**Intuit Inc.**
**Second-quarter Fiscal 2018**
**Conference Call Remarks**
**February 22, 2018**

## Introduction

Good afternoon and welcome to Intuit's second-quarter fiscal 2018 conference call. I'm here with Brad Smith, our chairman and CEO 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 2017 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 Brad.

## Second-quarter Fiscal 2018 Overview

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

We're midway through the fiscal year and we're encouraged by our performance so far. Second quarter revenue grew 15 percent overall, fueled by 19 percent revenue growth in the Small Business and Self-Employed Group and 12 percent revenue growth in the Consumer Group. While the tax season started out slower than we expected, we remain on pace to deliver against our full-year revenue and operating income outlook. We expect our net income and earnings per share for the full year to be above our original expectations as a result of corporate tax legislation changes. This was reflected in our updated guidance on February 9th. We'll talk more about that in a minute.

First things first, let's talk about tax.

Every tax year is different, and this season is no exception. The IRS officially opened the start to the tax season on January 29th, which was about one week later than last year. Even with the delayed opening, we've come out of the gates strong. The delayed opening did shift some revenue and operating income from our second fiscal quarter into our third, which led us to update our outlook for the second quarter, while reaffirming our full year revenue and operating income guidance.

As a reminder, there are four key drivers of our Consumer business.

- The first is the total number of returns filed with the IRS,
- The second is the percentage of those returns filed using DIY software,

- The third is our share within the DIY software category, and
- The fourth is the average revenue per return.

The IRS data through February 16 shows total e-filed returns are down 1 percent, self-prepared e-files grew 1 percent, and assisted e-files are down 4 percent. In comparison, TurboTax e-filed returns through the same period grew 2 percent. While the DIY category is performing better than assisted, we are once again holding our own within the category.

Product innovation is the key to our strategy. Let me share a few examples.

We improved the TurboTax customer experience again this year by further automating data entry, improving the on-boarding experience, and simplifying the help function by leveraging artificial intelligence and machine learning. TurboTax Self-Employed is part of our line-up again this season, targeting approximately 4 million self-employed who use TurboTax. TurboTax Self-Employed comes with a 12-month subscription to QuickBooks Self-Employed, so these customers can benefit from tracking their financials throughout the year.

We also introduced TurboTax Live, leveraging one-way video technology, enabling our customers to access an expert to answer those nagging questions that erode confidence when completing a return on their own. We've built an end-to-end expert platform that enables approximately 2,000 certified public accountants and enrolled agents to serve our customers. This has opened up the nearly $20 billion assisted market to Intuit, providing an opportunity to grow our dollar share of the tax prep market while increasing our average revenue per return.

Finally we launched our new Turbo offering last month, our first step toward expanding beyond a tax offering to a consumer platform. Turbo provides customers 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. Customers have the option to transfer their tax data into a Turbo account when they complete their return this season.

With these innovations, we expect two of the four key drivers that I mentioned earlier - DIY category growth and increased revenue per return - to propel our business this season.

Turning to small business…

We delivered another strong quarter in our Small Business and Self-Employed Group. QuickBooks Online subscriber growth continued at a rapid pace and online ecosystem revenue grew 39 percent.

We exited the quarter with over 2.8 million QuickBooks Online subscribers, a 51 percent increase year-over-year. Growth remains strong across geographies, with U.S. subscribers growing 47 percent to approximately 2.2 million, and international growing 69 percent year-over-year to about 630,000 subscribers.

Within QuickBooks Online, Self-Employed subscribers grew to roughly 490,000, up from 425,000 last quarter, and 180,000 one year ago.

We continue to focus on delivering innovation that delights our customers and drives QuickBooks Online subscriber and online ecosystem revenue growth. Let me share a few examples.

- We're putting more money in our customers' pockets and providing access to capital for small businesses. Today only 20 percent of small businesses have access to the funding they need to grow. We're leveraging our innovative model to enable small businesses to use QuickBooks data to get full credit for their business performance and gain access to much-needed capital.
- We're also harnessing the power of data so that our customers experience little to no work when using our products. For example, we're automating expense categorization and putting a voice-driven virtual assistant in the palm of their hand.
- Finally, we're helping our customers make decisions with complete confidence, by matching them with an accountant and by making it easier to on-board workers, whether those workers are employees or contractors.

These and other innovations have enabled us to achieve a global QuickBooks Online Net Promoter Score that is ten points higher on average when compared to the next best alternative. Following our playbook grounded in this evidence of strong product-market fit, we've now leaned into marketing and launched a new brand campaign, "QuickBooks: Backing You.” We're encouraged by the early data we're seeing with respect to the campaign's impact on both QuickBooks brand awareness and driving more prospective customers to our website.

We also completed three acquisitions this quarter, aligned with our M&A strategy to pursue opportunities that enhance product functionality and grow our employee talent pool. The largest of these is a time tracking solution called TSheets, which has been one of the most popular apps on Intuit's open platform. Our long-term partnership over more than seven years gave us a front row seat to see how the company was addressing customers' pain points. So, the transaction was a natural evolution of our relationship.

Moving on to the Strategic Partner Group, our professional tax revenue was in-line with our expectations for the quarter. We continue to focus on multi-service accounting firms that do both books and taxes. This is in service to driving our accountants' success, while growing our small business ecosystem.

Before I close, I want to talk about how we're applying our philosophy and principles to the benefits from the new corporate tax legislation. Our philosophy is to build our business for both the short and long-term. To do that, we invest in talent to deliver for customers and achieve our strategic priorities, while applying our financial principles to assess which investments to make. When we look at where we are today, we believe our fiscal year 2018 operating plan already includes the right mix of investments in employees, technology, and product development to benefit customers. Therefore, as a result of the lower tax rate, for fiscal year 2018 we increased our GAAP earnings per share guidance by $0.20. We increased our non-GAAP earnings per share guidance by $0.40. We'll continue to assess investment opportunities when we engage in our long-term planning this summer, as we create our game plan for fiscal year 2019 and beyond.

Putting a bow around the quarter, it's half-time in fiscal year 2018 and we remain on a strong path. We're pleased with the continued momentum of our Small Business and Self-Employed Group, and we remain laser focused on executing with excellence as we sprint towards the April 17$^{th}$ tax filing deadline.

With that overview, let me hand it over to Michelle to walk you through the financial details. Michelle, it's nice to have you on the call.

## Financial Results and Segment Details

Thanks, Brad and good afternoon everyone.

For the second quarter of fiscal 2018, we delivered:

- Revenue of $1.2 billion, up 15 percent year-over-year.
- GAAP operating income of $20 million, versus $22 million a year ago.
- Non-GAAP operating income of $120 million, versus $106 million last year.
- GAAP loss per share of $0.08, versus diluted earnings per share of $0.05 last year. This GAAP loss reflects a $39 million tax charge related to the re-measurement of our net deferred tax assets, as described in our press release.
- And non-GAAP diluted earnings per share of $0.35, up from $0.26 last year.

## Consumer and Strategic Partner Groups

Consumer Group revenue was $334 million for the second quarter. Brad has already walked you through our analysis of the season so far. TurboTax e-filed returns grew 2 percent through February 16, outperforming e-files in the DIY category which grew 1 percent in the same period. We remain confident in our overall plans for the year, and for consumer revenue to grow 7 to 9 percent in fiscal 2018.

Strategic Partner Group reported $95 million of professional tax revenue for the second quarter. We continue to expect revenue in this business to grow zero to two percent in fiscal 2018.

## Small Business and Self-Employed Group

Total Small Business and Self-Employed revenue grew 19 percent in the quarter.

QuickBooks Online subscriber growth remains strong at 51 percent, ending the quarter with 2.8 million subscribers.

Online ecosystem revenue accelerated to grow 39 percent in the second quarter, up from 35 percent in the first quarter. Online accounting continues to drive this revenue growth.

As we said last quarter, we expect year-over-year QuickBooks Online subscriber growth to slow in the second half of the year following the introduction of the Self-Employed bundle last tax season. We remain confident in our outlook for growth in QuickBooks Online subscribers, as reflected in our fiscal 2018 guidance of 3.275 to 3.375 million subscribers. We also continue to expect online ecosystem revenue to grow better than 30 percent.

Desktop ecosystem revenue grew 9 percent in the quarter, driven by QuickBooks Enterprise strength. QuickBooks Desktop units fell 15 percent. For fiscal 2018, we expect QuickBooks desktop units to decline mid-teens and desktop ecosystem revenue to be up mid-single digits.

## New U.S. Tax Legislation, Financial Principles and Capital Allocation

As Brad mentioned, when considering how to leverage the benefits from tax legislation changes, we apply our philosophy of building our business for both the short and long-term and then follow our financial principles. As a reminder, we updated our fiscal year 2018 guidance earlier this month based upon these principles, flowing through the benefits of tax legislation changes. Our guidance includes:

- GAAP diluted earnings per share of $4.20 to $4.30, an increase of 13 to 16 percent. This is based on a GAAP tax rate of 26 percent and reflects the re-measurement of our net deferred tax assets discussed earlier.
- Non-GAAP diluted earnings per share of $5.30 to $5.40, an increase of 20 to 22 percent. This is based on a non-GAAP tax rate of 27 percent.

Beyond fiscal year 2018, we estimate our GAAP and non-GAAP tax rates to be roughly 23 percent.

We'll continue to apply our financial principles going forward, as we take a disciplined approach to capital management.  As a reminder, those principles are:

- Investing in the business to drive customer and revenue growth, targeting opportunities returning 15 percent or more over 5 years.
- Using acquisitions to accelerate our growth and fill out our product road map.
- And returning cash that we can't invest profitably in the business to shareholders via both share repurchases and dividends.

We'll continue to assess investment opportunities as we revisit our long-term plan this summer.

We finished the quarter with $726 million in cash and investments on our balance sheet.

- We repurchased $83 million of shares in the second quarter. Approximately $1.3 billion remains on our authorization.
- We completed three acquisitions with cash and other consideration totaling approximately $400 million.
- The board approved a quarterly dividend of $0.39 per share, payable April 18, 2018, an increase of 15 percent over last year.

**Fiscal 2018 Q3 Guidance**

Our third quarter fiscal 2018 guidance includes:

- Revenue growth of 10 to 12 percent,
- GAAP diluted earnings per share of $4.32 to $4.37, and
- Non-GAAP diluted earnings per share of $4.57 to $4.62.

You can find our Q3 and fiscal 2018 guidance details in our press release and on our fact sheet.

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

**Closing Comments (Brad)**

Thanks, Michelle.

As we shared with you at our Investor Day in September, we've entered the next chapter of our company's evolution in service to our mission of "Powering Prosperity Around the World." This chapter is being driven by our One Intuit Ecosystem strategy that unlocks the power of many for the prosperity of each and every one on our platform. Said another way, our assets and our customers are stronger when working together than they are apart.

In support of this ecosystem strategy, we launched our first-ever Intuit brand campaign which debuted just a few weeks ago. The early results have exceeded our expectations. If you haven't been introduced to the Intuit Giant, it is a metaphor for how Intuit's ecosystem unlocks the power of many for the prosperity of one, helping our customers rise to new heights through the combined power of TurboTax, QuickBooks, and Mint. I encourage you to check it out on YouTube when you get a moment.

With that, we're pleased with our results through the first half, but we still have plenty of time left on the clock as we enter the back half of the fiscal year, so we're focused on execution until the final whistle blows.

That's it for our opening comments. Now let's turn it over to hear what's on your mind.

**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 2018 and beyond; expectations regarding Intuit's growth outside the US; 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 the impact of newly passed U.S. tax legislation on Intuit's business and its 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 "Fiscal 2018 Q3 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

February 22, 2018, and we do not undertake any duty to update any forward-looking statement or other information in these materials.