Intuit Inc.
Second-Quarter Fiscal 2007
Conference Call Remarks

February 22, 2007

Introduction

Good afternoon and welcome to the Intuit second-quarter 2007 conference call. I'm here with Steve Bennett, Intuit's president and CEO, Kiran Patel, our CFO, and Scott Cook, our founder.

Before we get started, 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 2006 and our other SEC filings. All of those documents are available on the Investor Relations page of Intuit's Web site at intuit.com. We assume no obligation to update any forward-looking statement.

Some of the numbers in this presentation will be presented on a non-GAAP basis. The most directly comparable GAAP financial measures and the reconciliation of the non-GAAP financial measures to GAAP are provided in today's press release.

After this call concludes, a copy of our prepared remarks and supplemental financial information will be available on our web site.

With that, I'll turn the call over to Steve Bennett.

Second-Quarter Overview

Thanks, Bob, and thanks to everyone for joining us.

As you've read in our press release, Intuit delivered another solid quarter, with revenue and non-GAAP EPS above the high end of our guidance range. We had strong double-digit growth in the Consumer Tax and Payroll and Payments segments, partly offset by revenue shifts in QuickBooks and Pro Tax. As you may recall, the earlier launch of QuickBooks and changes in our Pro Tax offerings caused about $45 million of revenue to shift out of the second quarter and into the first and third quarters compared to prior years.

We're pleased with the first-half results, with year-to-date revenue up 8 percent. And our deferred revenue balance at the end of the quarter of $295 million was up 15 percent vs. last year. We feel good about the total year and are looking forward to the third quarter.

With that, I'll turn the call over to Kiran to walk us through the financial details.

Second-Quarter 2007 Financial Highlights

Thanks, Steve. Let me start with a summary of the second quarter's results. Revenue of $763 million was up 3 percent year-over-year. Non-GAAP earnings were 45 cents per share, 3 cents above the high end of our guidance. On a year-over-year basis, non-GAAP EPS was down 6 percent.

On a GAAP basis, we earned 40 cents per share.

EPS benefited by 1 cent from the retroactive renewal of the federal R&D tax credit.

As you know, the seasonality of our businesses makes it difficult to assess quarterly results. The earlier QuickBooks launch and forms delays in Pro Tax moved more than $45 million of revenue out of Q2 into other quarters. And although revenue moved out of the quarter, our expenses are relatively fixed, resulting in lower operating income and EPS in the quarter than in Q2 last year. Second quarter operating expenses grew 9 percent year-over-year, in line with our guidance and historical growth rates.

	Non-GAAP			GAAP		
	Q2 06	Q2 07	Change	Q2 06	Q2 07	Change
Revenue	$742.7	$763.3	+3%	$742.7	$763.3	+3%
Operating Income	$263.0	$238.6	-9%	$239.0	$214.3	-10%
EPS	$0.48	$0.45	-6%	$0.50	$0.40	-20%

Business Segment Results

Consumer Tax

Second quarter Consumer Tax revenue of $226 million was up 18 percent over the year-ago period, partly as a result of higher sell-in to the retail channel to support merchandising and promotional activities. Today we released the first of our three tax unit sale updates. Through February 17, TurboTax federal units were up 1 percent on a season-to-date basis.

As we first discussed at Investor Day, we've expanded our offerings at both the high and low end, including testing a free edition in the market this year designed for new users with simple returns. We have seen the free product attract customers we weren't previously serving, so we expect to increase testing and availability through the rest of the season.

QuickBooks

QuickBooks had a solid quarter, with revenue of $164 million. Recall we launched QuickBooks earlier this year than last, which shifted about $20 million of revenue from the second quarter to the first quarter. On a year-to-date basis QuickBooks revenue is up 5 percent.

Payroll and Payments

We had excellent growth in our Payroll and Payments business with revenues of $138 million, up 15 percent year-over-year. The Payments revenue growth was driven by 25 percent growth in customers and 11 percent growth in transaction volume per customer. In our Payroll business we are pleased with the fact that, for the first time ever, we crossed over the 1 million customer mark, which we believe is far larger than any other third-party payroll provider.

Professional Tax

Pro Tax was in line with guidance, with revenue of $131 million reflecting the increase in deferred revenue which we expect to recognize in the third quarter.

Other Businesses

Our "Other Businesses" segment revenue of $105 million was up 1 percent.

Balance Sheet and Stock Repurchase Program

Moving to the balance sheet, Intuit ended the second quarter with $1.1 billion in cash and investments. Capital expenditures were $24 million during the second quarter.

We used $205 million to repurchase 6.7 million shares of Intuit stock during the quarter. We have $301 million remaining in the current repurchase program.

M&A Activity

The previously announced acquisition of Digital Insight closed on February 6, at which time Digital Insight became a wholly-owned subsidiary of Intuit. The business, combined with our existing financial institutions group, will become a new segment beginning in the third quarter of fiscal 2007. To finance this acquisition we obtained $1 billion in bridge financing. Subject to market conditions, we expect to replace the bridge financing with longer-term non-convertible debt in the third quarter.

We also announced in a press release earlier today the expected sale of certain assets of our Premier and Complete payroll businesses to ADP for up to $135 million in cash. The sale price is contingent on the number of customers that transition to ADP, among other factors. The sale will allow us to focus on our core “do-it-yourself” and “self-directed with assistance” customers, while transitioning our “can’t be bothered” customers to a highly regarded outsourced payroll provider. We expect the transaction to close in the third quarter. The sale will not be treated as a discontinued operation, so it will impact 2007 results, but we expect it will accelerate our payroll growth going forward. Revenue for our QuickBooks Payroll offerings has grown at a compound annual rate of 17 percent over the last three years.

Fiscal 2007 Guidance

Moving to fiscal 2007 guidance, the outlook for our existing businesses is unchanged. Changes to guidance are the result of three one-time items:

- As expected, Digital Insight will add $120 million to $125 million of revenue and be 3 cents non-GAAP EPS dilutive for the year compared to our previous guidance.
- The disposition of our fully outsourced payroll business will reduce revenue by about $21 million to $23 million and non-GAAP EPS by 3 cents vs. prior guidance.
- The retroactive renewal of the R&D tax credit will increase non-GAAP EPS by 3 cents vs. prior guidance.

Therefore, fiscal 2007 guidance is now:

- Revenue of $2.625 billion to $2.675 billion, which is annual growth of 12 percent to14 percent.

- Non-GAAP diluted EPS guidance of $1.33 to $1.37, which is annual growth of 10 percent to13 percent.

- GAAP diluted EPS of $1.10 to $1.14, inclusive of the amortization of intangible assets associated with the acquisition of Digital Insight.

- Segment guidance is unchanged with the exception of Payroll and Payments, which is impacted by the transaction with ADP, and Financial Institutions, which is a new segment for the quarter. Guidance details are available on our fact sheet at www.intuit.com.

Third-Quarter 2007 Guidance

We are also providing guidance for our fiscal third and fourth quarters. For our fiscal third quarter, which ends April 30, 2007, we expect the following:

- Revenue of $1,102 million to $1,132 million, or year-over-year growth of 16 percent to 19percent.
- Non-GAAP operating income of $572 million to $599 million.
- GAAP operating income of $527 million to $554 million.
- Non-GAAP diluted EPS of $1.05 - $1.09.
- GAAP diluted EPS of $0.94 - $0.98.

For the fiscal fourth quarter we expect:

- Revenue of $405 million to $418 million, or year-over-year growth of 18 percent to 22 percent.
- Non-GAAP EPS of ($0.07) – ($0.05).
- GAAP EPS of ($0.12) – ($0.10).

With that, I'll turn the call back over to Steve.

Business Perspective

Thanks, Kiran.

Before we get to your questions, I'd like to provide some longer-term perspective. We've demonstrated that when we grow revenue good things happen: strong cash flow, operating income and earnings per share growth. So the question we always get from investors is "How will you continue to grow?" Well, I've never felt better about our long-term growth potential, and here's why.

We continue to execute on our growth strategy of being in good businesses that have large unmet or underserved needs we can solve well. We apply Customer-Driven Innovation to deliver "Right for Me" solutions that create customer delight because they’re easier and a better value. We apply this rigorous methodology to continually improve our existing offerings, as well as create new offerings that solve additional important customer pain points. We’ve been executing this same recipe for success over the last 5-plus years and we continue to get better at it as we move up the experience curve.

We constantly assess our businesses to ensure they fit our growth strategy, and the moves we’ve announced today are 100 percent aligned with that strategy. The acquisition of Digital Insight and the sale of certain of our Outsourced Payroll assets reflect rigor in ensuring we’re focused on businesses where we can build a durable advantage and a portfolio that can deliver long-term double-digit revenue growth with profit leverage.

We’ve had two strong growth engines – small business and consumer tax – for years, but now we have a third growth engine with the acquisition of Digital Insight and the creation of our Financial Institutions segment. We also have a potential growth engine in Healthcare if we are successful solving those important problems well. We’ll get an initial read following the expected launch our new healthcare V-1 offering sometime this coming summer.

In small business we’re particularly pleased with the growth we are seeing in our Payroll and Payments segment and the early results of our focus on the 22 million small and simple businesses – the group today with by far the highest degree of non consumption. Our newer offerings – such as Premier flavors, Enterprise, POS and Online Edition – are all growing nicely.

Consumer tax is off to a solid start and we believe we’re well-positioned for another great year. Over the last five years, the number of individual federal returns prepared using self-prep software has been growing at a compound annual rate of 10 percent per year – more than 5 times faster than tax stores and the overall category. The demographics of new filers entering the market favors self prep software, because it has the highest Net Promoter score and we believe the best value vs. other methods. And we keep working hard to widen the gap and make it easier for customers who want to do their own taxes.

The creation of our Financial Institutions segment gives us a third exciting platform for growth. DI was growing revenue at double-digit rates before the acquisition. And as we combine Intuit’s leading consumer and small business applications and, our proven skills of ease of use and customer-driven innovation with Digital Insight’s industry-leading online banking platform and strong distribution capability, we think we can accelerate that growth rate. We’ve been working together for nearly a year on a new small business online banking offering which we expect to launch this summer. We believe it will raise the bar and begin the development of version 2.0 next generation online banking solutions.

That's why I feel so great about this year and the years ahead. Thanks to all of you for your support and to all the Intuit employees that stay so focused on delivering for our customers…

Now to your questions…

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About Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures. These measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with Generally Accepted Accounting Principles ("GAAP"). These non-GAAP financial measures do not reflect a comprehensive system of accounting, differ from GAAP measures with the same names and may differ from non-GAAP financial measures with the same or similar names that are used by other companies.

We 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 assessing the performance of the organization, our operating segments or our senior management. Segment managers are not held accountable for share-based compensation expenses, acquisition-related costs, or the other excluded items that may impact their business units' operating income (loss) and, accordingly, we exclude these amounts from our measures of segment performance. We also exclude these amounts from our budget and planning process. We believe that our non-GAAP financial measures also facilitate the comparison of results for current periods and guidance for future periods with results for past periods.

We refer to these non-GAAP financial measures in assessing the performance of Intuit's ongoing operations and for planning and forecasting in future periods. These non-GAAP financial measures also facilitate our internal comparisons to Intuit's historical operating results. We have historically reported similar non-GAAP financial measures and believe that the inclusion of comparative numbers provides consistency in our financial reporting. We compute non-GAAP financial measures using the same consistent method from quarter to quarter and year to year.

The tables that accompany the press release filed by Intuit on February 22, 2007 provide more details on Intuit's historical performance and financial projections, a description of our non-GAAP financial measures, including the reasons management uses each measure, and reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures. A copy of the press release can be found on the investor relation's page of Intuit's web site at www.intuit.com/about_intuit/investors.

Cautions About Forward-Looking Statements

These remarks contain forward-looking statements, including forecasts of our expected financial results. Other statements relating to the future are also forward-looking, including: our prospects for the business in fiscal 2007 and beyond; our guidance for fiscal 2007, including all of the statements under the headings "Fiscal 2007 Guidance," "Third-Quarter 2007 Guidance" and "Fourth Quarter 2007 Guidance;" our belief that Consumer Tax is positioned for a great year; our assessment of potential revenue growth and other opportunities; our expectations regarding future debt financing; our expectations regarding the sale of certain assets of our payroll business, including timing of the closing, sale price and future growth prospects for that business; our expectations regarding shift of revenue to a future quarter; and our expectations regarding the launch or future availability of specific products and services.

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: product introductions and price competition from our competitors can have unpredictable negative effects on our revenue, profitability and market position; governmental encroachment in our tax businesses or other governmental activities regulating the filing of tax returns could negatively effect our operating results and market position; we may not be able to successfully introduce new products and services to meet our growth and profitability objectives, and current and future products and services may not adequately address customer needs and may not achieve broad market acceptance, which could harm our operating results and financial condition; any failure to maintain reliable and responsive service levels for our offerings could cause us to lose customers and negatively impact our revenues and profitability; any significant product quality problems or delays in our products could harm our revenue, earnings and reputation; our participation in the Free File Alliance may result in lost revenue opportunities and cannibalization of our traditional paid franchise; any failure to properly use and protect personal customer information could harm our revenue, earnings and reputation; our acquisition activities may be disruptive to Intuit and may not result in expected benefits; our use of significant amounts of debt to finance acquisitions or other activities could harm our financial condition and results of operations; our revenue and earnings are highly seasonal and the timing of our revenue between quarters is difficult to predict, which may cause significant quarterly fluctuations in our financial results; predicting tax-related revenues is challenging due to the heavy concentration of activity in a short time period; we have implemented, and are continuing to upgrade, new information systems and any problems with these new systems could interfere with our ability to ship and deliver products and gather information to effectively manage our business; our financial position may not make repurchasing shares advisable or we may issue additional shares in an acquisition causing our number of outstanding shares to grow; and litigation involving intellectual property, antitrust, shareholder and other matters may increase our costs.. More details about these and other risks that may impact our business are included in our Form 10-K for fiscal 2006 and in our other SEC filings. You can locate these reports through our website at http://www.intuit.com/about_intuit/investors. Forward-looking statements are based on information as of February 22, 2007, and we do not undertake any duty to update any forward-looking statement or other information in these remarks.