

**Intuit Inc.**  
**First-quarter Fiscal 2020**  
**Conference Call Remarks**  
**November 21, 2019**

**Introduction**

Good afternoon and welcome to Intuit's first-quarter fiscal 2020 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 2019 and our other SEC filings. All of those documents are available on the Investor Relations page of Intuit's website at [intuit.com](http://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 2020 Overview**

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

We're off to a strong start through the first quarter of fiscal 2020, and continue to make progress on our strategy of becoming an A.I.-driven expert platform. First quarter revenue grew 15 percent overall, fueled by 15 percent growth in the Small Business and Self-Employed Group. Online Ecosystem revenue grew 35 percent, exceeding our target to grow 30 percent or more. Consumer Group revenue grew 11 percent and Strategic Partner Group revenue was in-line with our expectations. This is a great start to the year.

At Investor Day I shared our top five priorities, which we call our big bets. These big bets focus on the largest problems our customers face, and also represent durable growth opportunities for Intuit. I'd like to share our progress on each of these.

Our first bet is to "revolutionize speed to benefit" for our customers when they use our products and services. We aim to deliver instant benefit and make the

interactions with our offerings frictionless by accelerating the application of Artificial Intelligence (A.I.). This big bet is foundational to everything that we do for our customers and positions us to accelerate execution across our other four bets. Here are a couple of examples of the progress we're making:

- First, we are on a path to triple the number of customers who can apply for working capital loans through QuickBooks Capital by extending eligibility to our desktop customers using machine learning. QuickBooks Capital leverages customers' data to provide loans to small businesses, nearly 60 percent of whom may not qualify for loans elsewhere.
- Second, we're enhancing our ability to answer customer questions more efficiently through TurboTax self-help. By leveraging A.I. we are delivering more relevant answers at the point of need and using natural language processing to expand personalized answers with TurboTax Assistant. In fiscal 2019 we handled millions of calls from customers needing help while using TurboTax. We expect this capability to improve customer satisfaction and reduce customer contact rates by helping customers find answers to their questions more easily.

Our second big bet is to “connect people to experts.” One of the largest problems our customers face is lack of confidence - to do their own taxes and to manage

their business. We're connecting customers to experts on our platform to solve this problem, allowing us to gain share and grow average revenue per customer or ARPC. We are happy with the progress we are making.

- We launched QuickBooks Live, connecting small businesses with live experts, opening up access to a new \$10 billion market opportunity. This offering is intended to increase our small business customers' confidence, helping them get set up, close their books each month and ensure their records are accurate and up-to-date. Over the last 6 months we've run more than 50 tests to learn about what customers truly need, helping us develop the offering, and refine our go-to-market and pricing strategies. At the same time we continue to build out the expert pipeline, as 90 percent of TurboTax Live experts expressed interest in working with QuickBooks Live.
- In TurboTax Live, we continue to innovate in making our experts more accessible at different touch points as we see a 32-point improvement in conversion for first time filers when engaging an expert. This season we're launching real-time chat, an enhancement our customers have asked for since the inception of TurboTax Live.

Our third big bet is to “unlock smart money decisions” for customers by connecting them to financial tools, partners and benefits that help put more money

in their pockets. Through our offerings we are addressing key customer problems by helping them reduce high cost debt, grow emergency funds and improve their financial habits. Based on what we learned from the tests we ran during the extension season, we are optimistic about our ability to go beyond tax to help our customers make ends meet. For example, we introduced credit score goal setting and payment history tracking in Turbo to help customers improve their credit score. This is a key step to improving their overall financial health.

Our fourth big bet is to become the center of small business growth, by helping our customers get paid fast, manage capital and pay employees with confidence. We introduced new QuickBooks innovations at our flagship QuickBooks Connect conference earlier this month, to further support our customers' small business growth. For example, we announced a cash flow planner to help our small business customers make better decisions as they grow. We also announced receipt capture in the mobile app and enhanced mileage tracking, to enable our customers to automatically deduct expenses seamlessly. All of these innovations put more money in our customers' pockets, and should increase their success. Over time, we see the opportunity to better serve product-based businesses by transforming omnichannel commerce, benefiting customers who sell products through multiple channels.

Our fifth big bet is to disrupt the mid-market with QuickBooks Online Advanced, our online offering designed to address the needs of small business customers with 10 to 100 employees. This offering will help us increase retention of these larger customers, and attract new mid-market customers who are over-served by higher-priced competitive offerings. We continue to make progress building out the offering since launching last year. For example, we recently introduced a revenue streams dashboard that allows customers to easily compare revenue across products and services, projects, customers, employees and other attributes to better understand their business performance.

In summary, the entire company is focused on executing against these big bets to deliver for our customers and accelerate growth.

Before I hand it to Michelle, I want to address the questions we've been getting on our free strategy. While the debate continues around whether the government should present a tax bill, or taxpayers should prepare their own returns, our primary focus remains on meeting our customers' needs, helping them maximize their tax refund, and going beyond tax to help them make ends meet. Let me give you some additional context around free. Based on IRS estimates, nearly 104 million Americans are eligible to file for free through the IRS Free File program. However, that number doesn't tell the whole story. Recently the IRS asked an

independent organization, MITRE, to conduct a study of the Free File program. The study concluded that overall the Free File program was effective and that the majority of these 104 million taxpayers make a personal choice to use an alternative filing method for a variety of reasons. For example, many taxpayers - regardless of their income or complexity - prefer to have assistance as they lack the confidence to file on their own. As a result, the study concluded that the actual number of filers using DIY software and eligible to use Free File is roughly 30 million taxpayers.

Over 20 million taxpayers are already filing for free, either through Free File or commercial free offerings including many not eligible for Free File. And roughly 13 million of those Americans filing for free used TurboTax software and paid Intuit nothing. This is a testament to the quality of our free offerings – both the product we donate to the IRS Free File program and our commercial free offering. We offer millions of customers the option to file for free because we believe they will stick with us over time as their life changes and their tax situation becomes more complex in the future. Therefore, we remain very confident in our durable free strategy.

To wrap up, we are pleased with our results in the first quarter, and we remain focused on delivering against our objectives in fiscal 2020. Thank you and now let me hand it over to Michelle to walk you through the financial details.

### **Financial Results and Segment Details**

Thanks, Sasan. Good afternoon everyone.

For the first quarter of fiscal 2020, we delivered:

- Revenue of \$1.2 billion, up 15 percent year-over-year.
- GAAP operating income of \$10 million, versus a loss of \$10 million a year ago.
- Non-GAAP operating income of \$129 million, versus \$102 million last year.
- GAAP diluted earnings per share of \$0.22, versus \$0.13 a year ago.
- And non-GAAP diluted earnings per share of \$0.41, up from \$0.29 last year.

### **Business Segment Results**

Turning to the business segments:

#### **Small Business and Self-Employed Group**



In Small Business and Self-Employed, revenue grew 15 percent during the first quarter, fueled by Online Ecosystem revenue growth of 35 percent. Our strategic focus within Small Business and Self-Employed is to grow the core, connect the ecosystem and expand globally.

- Starting with grow the core, QuickBooks online accounting revenue grew 41 percent in fiscal Q1, driven mainly by strong customer growth, and to a lesser extent higher effective prices and mix-shift.
- Second, we continue to make progress connecting the ecosystem. Online Services revenue - which includes payroll, payments, time tracking and capital - grew 27 percent in fiscal Q1. Within QuickBooks online payroll, we continue to see revenue tailwinds from a mix-shift to our full service offering which is priced 75 percent higher than self-service. Within QuickBooks Online payments, revenue growth reflects continued customer growth, along with an increase in charge volume per customer.
- Third, our progress expanding globally added to the growth of Online Ecosystem revenue during fiscal Q1. Total international online revenue grew over 60 percent. I am also excited to share that in the U.K., we now hold the number one position for cloud accounting subscribers.

We believe the best measure of the health and success of our strategy going forward is Online Ecosystem revenue growth, which we continue to expect to grow better than 30 percent.

Desktop Ecosystem revenue was up 1 percent in the first quarter, in-line with our expectations. Note that the first quarter is our largest desktop quarter of the year reflecting the annual launch of a new version of QuickBooks desktop software.

### **Consumer and Strategic Partner Groups**

Consumer Group revenue grew 11 percent in fiscal Q1.

During the October tax extension season we ran three times the number of tests we did two years ago. These tests will inform our tax offerings for the upcoming season. We're gearing up for our third season offering TurboTax Live. We're continuing to test new customer experiences as we work to provide our customers an even higher level of confidence this season. We are also seeing great engagement from experts, and over 90 percent of those we asked back plan to return this season. Our technology-first approach gives us confidence we can expand our Live offerings and maintain attractive Intuit operating margin longer-term.

And in the Strategic Partner Group, professional tax revenue grew 6 percent in the first quarter, in-line with our expectations.

We've gotten a lot of questions about the macro environment and what we're seeing in our business. At this time we're not seeing any evidence of a slow-down in our business related to the macro-economic environment. Charge volume trends remain strong, and the number of employees being paid in our ecosystem remains on trend.

### **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.

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 focus on reallocating resources to top priorities at the company, with an emphasis on becoming an A.I.-driven expert platform.

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 road map. 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 \$2.3 billion in cash and investments on our balance sheet.
- We repurchased \$139 million of stock in the first quarter. We have approximately \$2.5 billion remaining on our authorization, and we expect to be in the market each quarter.
- The Board approved a quarterly dividend of \$0.53 per share, payable January 21, 2020. This represents a 13 percent increase versus last year.

### **Q2 Fiscal 2020 Guidance**

Turning to guidance, our Q2 fiscal 2020 guidance includes:

- Revenue growth of 11 to 13 percent,
- GAAP earnings per share of \$0.70 to \$0.73, and
- Non-GAAP earnings per share of \$1.00 to \$1.03.

This earnings guidance reflects a shift of marketing investments for Consumer Group into our fiscal second quarter. We expect a GAAP tax rate of 21 percent for fiscal 2020. You can find our Q2 and fiscal 2020 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.

As I shared with you at Investor Day, all of our customers have a common set of needs. They are all trying to make ends meet, maximize their tax refund, save money and pay off debt. And those who've made the bold decision to become entrepreneurs - and go into business for themselves - have an additional set of needs. They want to find and keep customers, get paid, access capital to grow and ensure their books are right. We remain focused on becoming an A.I.-driven expert platform, to solve our customers' most pressing problems.

Now let's open it up for questions 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 2020 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 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 “Q2 Fiscal 2020 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: 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; 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 risk of the businesses we provide capital to; amortization of acquired intangible assets and impairment charges; our ability to repay 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 2019 and in our other SEC filings. You can locate these reports through our website at <http://investors.intuit.com>. Q2 Fiscal 2020 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.