Intuit Inc.

First-quarter Fiscal 2025

Conference Call Remarks

November 21, 2024

Introduction

Good afternoon and welcome to Intuit's first-quarter fiscal 2025 conference call. I'm here with Intuit's CEO, Sasan Goodarzi, and our CFO, Sandeep Aujla.

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 2024 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.

First-quarter Fiscal 2025 Overview

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

It was wonderful to see many of you at Investor Day. We hope you were inspired by our momentum and innovation that demonstrate the power of our AI-driven expert platform strategy, which is delivering tangible benefits for our customers and fueling Intuit's growth. With that as context, let's talk about Q1. We had a strong start to the year, growing revenue 10 percent, driven by our Global Business Solutions Group Online Ecosystem revenue growth of 20 percent and Credit Karma revenue growth of 29 percent. We are confident in delivering double-digit revenue growth and margin expansion this year, and we are reiterating our full year guidance.

The future is here and it’s AI-driven, and it will fundamentally transform every part of our work and personal lives. We've transformed the company from a tax and accounting platform to an AI-driven expert platform. We're leading this transformation by creating 'done-for-you' experiences, where the customer is always in control. Enabled by AI, with access to AI-powered human experts, our platform fuels the financial success of consumers and businesses. We have a significant competitive advantage with our scale of data, data services, AI capabilities, ecosystem of applications, and our large network of AI-powered virtual experts. We're disrupting the categories we operate in to drive better money outcomes for consumers and businesses. The progress we've delivered, and the proof points we're observing, continue to bolster our confidence in our strategy. I will now share how our Big Bets are solving customer problems and powering our success as a platform.

Starting with our consumer platform, Big Bet 3 is focused on helping customers make smart money decisions, take steps to improve their financial health year round, achieve their best tax outcome and accelerate the receipt of their refund. We're focusing on winning as an AI-driven expert platform by leading with ease of use, speed to completion, and best price for our customers. Our strategy is to first win in the DIY tax category by improving the value for low-income filers, accelerating growth with more complex filers, and offering fast refund access. Second, we are disrupting the assisted tax category. We are showing how the new way of taxes ‘done-for-you’ is superior in experience, speed, and price. We have expanded marketing to drive awareness ahead of tax season, and are working on methods to surface our experts in local search and match customers with the best expert for them. Third, we are driving year-round engagement with our consumer platform, accelerating money benefits including refund access, and growing Credit Karma across our verticals such as Prime and Insurance, all of which accelerates monetization.

Moving on to our business platform, our vision is to help customers run and grow their businesses end-to-end. We made significant progress during the quarter across two of our Big Bets. Our first big bet is to “revolutionize speed to benefit,” delivering ‘done-for-you’ experiences with Intuit Assist, our GenAI-powered financial assistant. After successfully piloting Intuit Assist with over 2 million customers, it is now generally available to all U.S. QuickBooks Online customers. To help businesses manage cash flow, Intuit Assist uses AI agents to automatically turn emails, electronic documents and hand-written notes into estimates, invoices and bills. It spots potential cash flow shortages in real-time and suggests solutions like applying for a line of credit. It also generates invoice reminders to help customers get paid 45 percent faster – an average of 5 days sooner – and automates accounting by matching transactions to bills and invoices for review. This is the power of our AI-driven expert platform, delivering tangible benefits to our customers, which we expect to drive increased adoption of our platform. And we are just getting started.

Shifting to Big Bet 5, “disrupt the mid-market,” which represents an $89 billion TAM. We already have 800,000 mid-market customers in our franchise who can grow into our QBO Advanced and Intuit Enterprise Suite offerings. In fiscal 2024, QBO Advanced customers grew 28 percent, online ecosystem revenue grew 36 percent, and ecosystem ARPC was 5x that of the rest of the QBO base. We introduced Intuit Enterprise Suite, or IES, to expand further upmarket from where we are today with a configurable suite of integrated financial products for mid-market businesses. With IES, we’re focusing on addressing the needs of complex businesses, enabling multi-entity management, leveraging AI agents to boost productivity through powerful automation, and delivering actionable insights. While it’s early days, I’ll share two customer examples that highlight the opportunity ahead and give us confidence in our strategy:

- We signed an 8-entity RV-Park operator with approximately $10 million in annual revenue who was evaluating competitive solutions to streamline its workflow and consolidate reporting across entities. With the seamless upgrade to the IES platform, the company went from outsourcing its multi-entity reporting to a fractional CFO, which took several days, to being able to do this on its own in just 5 minutes. With this data immediately accessible and at its fingertips, the company can make the decisions it needs to run and grow its business. Their CTO referred to IES as a “game changer” for their business, and values the relationship-based AI-powered support.

- We also recently signed an economic development organization with more than $60 million in annual revenue across 18 corporate entities. As part of its IES contract, this customer also adopted bill pay, payments, and payroll. For customers like this, having all of these services in a single ecosystem solves many challenges by seamlessly integrating data that previously came from multiple apps and point solutions, helping streamline operations, and save time.

Last month, we hosted our first ever Intuit Connect conference with more than 2,000 attendees, including mid-market businesses and the large accounting firms that serve them. We showcased our vision for an end-to-end business platform that fuels revenue and profitability growth for our business customers and the success of accountants. We spotlighted IES, and the initial reaction we received at the event was overwhelmingly positive. Customers that have already been using the offering are strong advocates, sharing that IES is helping them see how their business is performing, saving them time, and helping them make the decisions they need to improve growth and cash flow. In addition, current customers are finding it far easier and less costly to upgrade to IES than switch to an entirely new platform. We are more excited than ever to serve the $89 billion mid-market TAM to fuel the success of large businesses and accountants.

Wrapping up, we are honored to be ranked number three on Forbes' America's Best Companies list which came out this month. Forbes evaluated the nation's largest public companies and considered factors such as financial performance, trust, and customer and employee satisfaction. With the progress and momentum we are delivering, we continue to believe we are well-positioned to win as an end-to-end platform with 'done-for-you' experiences that fuel the success of our consumers, small and mid-market businesses. Now let me hand it over to Sandeep.

Financial Results and Segment Details

Thanks, Sasan.

We delivered a strong first quarter of fiscal 2025 across the company. Our first quarter results include:

- Revenue of $3.3 billion, up 10 percent.
- GAAP operating income of $271 million, versus GAAP operating income of $307 million last year.
- Non-GAAP operating income of $953 million, versus $960 million last year.
- GAAP diluted earnings per share of $0.70, versus diluted earnings per share of $0.85 a year ago.
- And non-GAAP diluted earnings per share of $2.50 versus $2.47 last year.

Note that our GAAP results reflect a restructuring charge of $9 million recognized in the quarter related to the organizational changes we announced in July and a $42 million net loss on a private company investment.

Business Segment Results

Turning to the business segments:

Global Business Solutions Group

Our business platform helps customers run and grow their business end-to-end. Global Business Solutions Group revenue grew 9 percent during Q1, driven by Online Ecosystem revenue growth of 20 percent, a two point acceleration from the year-over-year growth we saw in Q4. This was partially offset by a 17 percent decline in Desktop Ecosystem revenue reflecting the desktop offering changes we made in early fiscal 2024 and highlighted last quarter. The momentum in our online ecosystem is demonstrating the power of our small and mid-market business platform and the mission-critical nature of our offerings as customers look to grow their business and improve cash flow in any economic environment.

- QuickBooks Online Accounting revenue grew 21 percent in Q1, driven by customer growth, higher effective prices, and mix-shift. We continue to prioritize disrupting the mid-market, through continued focus on both go-to-market motions and product innovations, which we expect to continue driving ARPC growth.
- Online Services revenue grew 19 percent in Q1, driven by Money - which includes payments, capital, and bill pay - payroll, and Mailchimp.
    - Within Money, revenue growth in the quarter reflects payments revenue growth, which was driven by customer growth, higher effective prices, and an increase in total payment volume per customer, and QuickBooks Capital revenue growth. Total online payment volume growth in Q1 was 17 percent.

- Within Payroll, revenue growth in the quarter reflects customer growth, higher effective prices, and a mix-shift towards higher end offerings.
- Within Mailchimp, revenue growth in the quarter was driven by higher effective prices and paid customer growth. We're seeing good progress serving mid-market customers in Mailchimp, but are seeing higher churn from smaller customers. We are addressing this by making product enhancements and driving feature discoverability and adoption to improve first time use and customer retention. While we feel good about the product work we're prioritizing, we are expecting it to take a few quarters to deliver improved outcomes at scale. In addition, beginning next quarter, we are lapping the price changes we made in Q2 of last year. We remain confident in, and are executing on, our vision of an end-to-end business platform that integrates the power of Mailchimp and QuickBooks services,

enabling our customers to both run and grow their business, all in one place.

- Third, we're executing our international strategy, which includes leading with our connected business platform in our established markets and leading with Mailchimp in all other markets as we continue to execute on a localized product and line-up. On a constant currency basis, total international Online Ecosystem revenue grew 10 percent in Q1.

As we shared at Investor Day, we win as a platform company. Our Online Ecosystem revenue growth reflects the progress we are making with our strategy of serving both small businesses and mid-market businesses with more complex needs. This represents an addressable market of over $180 billion, roughly half of which is mid-market. In Q1, Online Ecosystem revenue grew 20 percent, including approximately 42 percent growth in Online Ecosystem revenue for QBO Advanced and Intuit Enterprise Suite. This reflects our progress serving customers with our mid-market offerings. Online Ecosystem revenue for small business and the rest of the base grew a strong 17 percent. We are excited about our progress in serving mid-market customers while continuing to focus on small businesses. Looking ahead, we continue to expect Online Ecosystem revenue in total to grow approximately 20 percent in fiscal 2025.

Turning to desktop. During Q1, Desktop Ecosystem revenue declined 17 percent, including QuickBooks Desktop Enterprise revenue which declined in the low teens. As we described last quarter, Q1 Desktop Ecosystem revenue reflects changes the company made to its QuickBooks desktop offerings in early fiscal 2024 to complete the transition to a recurring subscription model, including more frequent product updates. We continue to expect Desktop Ecosystem revenue to return to growth in Q2, and overall, we expect Desktop Ecosystem revenue to grow in the low single digits in fiscal 2025.

Turning to our consumer platform. Our consumer platform is helping customers make smart money decisions, take steps to improve their financial health year round, achieve their best tax outcome and accelerate receipt of their tax refund.

Credit Karma

Building on the momentum we saw each quarter in fiscal 2024, Credit Karma revenue growth accelerated to 29 percent during Q1, reflecting strength in personal loans, auto insurance, and credit cards. On a product basis, personal loans accounted for 11 points of growth, auto insurance accounted for 9 points, and credit cards accounted for 8 points. Insurance growth reflects the continuing strength we've seen in partners' spend that started in Q3 of fiscal 2024. We are excited about the opportunity ahead for Credit Karma as we execute our strategy to drive engagement, accelerate money benefits across our consumer platform, and grow in Prime and Insurance. Our vision is to create one consumer platform, with seamless integration of TurboTax and Credit Karma products, that delivers year-round benefits for customers and drives monetization for Intuit. We are excited by our significant progress this year.

Consumer and ProTax Groups

Consumer Group revenue declined 6 percent, as we lapped the period a year ago that included the extended tax filing deadline for most California filers. Our focus this season is on ease and speed at the best price. Our strategy is to win in DIY tax; disrupt the assisted tax category; and create one consumer financial platform by delivering year-round benefits leading to engagement and monetization. We launched new experiences during the extension season this year, and the results we saw further bolster our confidence in our strategy as we look ahead.

Turning to the ProTax Group, revenue was $39 million in Q1, down 7 percent, as we lapped the period a year ago that included the extended tax filing deadline for most California filers.

In summary, I'm pleased with our early momentum this fiscal year and our opportunities ahead.

Financial Principles and Capital Allocation

Shifting to our balance sheet and capital allocation. Our financial principles guide our decisions, they remain our long-term commitment, and are unchanged.

- We finished the quarter with approximately $3.4 billion in cash and investments and $6.1 billion in debt on our balance sheet.

- We repurchased $570 million of stock during the first quarter. Depending on market conditions and other factors, our aim is to be in the market each quarter to offset dilution from share-based compensation over a 3 year period.
- The Board approved a quarterly dividend of $1.04 per share, payable on January 17, 2025. This represents a 16 percent increase per share versus last year.

<u>Fiscal 2025 and Q2 Guidance</u>

Moving on to guidance, we are reaffirming our fiscal 2025 guidance. This includes:

- Total company revenue growth of 12 to 13 percent.
- GAAP operating income growth of 28 to 30 percent.
- Non-GAAP operating income growth of 13 to 14 percent.
- GAAP diluted earnings per share growth of 18 to 20 percent; and

- Non-GAAP diluted earnings per share growth of 13 to 14 percent.

GAAP guidance reflects an expected $14 million restructuring charge related to the reorganization we announced in July.

Our guidance for the second quarter of fiscal 2025 includes:

- Total company revenue growth of 13 to 14 percent. This includes our expectation for a single digit decline in Consumer Group revenue due to some promotional changes in retail channels largely related to our desktop offering. This only impacts revenue timing and does not impact overall unit or revenue expectations for fiscal year 2025.
- GAAP earnings per share of $0.84 to $0.90, and
- Non-GAAP earnings per share of $2.55 to $2.61.

You can find our full fiscal 2025 and Q2 guidance details in our press release and on our fact sheet.

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

<u>Closing Comments (Sasan)</u>

Thanks Sandeep. We remain confident in our long-term growth strategy, including double-digit revenue growth and operating income growing faster than revenue. We have a durable advantage with our depth of data and AI capabilities, and the strategy to win given the proof points we're observing. With less than 5 percent penetration of our $300B+ TAM, we have a massive runway ahead.

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 strong quarter.

Cautions About Forward-looking Statements

These materials contain forward-looking statements, including expectations regarding: forecasts and timing of growth and future financial results of Intuit and its reporting segments; Intuit’s prospects for the business in fiscal 2025 and beyond; Intuit’s growth outside the US; timing and growth of revenue from current or future products, features and services; innovation across our ecosystem; demand for our products; customer growth and retention; average revenue per customer; Intuit's corporate tax rate; changes to our products, including the continuing use of data and incorporation of AI, and their impact on Intuit’s business; the amount and timing of any future dividends or share repurchases; our capital structure; availability of our offerings; the timing and costs associated with our plan of reorganization (“Plan”); and the impact of acquisitions and strategic decisions on our business; as well as all of the statements under the heading “Fiscal 2025 and Q2 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 effects of global developments and conditions or events, including macroeconomic uncertainty and geopolitical conditions, which have caused significant global economic instability and uncertainty. Given these risks and uncertainties, persons reading this communication are cautioned not to place any undue reliance on such forward-looking statements. These factors include, without limitation, the following: our ability to compete successfully; potential governmental encroachment in our tax business; our ability to develop, deploy, and use artificial intelligence in our platform and products; our ability to adapt to technological change and to successfully extend our platform; our ability to predict consumer behavior; our reliance on intellectual property; our ability to protect our intellectual property rights; any harm to our reputation; risk associated with our ESG and DEI practices; risks associated with acquisition and divestiture activity; the issuance of equity or incurrence of debt to fund acquisitions or for general business purposes; cybersecurity incidents (including those affecting the third parties we rely on); customer or regulator 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 and the success of our hybrid work model; any deficiency in the quality or accuracy of our offerings (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; risk associated with climate change; changes to public policy, laws or regulations affecting our businesses; legal proceedings in which we are involved; fluctuations in the results of our tax business due to seasonality and other factors beyond our control; changes in tax rates and tax reform legislation; global economic conditions (including, without limitation, inflation); 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; our ability to successfully market our offerings; our expectations regarding the timing and costs associated with our plan of reorganization (“Plan”); risks related to the preliminary nature of the estimate of the charges to be incurred in connection with the Plan, which is subject to change; and risks related to any delays in the timing for implementing the Plan or potential disruptions to our business or operations as we execute on the Plan.

More details about these and other risks that may impact our business are included in our Form 10-K for fiscal 2024 and in our other SEC filings. You can locate these reports through our website at http://investors.intuit.com. Second-quarter and full-year fiscal 2025 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. Except as required by law, we do not undertake any duty to update any forward-looking statement or other information in this presentation.