Non-GAAP Financial Measures” immediately following Table E for information on these measures, the items excluded from the most directly comparable GAAP measures in arriving at non-GAAP financial measures, and the reasons management uses each measure and excludes the specified amounts in arriving at each non-GAAP financial measure.

TABLE B2
INTUIT INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
TO MOST DIRECTLY COMPARABLE GAAP FINANCIAL MEASURES
(In millions, except per share amounts)
(Unaudited)

	Fiscal 2017				Full Year
	Q1	Q2	Q3	Q4	
GAAP operating income (loss)	\$ (61)	\$ 22	\$ 1,444	\$ (10)	\$ 1,395
Amortization of acquired technology	3	3	3	3	12
Amortization of other acquired intangible assets	1	—	1	—	2
Share-based compensation expense	89	81	71	85	326
Non-GAAP operating income (loss)	<u>\$ 32</u>	<u>\$ 106</u>	<u>\$ 1,519</u>	<u>\$ 78</u>	<u>\$ 1,735</u>
GAAP net income (loss)	\$ (30)	\$ 13	\$ 964	\$ 24	\$ 971
Amortization of acquired technology	3	3	3	3	12

Amortization of other acquired intangible assets	1	—	1	—	2
Share-based compensation expense	89	81	71	85	326
Net (gain) loss on debt securities and other investments	1	6	1	1	9
Income tax effects and adjustments [A]	(49)	(36)	(25)	(60)	(170)
Non-GAAP net income (loss)	<u>\$ 15</u>	<u>\$ 67</u>	<u>\$1,015</u>	<u>\$ 53</u>	<u>\$1,150</u>
GAAP diluted net income (loss) per share	<u>\$(0.12)</u>	<u>\$0.05</u>	<u>\$ 3.70</u>	<u>\$0.09</u>	<u>\$ 3.72</u>
Amortization of acquired technology	0.01	0.01	0.01	0.01	0.05
Amortization of other acquired intangible assets	0.01	—	0.01	—	0.01
Share-based compensation expense	0.34	0.31	0.27	0.33	1.25
Net (gain) loss on debt securities and other investments	0.01	0.03	0.01	—	0.03
Income tax effects and adjustments [A]	(0.19)	(0.14)	(0.10)	(0.23)	(0.65)
Non-GAAP diluted net income (loss) per share	<u>\$ 0.06</u>	<u>\$0.26</u>	<u>\$ 3.90</u>	<u>\$0.20</u>	<u>\$ 4.41</u>
Shares used in GAAP diluted per share calculation	<u>258</u>	<u>260</u>	<u>260</u>	<u>261</u>	<u>261</u>
Shares used in non-GAAP diluted per share calculation	<u>261</u>	<u>260</u>	<u>260</u>	<u>261</u>	<u>261</u>

[A] As discussed in “About Non-GAAP Financial Measures - Income Tax Effects and Adjustments” following Table E, our long-term non-GAAP tax rate eliminates the effects of non-recurring and period specific items. Consequently, our non-GAAP results have been adjusted to exclude the excess tax benefits related to share-based compensation. See note B to Table A for more information.

See “About Non-GAAP Financial Measures” immediately following Table E for information on these measures, the items excluded from the most directly comparable GAAP measures in arriving at non-GAAP financial measures, and the reasons management uses each measure and excludes the specified amounts in arriving at each non-GAAP financial measure.

TABLE C
INTUIT INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)
(Unaudited)

	April	July 31,
	30,	2017
	2018	2017
ASSETS	<u> </u>	<u> </u>

Current assets:

Cash and cash equivalents	\$ 1,614	\$ 529
Investments	322	248
Accounts receivable, net	309	103
Income taxes receivable	2	63
Prepaid expenses and other current assets	179	100
Current assets before funds held for customers	2,426	1,043
Funds held for customers	419	372
Total current assets	2,845	1,415

Long-term investments	28	31
Property and equipment, net	950	1,030
Goodwill	1,613	1,295
Acquired intangible assets, net	68	22
Long-term deferred income taxes	128	132
Other assets	155	143
Total assets	\$ 5,787	\$ 4,068

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Short-term debt	\$ 50	\$ 50
Accounts payable	325	157
Accrued compensation and related liabilities	286	300
Deferred revenue	1,040	887
Income taxes payable	356	5
Other current liabilities	227	173
Current liabilities before customer fund deposits	2,284	1,572
Customer fund deposits	419	372
Total current liabilities	2,703	1,944

Long-term debt	400	438
Long-term deferred revenue	173	202
Other long-term obligations	147	130
Total liabilities	3,423	2,714

Stockholders' equity	2,364	1,354
Total liabilities and stockholders' equity	\$ 5,787	\$ 4,068

TABLE D
INTUIT INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)
(Unaudited)

	Nine Months Ended	
	April 30, 2018	April 30, 2017
Cash flows from operating activities:		
Net income	\$ 1,162	\$ 947
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	173	156
Amortization of acquired intangible assets	18	18
Share-based compensation expense	283	241
Deferred income taxes	24	(36)
Other	(1)	9
Total adjustments	497	388
Changes in operating assets and liabilities:		
Accounts receivable	(206)	(138)
Income taxes receivable	62	19
Prepaid expenses and other assets	(37)	5
Accounts payable	160	104
Accrued compensation and related liabilities	(8)	(47)
Deferred revenue	120	130
Income taxes payable	351	431
Other liabilities	48	50
Total changes in operating assets and liabilities	490	554
Net cash provided by operating activities	2,149	1,889
Cash flows from investing activities:		
Purchases of corporate and customer fund investments	(303)	(286)
Sales of corporate and customer fund investments	87	332
Maturities of corporate and customer fund investments	137	150
Net change in cash and cash equivalents held to satisfy customer fund obligations	(47)	(18)
Net change in customer fund deposits	47	18
Purchases of property and equipment	(97)	(178)
Acquisitions of businesses, net of cash acquired	(363)	—
Other	(49)	(40)
Net cash used in investing activities	(588)	(22)
Cash flows from financing activities:		
Proceeds from borrowings under revolving credit facility	800	150
Repayments on borrowings under revolving credit facility	(800)	(150)
Repayment of debt	(38)	(500)

Proceeds from issuance of stock under employee stock plans	205	150
Payments for employee taxes withheld upon vesting of restricted stock units	(58)	(61)
Cash paid for purchases of treasury stock	(272)	(473)
Dividends and dividend rights paid	(305)	(265)
Other	(1)	—
Net cash used in financing activities	(469)	(1,149)
Effect of exchange rates on cash and cash equivalents	(7)	(6)
Net increase in cash and cash equivalents	1,085	712
Cash and cash equivalents at beginning of period	529	638
Cash and cash equivalents at end of period	\$ 1,614	\$ 1,350

TABLE E
INTUIT INC.
RECONCILIATION OF FORWARD-LOOKING GUIDANCE FOR NON-GAAP FINANCIAL MEASURES
TO PROJECTED GAAP REVENUE, OPERATING INCOME, AND EPS
(In millions, except per share amounts)
(Unaudited)

	Forward-Looking Guidance				
	GAAP			Non-GAAP	
	Range of Estimate		Adjmts	Range of Estimate	
From	To	From		To	
Three Months Ending July 31, 2018					
Revenue	\$ 940	\$ 960	\$ —	\$ 940	\$ 960
Operating income (loss)	\$ (30)	\$ (20)	\$ 105 [a]	\$ 75	\$ 85
Diluted earnings per share	\$ 0.04	\$ 0.06	\$ 0.18 [b]	\$ 0.22	\$ 0.24
Twelve Months Ending July 31, 2018					
Revenue	\$ 5,915	\$ 5,935	\$ —	\$ 5,915	\$ 5,935
Operating income	\$ 1,545	\$ 1,555	\$ 405 [c]	\$ 1,950	\$ 1,960
Diluted earnings per share	\$ 4.50	\$ 4.52	\$ 1.01 [d]	\$ 5.51	\$ 5.53

See “About Non-GAAP Financial Measures” immediately following this Table E for information on these measures, the items excluded from the most directly comparable GAAP measures in arriving at non-GAAP financial measures, and the reasons management uses each measure and excludes the specified amounts in arriving at each non-GAAP financial measure.

- [a] Reflects estimated adjustments for share-based compensation expense of approximately \$99 million; amortization of acquired technology of approximately \$5 million; and amortization of other acquired intangible assets of approximately \$1 million.
- [b] Reflects the estimated adjustments in item [a], income taxes related to these adjustments, and other income tax effects related to the use of the non-GAAP tax rate.
- [c] Reflects estimated adjustments for share-based compensation expense of approximately \$383 million; amortization of acquired technology of approximately \$15 million; amortization of other acquired intangible assets of approximately \$5 million; and professional fees for business combinations of approximately \$2 million.
- [d] Reflects the estimated adjustments in item [c], income taxes related to these adjustments, and other income tax effects related to the use of the non-GAAP tax rate. Includes provisional tax charge related to the Tax Act and other income from divested businesses.

INTUIT INC. ABOUT NON-GAAP FINANCIAL MEASURES

The accompanying press release dated May 22, 2018 contains non-GAAP financial measures. Table B1, Table B2 and Table E reconcile the non-GAAP financial measures in that press release to the most directly comparable financial measures prepared in accordance with Generally Accepted Accounting Principles (GAAP). These non-GAAP financial measures include non-GAAP operating income (loss), non-GAAP net income (loss) and non-GAAP net income (loss) per share.

Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with 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 exclude the following items from all of our non-GAAP financial measures:

- Share-based compensation expense
- Amortization of acquired technology
- Amortization of other acquired intangible assets
- Goodwill and intangible asset impairment charges
- Gains and losses on disposals of businesses and long-lived assets
- Professional fees for business combinations

We also exclude the following items from non-GAAP net income (loss) and diluted net income (loss) per share:

- Gains and losses on debt and equity securities and other investments
- Income tax effects and adjustments
- Discontinued operations

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 expense, amortization, 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 following are descriptions of the items we exclude from our non-GAAP financial measures.

Share-based compensation expenses. These consist of non-cash expenses for stock options, restricted stock units, and our Employee Stock Purchase Plan. When considering the impact of equity awards, we place greater emphasis on overall shareholder dilution rather than the accounting charges associated with those awards.

Amortization of acquired technology and amortization of other acquired intangible assets. When we acquire an entity, we are required by GAAP to record the fair values of the intangible assets of the entity and amortize them over their useful lives. Amortization of acquired technology in cost of revenue includes amortization of software and other technology assets of acquired entities. Amortization of other acquired intangible assets in operating expenses includes amortization of assets such as customer lists, covenants not to compete, and trade names.

Goodwill and intangible asset impairment charges. We exclude from our non-GAAP financial measures non-cash charges to adjust the carrying value of goodwill and other acquired intangible assets to their estimated fair values.

Gains and losses on disposals of businesses and long-lived assets. We exclude from our non-GAAP financial measures gains and losses on disposals of businesses and long-lived assets because they are unrelated to our ongoing business operating results.

Professional fees for business combinations. We exclude from our non-GAAP financial measures the professional fees we incur to complete business combinations. These include investment banking, legal, and accounting fees.

Gains and losses on debt and equity securities and other investments. We exclude from our non-GAAP financial measures gains and losses that we record when we sell or impair available-for-sale debt and equity securities and other investments.

Income tax effects and adjustments. In our fiscal 2017 and the first quarter of our fiscal 2018 we used a long-term non-GAAP tax rate for evaluating operating results and for planning, forecasting, and analyzing future periods. This long-term non-GAAP tax rate excluded the income tax effects of the non-GAAP pre-tax adjustments described above, and eliminates the effects of non-recurring and period specific items which can vary in size and frequency. Based on our long-term projections at that time we used a long-term non-GAAP tax rate of 33%. This rate was consistent with the average of our normalized fiscal year tax rate over a four year period that included the past three fiscal years plus the current fiscal year forecast.

In the second quarter of our fiscal 2018, we revised our estimated annual effective non-GAAP tax rate to reflect a change in the U.S. federal statutory rate, as a result of the 2017 Tax Cuts and Jobs Act (the "Tax Act"). The federal statutory rate change, to 21%, is effective January 1, 2018, and therefore, the change will result in a blended U.S. federal statutory rate of 26.9% for our fiscal year 2018. Effective in the third quarter of fiscal 2018, we adjusted our effective non-GAAP tax rate from 27% to 26.3%, based on continued analysis of the impacts from the Tax Act, as well as updates to the estimated full year impacts of our tax rate drivers such as the research and experimentation credit and the domestic production activities deduction. We have applied this tax rate to year to date pre-tax income, after the elimination of the effects of the non-GAAP adjustments to our operating results described above. Because of the transitional impact of the Tax Act provisions, the fiscal 2018 non-GAAP tax rate is based on our current year forecast only, without reference to long-term forecasts. This non-GAAP tax rate excludes the income tax effects of the non-GAAP pre-tax adjustments described above, and eliminates the effects of non-recurring and period specific items.

We will fully benefit from the U.S. federal statutory rate change in our fiscal year 2019. We expect to use the long-term non-GAAP tax rate for fiscal 2019, once the Tax Act's provisions are in full effect and consistent for the periods included in the long-term forecast.

We evaluate the non-GAAP tax rate on an annual basis and whenever any significant events occur which may materially affect this rate. This non-GAAP tax rate could be subject to change for various reasons including significant changes in our geographic earnings mix or fundamental tax law changes in major jurisdictions in which we operate.

Operating results and gains and losses on the sale of discontinued operations. From time to time, we sell or otherwise dispose of selected operations as we adjust our portfolio of businesses to meet our strategic goals. In accordance with GAAP, we segregate the operating results of discontinued operations as well as gains and losses on the sale of these discontinued operations from continuing operations on our GAAP statements of operations but continue to include them in GAAP net income or loss and net income or loss per share. We exclude these amounts from our non-GAAP financial measures.

The reconciliations of the forward-looking non-GAAP financial measures to the most directly comparable GAAP financial measures in Table E include all information reasonably available to Intuit at the date of this press release. These tables include adjustments that we can reasonably predict. Events that could cause the reconciliation to change include acquisitions and divestitures of businesses, goodwill and other asset impairments, sales of available-for-sale debt securities and other investments, and disposals of businesses and long-lived assets.

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