

Intuit Inc.
Third-quarter Fiscal 2021
Conference Call Remarks
May 25, 2021

Introduction

Good afternoon and welcome to Intuit's third-quarter fiscal 2021 conference call. I'm here with Intuit's CEO Sasan Goodarzi and Michelle Clatterbuck, 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 2020 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.

Third-quarter Fiscal 2021 Overview

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

We had a very strong third quarter. Small Business and Self-Employed Group revenue accelerated to 20 percent this quarter, and Credit Karma performed very well with revenue at an all-time high for the quarter. Our tax results through the May 17 IRS tax filing deadline reflect another strong

season. As a result, we are raising our revenue, operating income, and earnings per share guidance for fiscal year 2021.

Let me start with tax.

We are proud of how we delivered for our customers, and executed our strategy of expanding our lead in the DIY category and transforming the assisted category. Based on our performance through the May 17 IRS tax filing deadline, we expect our Consumer Group revenue to grow 11 to 12 percent during fiscal 2021.

We expect total IRS returns to be up approximately one percent and our share of total returns to expand an estimated one point for the tax filing season. This results in expected total customer growth of 6 percent, and double-digit revenue growth for the fourth year in a row. The average revenue per return increased, reflecting a stronger contribution by TurboTax Live and mix-shift to our Premier offering used by investors.

We made significant progress this season:

- Within DIY, we continued to double down on underpenetrated segments, including LatinX, self-employed, and investors. We saw a significant acceleration in investor customer growth this season, and expect it to more than triple over last year. We expect the base of customers paying us nothing to grow 6 percent this season.
- Within transforming the assisted category, we continue to make progress connecting people to experts with TurboTax Live. We expect customers to grow more than 90 percent this season, compared to 70 percent growth last year, and TurboTax Live customers new to Intuit to be up more than 100 percent compared to last season.

More broadly, our AI-driven expert platform strategy and five Big Bets are driving strong momentum and accelerating innovation across the company.

These Big Bets are focused on the largest problems our customers face, and represent durable growth opportunities for Intuit. As a reminder, these

Big Bets are:

- Revolutionize speed to benefit
- Connect people to experts

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

Today I will highlight the notable progress we made this quarter on three of these Big Bets, and we will provide a detailed update on all five Big Bets at Investor Day in the fall.

Our third big bet is to “unlock smart money decisions.” With Credit Karma’s data platform and powerful network effects, we are making progress towards our goal of creating a personal financial assistant that helps consumers find the right financial products, put more money in their pockets and access financial expertise and advice. To deliver on this goal, our strategic focus is to grow the core, including credit cards and personal loans; expand growth verticals, including home loans, auto loans and insurance; and develop emerging verticals focused on digital money offerings, such as savings and checking accounts. Credit Karma also provides an additional monetization engine, increasing our combined wallet share with both free and paying customers.

Credit Karma achieved its largest quarterly revenue ever in Q3, while the number of members, monthly active users and frequency of member visits reached all-time highs. Within the core, credit card and personal loan revenue was at a record high on a combined basis, reflecting an increase in both the number of partners and member engagement. The growth verticals also achieved all-time-high revenue, reflecting strong momentum in auto insurance followed by home loans and auto loans. And we are developing the emerging verticals by focusing on innovation with Credit Karma Money, part of our digital money offering.

We continue to make great progress combining our capabilities to fuel the success of Credit Karma.

- Since the acquisition closed, TurboTax customers and migrating Turbo users accounted for forty percent of new Credit Karma members, significantly accelerating new member growth.
- We are pleased with the initial performance of Credit Karma Money, which we integrated into the TurboTax filing experience, offering approximately 36 million TurboTax customers the opportunity to

deposit up to \$88 billion of tax refunds into a no-fee checking account. Providing this product integration helps members achieve their financial goals, drives member engagement and creates a new revenue stream for the company in the future.

The more we successfully innovate for Credit Karma members, the more times members visit the platform, and the more opportunities we have to offer members products that are right for them, resulting in more monetization opportunities for Intuit.

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

- We are excited about our progress with QuickBooks Cash, a small business bank account that helps our customers manage working capital. QuickBooks Cash presents a full financial picture, along with

the ability to move money instantly and ensure their money is working for them, while taking advantage of the built-in accounting of QuickBooks. We achieved a milestone this quarter as QuickBooks Cash balances surpassed \$100 million, and we're seeing strong active use among both new and existing customers.

Our fifth big bet is to "disrupt the small business mid-market" with QuickBooks Online Advanced.

- The usage of services such as payments, payroll and time tracking with QBO Advanced customers is more than 30 percent higher than the next QBO offering in our line-up, contributing to higher ARPC, while overall engagement is up over ten points year-to-date.

We are very pleased with our results and remain confident in our game plan to win, accelerated by digital tailwinds. Across all of our big bets, we are building momentum and accelerating innovation which we believe positions us well for durable growth into the future.

Now let me hand it over to Michelle.

Financial Results and Segment Details

Thanks, Sasan. Good afternoon everyone.

For the third quarter of fiscal 2021, we delivered:

- Revenue of \$4.2 billion.
- GAAP operating income of \$1.9 billion, versus \$1.4 billion last year.
- Non-GAAP operating income of \$2.2 billion, versus \$1.5 billion last year.
- GAAP diluted earnings per share of \$5.30, versus \$4.11 a year ago.
- And non-GAAP diluted earnings per share of \$6.07, versus \$4.49 last year.

Business Segment Results

Turning to the business segments:

Consumer and ProConnect Groups

Consumer Group revenue grew 34 percent in Q3, reflecting a shift in the timing of the IRS tax filing window year-over-year. The revenue we are

reporting today is for our third quarter ending April 30. That said, based on our performance through the May 17 tax filing deadline, we are raising our Consumer Group revenue guidance to 11 to 12 percent growth for fiscal 2021, up from 9 to 10 percent previously.

There are four primary drivers in our Consumer business. Note that these levers exclude approximately 8 million stimulus filings last season. This data reflects our expectations for the season through July 31, 2021 versus the prior season through July 31, 2020.

- The first is the total number of returns filed with the IRS, which we expect to be up approximately one percent by the end of the season.
- The second is the percentage of those returns filed using do-it-yourself software. We expect the DIY category share of total IRS returns to be approximately flat by the end of the season.
- The third driver is our share. We expect our share of total tax returns to expand one point this season and our share of the DIY category to be up approximately one point.

- The fourth is average revenue per return, which increased again this season. This growth reflects a stronger contribution by TurboTax Live and mix-shift to our Premier offering used by investors.

Turning to the ProConnect Group, revenue grew 22 percent in Q3, reflecting a shift in the timing of the IRS tax filing window year-over-year.

For the full year, we expect ProConnect Group revenue growth of 2 percent.

Small Business and Self-Employed Group

In the Small Business and Self-Employed Group, revenue grew 20 percent during the quarter, including one point from approximately \$10 million of non-recurring Paycheck Protection Program, or PPP, revenue. Online Ecosystem revenue was up 28 percent, including two points of growth from approximately \$7 million of PPP revenue.

Our longer-term expectation remains 30 percent or greater online ecosystem revenue growth, driven by 10 to 20 percent growth in both customers and ARPC. We expect to return to 30 percent online ecosystem

revenue growth at some point during FY'22. Our strategic focus within Small Business and Self-Employed is to grow the core, connect the ecosystem and expand globally.

- First, we continue to focus on growing the core. QuickBooks online accounting revenue grew 24 percent in fiscal Q3, driven mainly by customer growth and mix-shift.
- Second, we continue to focus on connecting the ecosystem. Online Services revenue - which includes payments, payroll, time tracking and capital - grew 34 percent in fiscal Q3, or 31 percent excluding PPP revenue.
 - Within payments, revenue growth reflects continued customer growth, along with an increase in charge volume per customer.
 - Within payroll, we continued to see revenue tailwinds during the quarter from a mix-shift to our full service offering and growth in payroll customers. During the quarter, we began migrating customers once again to our new full service line-up. This did not have a significant impact on revenue during the quarter.

- Third, our progress expanding globally added to the growth of Online Ecosystem revenue during fiscal Q3. Total international online revenue grew 38 percent on a constant currency basis.

Desktop Ecosystem revenue grew 9 percent in the third quarter, including approximately \$3 million of PPP revenue. As a reminder, in the third quarter last year the desktop business declined sharply, reflecting the impact of the pandemic. QuickBooks Desktop Enterprise revenue grew mid-single digits in Q3.

Note that we discontinued the TurboTax and QuickBooks Self-Employed bundle this year. We remain committed to serving the self-employed segment. However, after years of experimentation, we determined that serving self-employed customers through separate TurboTax and QuickBooks offerings is most effective. There was no material impact to revenue or operating income from this decision.

Credit Karma

Moving on to Credit Karma, revenue was \$316 million in Q3, as the business continues to gain momentum, reflecting growing members, member engagement and expansion of new and existing partners across verticals. Revenue reached a record high in the quarter. We are also seeing engagement reach a new high watermark, with both monthly active users and frequency of member visits at all-time highs, giving us more opportunities to offer members products that are right for them.

Financial Principles and Capital Allocation

Turning to our financial principles. We remain committed to growing organic revenue double-digits and growing operating income dollars faster than revenue. As I've shared before, as we lean into our platform strategy, we see the opportunity for margin expansion over time. We take a disciplined approach to capital management, investing the cash we generate in opportunities that yield an expected return on investment greater than 15 percent. We continue to reallocate resources to top priorities, with an emphasis on becoming an AI-driven expert platform. These principles remain our long-term commitment.

Our first priority for the cash we generate is investing in the business to drive customer and revenue growth. We consider acquisitions to accelerate our growth and fill out our product roadmap. We return excess cash that we can't invest profitably in the business to shareholders via both share repurchases and dividends.

- We finished the quarter with approximately \$4.1 billion in cash and investments on our balance sheet.
- We repurchased \$380 million of stock during the third quarter. We have approximately \$1.8 billion remaining on our authorization, and we expect to be in the market each quarter this year.
- The Board approved a quarterly dividend of \$0.59 per share, payable July 19, 2021. This represents an 11 percent increase versus last year.

Q4 and Fiscal 2021 Guidance

Moving on to guidance. Our guidance for fourth quarter fiscal 2021

includes:

- Revenue growth of 26 to 28 percent,
- GAAP earnings per share of \$0.78 to \$0.83 and
- Non-GAAP earnings per share of \$1.55 to \$1.60.

We are also raising our fiscal 2021 guidance following strong performance in the first three quarters of the year. Our new guidance includes:

- Revenue growth of 22 percent, up from prior guidance of 15 to 17 percent.
- GAAP earnings per share of \$6.96 to \$7.01 and
- Non-GAAP earnings per share of \$9.32 to \$9.37.

We now expect a GAAP tax rate of 21 percent in fiscal 2021. You can find our full Q4 and updated fiscal 2021 guidance details in our press release and on our fact sheet.

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

Closing Comments (Sasan)

Thanks, Michelle.

I'm very proud of our team and remain optimistic about the future. We have a large addressable market with secular tailwinds that include a shift to virtual solutions, acceleration to online and omnichannel capabilities, and digital money offerings. With our strategy of becoming an AI-driven expert platform and five Big Bets, we are positioned well for accelerated innovation and growth.

Now, let's 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 the size of the market for tax preparation software and the timing of when individuals will file their tax returns; forecasts and timing of expected growth and future financial results of Intuit and its reporting segments, including Credit

Karma; Intuit's prospects for the business in fiscal 2021 and beyond; expectations regarding Intuit's growth outside the US; expectations regarding timing and growth of revenue from current or future products and services; expectations regarding customer growth; expectations regarding Intuit's corporate tax rate; 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 the impact of our strategic decisions on Intuit's business; and all of the statements under the heading "Q4 and Fiscal 2021 Guidance."

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause our actual results to differ materially from the expectations expressed in the forward-looking statements. These risks and uncertainties may be amplified by the COVID-19 pandemic, which has caused significant global economic instability and uncertainty. These factors include, without limitation, the following: our ability to compete successfully; our participation in the Free

File Alliance; potential governmental encroachment in our tax businesses; our ability to adapt to technological change; our ability to predict consumer behavior; our reliance on third-party intellectual property; our ability to protect our intellectual property rights; any harm to our reputation; risks associated with acquisition and divestiture activity, including the acquisition and integration of Credit Karma; the issuance of equity or incurrence of debt to fund an acquisition; our cybersecurity incidents (including those affecting the third parties we rely on); customer concerns about privacy and cybersecurity incidents; fraudulent activities by third parties using our offerings; our failure to process transactions effectively; interruption or failure of our information technology; our ability to maintain critical third-party business relationships; our ability to attract and retain talent; any deficiency in the quality or accuracy of our products (including the advice given by experts on our platform); any delays in product launches; difficulties in processing or filing customer tax submissions; risks associated with international operations; changes to public policy, laws or regulations affecting our businesses; litigation in which we are involved; the

seasonal nature of our tax business; changes in tax rates and tax reform legislation; global economic changes; exposure to credit, counterparty and other risks in providing capital to businesses; amortization of acquired intangible assets and impairment charges; our ability to repay or otherwise comply with the terms of our outstanding debt; our ability to repurchase shares or distribute dividends; volatility of our stock price; and our ability to successfully market our offerings. More details about these and other risks that may impact our business are included in our Form 10-K for fiscal 2020 and in our other SEC filings. You can locate these reports through our website at <http://investors.intuit.com>. Fiscal 2021 full-year and Q4 guidance speaks only as of the date it was publicly issued by Intuit. Other forward-looking statements represent the judgment of the management of Intuit as of the date of this presentation. We do not undertake any duty to update any forward-looking statement or other information in this presentation.