

Intuit Inc.
Fourth-quarter Fiscal 2016
Conference Call Remarks
August 23, 2016

Introduction

Good afternoon and welcome to Intuit's fourth-quarter fiscal 2016 conference call. I'm here with Brad Smith, our chairman and CEO, and Neil Williams, our CFO.

Before we start, I'd like to remind everyone that our remarks will include forward-looking statements. There are a number of factors that could cause Intuit's results to differ materially from our expectations. You can learn more about these risks in the press release we issued earlier this afternoon, our Form 10-K for fiscal 2015 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 this report 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.

Also, all reported results and guidance except GAAP net income and EPS exclude Demandforce, QuickBase and Quicken, which have been sold and reclassified to discontinued operations.

A copy of our prepared remarks and supplemental financial information will be available on our website after this call ends.

Finally, I'm excited to let you all know that I'll soon be moving to Texas to lead finance for our ProConnect business. Therefore, today will be my last earnings call in the investor relations seat. It's been a pleasure working with you all over the past six years, and I leave you in good hands: Jerry Natoli will continue to head up investor relations following my transition in early September.

With that, I'll turn the call over to Brad Smith.

Fourth-quarter and Full-year Fiscal 2016 Overview

Thanks, Matt, and thanks for an amazing six years in the investor relations seat. We're excited to see the impact you'll have in the ProConnect business going forward!

Good afternoon everyone, and thanks for joining us.

We had an excellent finish to the fiscal year. For the fourth quarter, we delivered revenue of \$754 million, up 8 percent. We've continued to build on our momentum throughout the year, with fiscal 2016 revenue coming in at \$4.7 billion, up 12 percent.

Let me begin by sharing a few reflections on our business performance, starting with Small Business.

With the shift to cloud and mobile solutions, the opening of our platform to enable third parties to connect, and our expansion into new geographies outside the U.S., we have more than doubled our total addressable market. Our primary goal is to penetrate that large addressable market, growing our customer base and expanding share in every geography.

Our small business ecosystem remains vibrant, with total QuickBooks Online subscribers growing 41 percent this year, to more than 1.5 million subs. We added more than 400,000 QuickBooks Online subscribers over the past 12 months.

We're leaning into new offerings like QuickBooks Self-Employed, while continuing to post strong growth in QuickBooks Online overall. We finished the year with about 85,000 Self-Employed subscribers, up from 25,000 a year ago. Outside the U.S., QuickBooks Online grew 45 percent, to 287,000 paying subscribers.

In short, QuickBooks Online continues on a strong trajectory, and we are executing well against a consistent set of priorities. We are realizing our goal to be the operating system behind small business success, helping small businesses save time and money so that they thrive when times are good, and remain resilient when times are tough.

We're also delivering outstanding results against our other strategic goal: to do the nations' taxes.

For the fiscal year, Consumer Tax revenue grew 10 percent, with TurboTax Online units growing 15 percent and total TurboTax units growing 12 percent.

We performed extremely well this past year, introducing two dozen innovations in TurboTax, helping expand the do-it-yourself software category while increasing our share in the category as well. We fully anticipate another competitive tax season next year. Our teams are already hard at work building the next wave of innovations at a pace that promises to exceed this year's.

On the ProConnect side, revenue came in as expected at \$428 million. Our ProConnect team is continuing to increase the focus on multiservice accountants who do both books and taxes for their clients. This is in service to driving accountants' success and growing our small business ecosystem.

To sum it up, fiscal 2016 was a strong year from start to finish. The QuickBooks Online ecosystem is driving small business growth, and our tax businesses are celebrating a successful season. We are heading into fiscal 2017 with the wind at our backs, and some exciting plans underway as we look ahead.

With that, let me turn it over to Neil to walk you through the financial details.

Financial Results and Segment details

Thanks, Brad and good afternoon everyone.

For the fourth quarter, we delivered:

- Revenue of \$754 million, up 8 percent.
- Non-GAAP operating income of \$36 million.
- A GAAP operating loss of \$56 million.
- Non-GAAP diluted earnings per share of \$0.08.
- And a GAAP loss per share of \$0.16.

For the full year, we delivered:

- Revenue of \$4.7 billion, up 12 percent.
- Non-GAAP operating income of \$1.6 billion, up 36 percent.
- GAAP operating income of \$1.2 billion, up 68 percent.
- Non-GAAP diluted earnings per share of \$3.78, up 46 percent.
- GAAP diluted earnings per share of \$3.69, up from \$1.28 a year ago.

As a reminder, our GAAP results for fiscal 2015 and 2016 reflect the decision to divest certain businesses in fiscal 2015 and the sale of those businesses in fiscal 2016. You can refer to the press release for more details.

Business Segment Results

Turning to the business segments:

Small Business

Total Small Business segment revenue grew 10 percent for the quarter and 9 percent for the year.

QuickBooks Online subscriber growth finished the year strong at 41 percent as we crossed the high end of our guidance to finish with 1,513,000 paid subs. Small business online ecosystem revenue grew 25 percent for the full year, and we expect some acceleration in fiscal 2017.

Within the online ecosystem, our payroll and payments businesses posted healthy growth for the year:

- Online payroll customers grew 17 percent.
- Online active payments customers grew 6 percent, and online payments charge volume grew 15 percent.

While QuickBooks Online is driving the majority of our new customer acquisition, QuickBooks Desktop remains a resilient and important part of our business. Desktop units grew 14 percent in the quarter and 8 percent for the year, as we saw a bump up in customer upgrades. Roughly two-thirds of the desktop units we sold in fiscal 2016 were upgrades, as opposed to new units; new desktop customers were essentially flat year over year. Total small business desktop ecosystem revenue grew 4 percent for the year. For fiscal 2017, we expect units to decline modestly and desktop ecosystem revenue to be flat to up slightly.

Consumer Tax and ProConnect

Moving over to tax:

Consumer Tax revenue grew 10 percent for the year. As Brad said, we will continue to invest in the product experience and to prioritize growth in customers above margin expansion.

ProConnect revenue grew 51 percent for the year due to changes in our offerings that resulted in lower ratable revenue recognition in fiscal 2015. As I mentioned on the earnings call in May, we expect ProConnect revenue to be roughly flat in fiscal 2017.

Financial Principles and Capital Allocation

We continue to take a disciplined approach to capital management, investing the cash we generate in opportunities that yield a return on investment greater than 15 percent.

With approximately \$1.1 billion in cash and investments on our balance sheet, our first priority is investing for customer growth.

When it's the best use of cash, we'll return cash to shareholders via share repurchases:

- In fiscal 2016, we repurchased \$2.3 billion of shares at an average price of \$91.
- We reduced our weighted average share count by 7 percent, net, in fiscal 2016, and we expect to be in the market consistently in fiscal 2017.
- We have a total of \$2.4 billion on our repurchase authorization, including \$2 billion recently approved by our board.

Our plans include a cash dividend of up to \$1.36 per share for fiscal 2017, with the first-quarter dividend of \$0.34 per share payable on October 18. This represents a 13 percent increase versus last year and reflects our confidence in our business strategy as well as more recurring and predictable revenue streams.

Fiscal 2017 Guidance

You can find guidance details in our press release and on our fact sheet. Here are the highlights for fiscal 2017:

- QuickBooks Online subscribers of 2.0 million to 2.2 million, growth of 32 to 45 percent.
- Revenue of \$5 billion to \$5.1 billion, growth of 7 to 9 percent.
- Non-GAAP operating income of \$1.675 billion to \$1.725 billion, growth of 8 to 11 percent.
- GAAP operating income of \$1.33 billion to \$1.38 billion, growth of 7 to 11 percent.
- Non-GAAP diluted earnings per share of \$4.30 to \$4.40, growth of 14 to 16 percent.
- GAAP diluted earnings per share of \$3.35 to \$3.45, versus \$3.69 in fiscal 2016. Fiscal 2016 earnings per share includes \$0.65 net income per share from discontinued operations.

We feel confident in our ability to deliver against our financial principles and our long-term strategic goals, and we look forward to sharing our progress with you throughout this fiscal year.

On a personal note, we will miss Matt's outstanding contribution in investor relations. We are very fortunate to be adding his experience and business acumen to our ProConnect group as we strengthen the connection between our accountant community and our small business ecosystem.

With that, I'll turn it back to Brad.

Closing Comments

Thanks, Neil.

To recap, we're pleased with our fiscal 2016 results.

I'm encouraged by our trajectory in small business, as we continue to grow QuickBooks Online in the U.S. and in our prioritized markets around the globe. At the same time, we're expanding the category by solving new customer problems with QuickBooks Self-Employed.

Our tax businesses had another strong year, turning up the innovation machine to compete effectively in the marketplace. We look forward to building on this success in fiscal 2017.

We'll talk more about these priorities and our strategy to execute against them at our investor day, which we'll hold on our Mountain View campus on September 21. We look forward to seeing you all there.

With that, let me turn it over to you for your questions.

Cautions About Forward-looking Statements

These materials contain 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 2017 and beyond; expectations regarding growth opportunities from the shift to the cloud; expectations regarding Intuit's growth outside the U.S.; expectations regarding timing and growth of revenue for each of Intuit's reporting segments and from current or future products and services; expectations regarding customer growth; expectations regarding changes to our products and their impact on Intuit's business; expectations regarding the amount and timing of any future dividends or share repurchases; expectations regarding availability of our offerings; expectations regarding our investments in security; expectations regarding our ability to detect and prevent fraudulent activities that impact our offerings; expectations regarding the impact of our strategic decisions on Intuit's business; and all of the statements under the heading "Fiscal 2017 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; 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; availability of our products and services could be impacted by business interruption or failure of our information technology and communication systems; any problems with implementing upgrades to our customer facing applications and supporting information technology infrastructure; any failure to properly use and protect personal customer information and data; our ability to develop, manage

and maintain critical third-party business relationships; increased government regulation of our businesses; 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; any significant offering quality problems or delays; any lost revenue opportunities or cannibalization of our traditional paid franchise due to our participation in the Free File Alliance; the global economic environment may impact consumer and small business spending, financial institutions and tax filings; changes in the total number of tax filings that are submitted to government agencies due to economic conditions or otherwise; the seasonal and unpredictable nature of our revenue; our ability to attract, retain and develop highly skilled employees; increased risks associated with international operations; unanticipated changes in our income tax rates; changes in the amounts or frequency of share repurchases or dividends; we may issue additional shares in an acquisition causing our number of outstanding shares to grow; our inability to adequately protect our intellectual property rights may weaken our competitive position; disruptions, expenses and risks associated with our acquisitions and divestitures; amortization of acquired intangible assets and impairment charges; our use of significant amounts of debt to finance acquisitions or other activities; and the cost of, and potential adverse results in, litigation involving intellectual property, antitrust, shareholder and other matters. More details about the risks that may impact our business are included in our Form 10-K for fiscal 2015 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 August 23, 2016, and we do not undertake any duty to update any forward-looking statement or other information in these materials.