

Intuit Inc.
Fourth-quarter Fiscal 2023
Conference Call Remarks
August 24, 2023

Introduction

Good afternoon and welcome to Intuit's fourth-quarter fiscal 2023 conference call. I'm here with Intuit's CEO, Sasan Goodarzi, and our new CFO, Sandeep Aujla. Welcome, it's nice to have you on the call.

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 2022 and our other SEC filings. All of those documents are available on the Investor Relations page of Intuit's website at [intuit.com](https://www.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.

Fourth-quarter Fiscal 2023 Overview

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

We had a strong fourth quarter, as we executed on our strategy to be the global AI-driven expert platform powering prosperity for consumers and small businesses. We grew full-year revenue 13 percent, delivered strong operating margin expansion, and exited the year with momentum.

Our overall performance demonstrates the strength of our platform and diversity of our portfolio, including our ability to maintain earnings power in uncertain times. This past year we expanded our operating margin again while investing in the most important areas to drive durable long-term growth. We are guiding to another year of double-digit revenue growth and margin expansion in fiscal 2024, even with macroeconomic uncertainty.

We are entering Intuit's most exciting era yet. Five years ago we declared our strategy to be an AI-driven expert platform, with data and AI core to fueling innovation across our five Big Bets. We have made strong progress transforming from a tax and accounting platform where consumers and small businesses have to do the work to achieve the benefit they are seeking, to a global financial platform where we do the hard work for them. Now, we're creating a future of "done for you," a future where the hard work is done "automagically" on behalf of our customers to fuel their financial success. This future is only possible because of our history of significant investments in our platform, talent, data and AI, and now our accelerated investment in GenAI.

At the core of our platform is powerful, relevant data. Intuit has incredibly rich longitudinal, transactional, and behavioral data for our 100 million customers. For small businesses, we have a 360 degree view of their business and customers. We have 500,000 customer and financial attributes per small business on our platform, and this data gives us insights into behaviors, income streams, expenses, profitability, and cash flows, enabling us to provide personalized recommendations to help them prosper. Additionally, we have 60,000 financial and tax attributes per consumer on our platform, including income, expenses, credit history, spending history, outstanding loans, cash flow, and tax information, which enable us to become a financial assistant in their pocket.

We are using our data to fine-tune our own financial large language models (LLMs) that specialize in solving tax, accounting, cash flow, marketing, and personal finance challenges. The investments we've made in data and AI over the years allow us to introduce innovation at an accelerated rate.

Intuit's rich data platform is a powerful foundation that allows us to create

innovative AI-assisted experiences for all of our customers, powering their prosperity.

In June, we introduced our Generative AI Operating System, called GenOS, to ignite innovation at scale for the benefit of millions of consumers and small businesses. GenOS empowers Intuit technologists to create breakthrough generative AI experiences. We are using a platform approach, giving our teams across Intuit the resources and tools they need to design, build, test and deploy these new experiences with unparalleled speed. This includes our own powerful financial LLMs, as well as those from other leaders in GenAI, which together unlock new opportunities to serve our customers, in a cost effective way.

We are entering Intuit's most exciting era yet and believe the next several years will be game changing. On September 6th, we'll be hosting Intuit Innovation Day, a virtual event where we will unveil exciting GenAI innovation across our platform and how it will drive business growth in the years ahead. We look forward to sharing more with you then.

Now, let's turn to our Big Bets which are driving growth and benefits for our customers. I would like to highlight some examples of recent progress in one of our Big Bets. As a reminder, our five 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

Our fourth Big Bet is to “become the center of small business growth,” by helping our customers get new customers, get paid fast, manage capital and pay employees with confidence in an omnichannel world. In payments, our innovation continues to drive digitization, from creating an estimate, to invoicing a customer, to getting paid. Today, easier discovery, auto-enabled payments, instant deposit, and Get Paid Upfront, are all helping drive adoption of our payments offering, leading to 22 percent total online payment volume growth this quarter.

We are making significant progress digitizing B2B payments to accelerate and automate transactions between small businesses, and ultimately improve their cash flow. We see a tremendous opportunity as 80 percent of businesses still pay other firms via paper checks. We recently expanded the availability of the beta of our native bill pay solution by 10x.

Turning to Mailchimp, we are well on our way to becoming the source of truth for our customers to help them grow and run their business. We have three acceleration priorities with Mailchimp:

- First, delivering on our vision of an end-to-end customer growth platform,
- Second, disrupting the mid-market, by developing a full marketing automation, CRM and eCommerce suite; and
- Third, accelerating global growth with a holistic go-to-market approach.

Last quarter, we implemented our first generative AI capability in Mailchimp, the Email Content Generator, enabling customers to create

faster email campaigns based on industry, marketing intent and brand voice. This quarter, we launched a beta of a new product announcement generator, which uses AI to automatically create an email that a small business can send to its customers. We also announced over 150 new and updated features at our recent Mailchimp conference in London, designed to support the needs of advanced marketers, including a calendar view, custom reporting and analytics, more e-commerce advanced segmentation, more real time behavioral data based e-commerce automations, and SMS marketing.

Lineup changes and free trials are driving positive trends in year-over-year paid customer growth, which accelerated this quarter. We continue to make progress in mid-market, with our 90-day retention rate this quarter the highest in two years. We have also translated the product into five different languages.

We will share more on the outcomes we're delivering across each of these bets next month at our Investor Day.

Wrapping up, with our durable AI-driven expert platform strategy and focus on innovating with GenAI across our products, we are moving at high velocity. This will help us put more money in our customers' pockets, save them time, and ensure complete confidence in every financial decision they make. As we lead this next technological shift, we are well positioned to power prosperity for our customers and communities that we serve with a leadership team that is built for the era of AI.

Now let me hand it over to Sandeep. It's great to have you on the call, welcome.

Financial Results and Segment Details

Thanks, Sasan. I'm excited to be here, and I look forward to meeting many of you in the future.

We delivered strong results in fiscal 2023, including total revenue growth of 13 percent, strong margin expansion, and GAAP and non-GAAP EPS growth of 16 percent and 22 percent, respectively.

For the fourth quarter of fiscal 2023, we delivered strong results that exceeded the high-end of our guidance range across all key metrics, including:

- Revenue of \$2.7 billion, up 12 percent.
- GAAP operating income of \$17 million, versus a loss of \$75 million last year.
- Non-GAAP operating income of \$627 million, versus \$433 million last year, up 45 percent.
- GAAP diluted earnings per share of \$0.32, versus a loss of \$0.20 a year ago.
- And non-GAAP diluted earnings per share of \$1.65 versus \$1.10 last year, up 50 percent.

Business Segment Results

Turning to the business segments:

Small Business and Self-Employed Group

In the Small Business and Self-Employed Group, revenue grew 21 percent during the quarter, and 24 percent for the full year, which included four points of benefit from a full year of Mailchimp revenue this year, versus three quarters last year. Online ecosystem revenue grew 21 percent during the quarter, and 30 percent for the full year.

With the goal of being the source of truth for small businesses, our strategic focus within the Small Business and Self-Employed Group is three-fold: grow the core, connect the ecosystem and expand globally.

- First, we continue to focus on growing the core. QuickBooks Online accounting revenue grew 22 percent in Q4, and 26 percent in fiscal 2023. Growth for the quarter and fiscal year were driven mainly by customer growth, higher effective prices, and mix-shift.
- Second, we continue to focus on connecting the ecosystem. Online services revenue grew 20 percent in Q4, driven by payroll, Mailchimp, payments, capital and time tracking. For the full fiscal year 2023,

QuickBooks Online services revenue grew 34 percent, driven by Mailchimp, payroll, payments, capital and time tracking.

- Within payroll, revenue growth in the quarter reflects an increase in customers adopting our payroll solutions and a mix-shift towards higher end offerings.
- Mailchimp revenue grew mid-teens in Q4. Growth was driven by higher effective prices and paying customer growth.
- Within payments, revenue growth in the quarter reflects ongoing customer growth as more customers adopt our payments offerings to manage their cash flow and an increase in total payment volume per customer.
- Third, we continue to make progress expanding globally, by executing our refreshed international strategy, which includes leading with both QuickBooks Online and Mailchimp in our established markets and leading with Mailchimp in all other markets as we continue to execute on localized product and line-up. On a constant

currency basis, total international online ecosystem revenue grew 12 percent in Q4 and 31 percent in fiscal 2023.

The power of our small business platform continues to resonate with customers as they look to grow their business and improve cash flow across all types of economic environments. Our platform remains critical to our customers' success and we continue to see them adopt multiple offerings across the platform to manage their business.

Desktop Ecosystem revenue grew 19 percent in the fourth quarter, and QuickBooks Desktop Enterprise revenue grew in the low 20s. We are approximately two thirds of the way through a three-year transition for customers that remain on our license-based desktop offering to a recurring subscription model. We also raised our desktop prices across multiple products last September, consistent with our principle to price for value.

Looking ahead, we expect continued strong desktop ecosystem revenue growth next year as we complete the remaining part of the three-year transition. Our focus is to continue building out our online ecosystem and to

help our desktop customers migrate seamlessly to our online offerings. We continue to expect the online ecosystem to be our growth catalyst longer-term.

Looking ahead, we continue to anticipate Small Business and Self-Employed annual revenue growth of 15 to 20 percent long-term.

Credit Karma

Credit Karma delivered revenue of \$424 million in Q4, down 11 percent. On a product basis, the decline in Q4 was driven primarily by macroeconomic headwinds in personal loans, auto insurance, home loans, and auto loans, partially offset by growth in credit cards and Credit Karma Money. Full year revenue was \$1.6 billion, down 9 percent. Credit Karma represented 11 percent of Intuit's total revenue in fiscal 2023.

We are seeing continued stability across our core verticals, which led to the improvement in year-over-year performance during Q4 versus Q3.

For context, credit cards and personal loans represented nearly 60 percent and nearly 30 percent of Credit Karma's revenue in fiscal 2023, respectively. Looking ahead, we continue to anticipate Credit Karma annual revenue growth of 20 to 25 percent long-term.

Consumer and ProTax Groups

Consumer Group revenue was \$4.1 billion in fiscal 2023, up 6 percent.

Each tax season has been unique since the pandemic began four years ago, introducing volatility into Consumer Group results. However, average annual trends over this four-year period are more in-line with longer-term trends. Over the past four years, Consumer Group revenue increased by an average of over 10 percent annually, which aligns with our long-term growth expectations of 8 to 12 percent.

While this was a unique tax season, I am proud of the progress the team made with transforming the assisted segment with TurboTax Live, which grew revenue 17 percent this year, while customers grew 12 percent.

Looking ahead, we are confident in multiple growth drivers:

- First, we see a large runway ahead of us with TurboTax Live given our ability to use both GenAI and human experts powered by AI to deliver confidence for our customers. We are investing in scaling our full service offering, which has good product market fit based on the highest Product Recommendation Scores of any product at Intuit this year.
- Second, we are planning to scale our business tax offering, following a successful pilot this year.
- And third, we see significant opportunities ahead driving Credit Karma members to TurboTax and giving TurboTax filers faster access to their money with Credit Karma Money.

Given the growth opportunities I shared, we continue to expect annual Consumer Group revenue growth of 8 to 12 percent over the long-term.

Turning to the ProTax Group, revenue was \$561 million in fiscal 2023, up 3 percent.

Financial Principles and Capital Allocation

Our financial principles guide our decisions, remain our long-term commitment, and are unchanged.

- We finished the quarter with approximately \$3.7 billion in cash and investments and \$6.1 billion in debt on our balance sheet.

Approximately \$4.2 billion of this debt is maturing over the next 15 months and we are evaluating refinancing opportunities, subject to market and other conditions.

- We repurchased \$465 million of stock during the fourth quarter and \$2.0 billion during fiscal 2023. Depending on market conditions and other factors, our aim is to be in the market each quarter.
- The Board approved a quarterly dividend of \$0.90 per share, payable on October 17, 2023. This represents a 15 percent increase versus last year.

Playbook for Operating in an Uncertain Macro Environment

We recently finalized our 3 and 1 year strategic plan. I feel confident in the investments we are making to drive durable growth, including executing

across our Big Bets and continuing the accelerated pace of innovation, particularly with GenAI. We have a proven playbook for operating in both good and difficult economic times. We manage for the short and long term, and control discretionary spend to deliver strong results, while investing in what is most important for future growth. Our goal remains for Intuit to emerge from this period of macroeconomic uncertainty in a position of strength.

Fiscal 2024 and Q1 Guidance

Moving on to guidance. Our fiscal 2024 guidance includes:

- Total company revenue of \$15.890 billion to \$16.105 billion, growth of 11 to 12 percent. Our guidance includes revenue growth of 16 to 17 percent for the Small Business and Self-Employed Group, 7 to 8 percent for the Consumer Group, and a decline of 3 percent to growth of 3 percent for Credit Karma.
- GAAP earnings per share of \$9.37 to \$9.67, growth of 11 to 15 percent, and

- Non-GAAP earnings per share of \$16.17 to \$16.47, growth of 12 to 14 percent.

We expect a GAAP tax rate of approximately 23 percent in fiscal 2024.

Our guidance for the first quarter of fiscal 2024 includes:

- Revenue growth of 10 to 11 percent,
- GAAP earnings per share of \$0.15 to \$0.21, and
- Non-GAAP earnings per share of \$1.94 to \$2.00.

We are taking a prudent approach with guidance, given the continued macroeconomic uncertainty.

As a reminder, in Q1 of fiscal 2024, we expect to pay approximately \$700 million in cash tax payments related to fiscal 2023, which were deferred due to IRS disaster-area tax relief.

You can find our full fiscal 2024 and Q1 guidance details in our press release and on our fact sheet.

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

Closing Comments (Sasan)

Wrapping up, we are confident in our AI-driven expert platform strategy, progress with our five Big Bets, the investments we are making in GenAI and our leadership team driving our platform innovation. The combination of our assets and our strategy creates a growth flywheel for Intuit to accelerate penetrating our \$300 billion TAM.

In today's uncertain macro environment, the benefits of our global financial technology platform are more important and mission-critical than ever to our customers. I look forward to your attendance at our Intuit Innovation Day on September 6th and Investor Day on September 28th.

Let's now open it up to your questions.

Closing Comments After Q&A

Thank you everyone for your time and questions today. We are proud of what we've accomplished, and the speed with which we continue to deliver

new innovations to help our customers, even in an uncertain macro environment.

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; the impact of macroeconomic conditions on our business, segments and products; Intuit's prospects for the business in fiscal 2024 and beyond; Intuit's growth outside the US; timing and growth of revenue from current or future products, features and services; demand for our products; customer growth and retention; Intuit's corporate tax rate and timing and amounts of its tax payments; changes to our products, including the continuing 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; and the

impact of acquisitions and strategic decisions on our business; as well as all of the statements under the heading “Fiscal 2024 and Q1 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, conditions or events like macroeconomic conditions or geopolitical conditions, which have caused significant global economic instability and uncertainty. Given these risks and uncertainties, persons that receive 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 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 our ESG and DEI practices; risks associated with acquisition and

divestiture activity, including the integration of Credit Karma and Mailchimp;
the issuance of equity or incurrence of debt to fund an acquisition;
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 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;
risks associated with climate change; changes to public policy, laws or
regulations affecting our businesses; legal proceedings in which we are
involved; the seasonal nature of our tax business; 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; 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 2022 and in our other SEC filings. You can locate these reports through our website at <http://investors.intuit.com>.

First-quarter and full-year fiscal 2024 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.