Intuit Inc.
Third-Quarter Fiscal 2007
Conference Call Remarks

May 17, 2007

Introduction

Good afternoon and welcome to the Intuit third-quarter 2007 conference call. I'm here with Steve Bennett, Intuit's president and CEO, Kiran Patel, our CFO, and Scott Cook, our founder.

Before we get started, 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 2006 and our other SEC filings. All of those documents are available on the Investor Relations page of Intuit's Web site at intuit.com. We assume no obligation to update any forward-looking statement.

Some of the numbers in this presentation will be presented on a non-GAAP basis. The most directly comparable GAAP financial measures and the reconciliation of the non-GAAP financial measures to GAAP are provided in today's press release.

After this call concludes, a copy of our prepared remarks and supplemental financial information will be available on our Web site.

With that, I'll turn the call over to Steve Bennett.

Third-Quarter Overview

Thanks, Bob, and thanks to everyone for joining us.

I'm thrilled to be sharing Intuit's record results for our third and most important quarter of the year. All of our businesses performed well – resulting in third-quarter revenue growth of 21 percent. This strong revenue growth drove profit leverage, with non-GAAP EPS growth of 27 percent, to $1.13 a share.

I'll share more thoughts later in the call, but I've never felt better about a quarter or year – and more importantly what it bodes for the future.

Our strategies in Small Business, Tax and Financial Institutions are working. Our "Right for Me" strategy in QuickBooks continues to pay off. Total QuickBooks units were up 20 percent for the quarter, led by QuickBooks Premier, Enterprise and Online Edition – which were up 27 percent.

Payments customers grew 23 percent with continued growth in charge volume per customer. With the transition of our “can’t be bothered” payroll customers to ADP, we are now focused completely on the growth area of the business – Do It Yourself and Assisted Payroll – that matches our strengths.

In Consumer Tax we won again against low-priced competitors, offering TurboTax for free to be competitive at the low end while growing revenue in total faster than units, and holding share on the Web with 17 percent unit growth in the fastest-growing segment.

Our Pro Tax business had its best season in years. And Digital Insight delivered great results even before synergies with Intuit. With that, I’ll turn the call over to Kiran to walk us through the financial details.

<u>Third-Quarter 2007 Financial Highlights</u>

Thanks, Steve. Let me start with a summary of the third-quarter’s results. Revenue of $1.15 billion was up 21 percent year-over-year. Non-GAAP earnings were $1.13 per share, 4 cents above the high end of our guidance. On a year-over-year basis, non-GAAP EPS was up 27 percent.

These results include the impact of the acquisition of Digital Insight and the sale of certain payroll assets to ADP. Without those items, revenue growth would have been 14 percent for the third-quarter, 11 percent year-to-date.

($ millions)

	Non-GAAP			**GAAP**		
	Q3 06	**Q3 07**	**Change**	**Q3 06**	**Q3 07**	**Change**
Revenue	$952.6	$1,154.4	+21%	$952.6	$1,154.4	+21%
Operating Income	$502.9	$622.8	+24%	$480.1	$578.8	+21%
EPS	$0.89	$1.13	+27%	$0.84	$1.04	+24%

Now the results of our business segments.

Consumer Tax

Third-quarter Consumer Tax revenue of $567 million was up 14 percent over the year-ago period. Season-to-date, Consumer Tax revenue is up 15 percent. Year-to-date, TurboTax federal units are up 17 percent on the Web and 6 percent overall despite passing on some low-priced bulk deals early in the season which would have added 2 points of growth to our non-Free File Alliance unit numbers. We now expect Consumer Tax revenue to grow 14 percent to 15 percent for the full year.

Professional Tax

Pro Tax revenue is up 6 percent year-to-date. Revenue for the third quarter was $138 million, up 32 percent over the third quarter of 2006. Recall that third-quarter revenue includes approximately $25 million that shifted from the second quarter to the third quarter, compared to last year. We now expect Pro Tax revenue to grow 4 percent to 5 percent for the full year.

QuickBooks

QuickBooks had an excellent quarter. Revenue was $155 million, up 22 percent year-over-year. Software units grew 20 percent, with particular strength in the Premier edition and in Simple Start, which is targeted for new small businesses. Year-to-date, QuickBooks revenue is up 10 percent and software units are up 8 percent.

Payroll and Payments

Our Payroll and Payments business had revenue of $125 million, up 7 percent year-over-year. The Payments revenue growth was driven by 23 percent growth in customers and 8 percent growth in transaction volume per customer. Segment results reflect the transition of our fully outsourced payroll customers to ADP. Without that one-time event, Payroll and Payments revenue would have been up 13 percent this quarter.

Total Small Business, which combines our QuickBooks and Payroll and Payments segments, showed revenue growth of 15 percent for the quarter and 12 percent year-to-date.

Financial Institutions

Financial Institutions revenue of $65 million includes the results of Digital Insight, which was acquired on Feb. 6, and the financial institutions business previously reported in our Other segment. Since this is the first quarter that we're including DI's results, the revenue growth percentages aren't meaningful. On a standalone basis, DI's core Internet banking revenue grew about 14 percent and total revenue grew 11 percent. These results are consistent with the trends and guidance DI had given prior to the acquisition.

You should note that our fact sheet now includes two customer metrics for this segment: the number of Internet banking end users, and the number of bill pay end users. In the third quarter, Internet banking end users grew 17 percent and bill pay end users grew 26 percent over the same period a year ago.

Other Businesses

Our Other Businesses segment revenue of $104 million was up 6 percent, led by Intuit Real Estate Solutions, which grew revenue 26 percent.

Balance Sheet and Stock Repurchase Program

Moving to the balance sheet, Intuit ended the third quarter with $1.4 billion in cash and investments.

We used $301 million to repurchase 10.4 million shares of Intuit stock during the quarter, completing our previous authorization. Today we announced an additional $800 million for future share repurchases.

During the quarter we replaced the bridge financing put in place for the acquisition of Digital Insight with long-term financing. We issued $500 million of five-year notes and $500 million of 10-year notes. We also secured a $500 million revolving credit facility.

Fiscal 2007 Guidance

I will now review our updated guidance for the year.

Revenue guidance has increased. Our previous guidance, which included the impact of the DI acquisition and sale of payroll assets to ADP, was for annual revenue growth of 12 percent to 14 percent. We now expect annual revenue growth of approximately 15 percent and expect full-year revenue to be in the range of $2.685 billion to $2.7 billion.

Non-GAAP diluted earnings per share guidance has also increased. We previously projected a range of $1.33 to $1.37. We now expect to be between $1.38 and $1.40. This new guidance represents year-over-year non-GAAP EPS growth of 14 percent to 16 percent.

Finally, GAAP diluted earnings per share guidance has also been raised. We previously projected a range of $1.10 to $1.14. We now expect between $1.15 and $1.17.

Fourth-quarter guidance is unchanged.

With that, I’ll turn the call back over to Steve.

Business Perspective

Thanks, Kiran.

As mentioned earlier, it was a great quarter. All of our businesses delivered strong results and we're on track to deliver another great year, with revenue growth of 15 percent and EPS growth of 14 percent to 16 percent.

While we've consistently grown revenue at double-digit rates, the question investors always ask is: "You have such high share, how will you continue to grow?"

Let me share the most critical thing that drives our sustained growth: We grow revenue by growing our existing categories and by creating brand new categories for Intuit.

We grow our existing categories by making customer experiences better on existing offerings and creating positive word-of-mouth from our large customer base that translates into customers buying more and telling their friends. And Intuit products become the defacto standard.

We create new categories by solving additional important customer problems with innovative products and services that convert non-consumption or disrupt higher-priced alternatives.

Our customers derive benefit from our products and services over an extended period of time so we benefit from recurring service revenue, repeat purchases, upgrades and sales of additional services to our customer base.

That's the simple formula. So now let's look at the proof points, starting with Consumer Tax. The compound annual revenue growth rate for Consumer Tax the last five years has been 19 percent. And revenue this year will be more than $800 million – all from growing the category.

Looking more recently, Consumer Tax was coming off enormous growth last year – and we grew revenue strongly again this year. Why?

First, we continue to benefit from positive market trends. About 5 million new filers enter the market each year and three-and-a-half million depart. Software gets a disproportionate share of these new users because software offers the best value and highest Net Promoter score of any tax prep method.

Second, we continue to innovate and learn. So while our strategy was unchanged, there were two things we needed to test this year both to get market learning as well as have another strong season:

- We needed to be more competitive at the low end on the Web for people with simple tax returns, while capturing more value from those with more complex returns.
- We needed to test price elasticity at retail, where unit growth has slowed the last few years

The result: We executed well and got great insight that will help us next season and beyond.

- On the Web we offered “free” TurboTax to be more competitive at the low end and expand our served market, while raising prices and improving functionality at the high end. The result: We grew units without cannibalizing our paid offerings and held share on the Web – showing again we can win with and against “free.”
- At retail we strengthened our product line up and raised prices. The outcome: We grew margin dollars while holding unit share roughly flat – a big win.

We didn’t get everything right. We passed on some low-priced bulk deals early in the year that we had won the previous year that would have added an additional two points to our non-FFA unit growth for the season. This had a big impact on some of the unfavorable comparisons with competitors this year. And while we held unit share, we were disappointed in the category growth at retail.

But overall it was another great year for Consumer Tax. With the results we saw and what we learned we’re more confident than ever in our ability to grow long-term.

Let’s switch to Small Business. Revenue this year will be more than $1.1 billion, with a five-year compound annual revenue growth rate of 17 percent as a result of growing the category and creating new categories.

Our two-prong game plan is working. We keep improving our existing products and growing the category while creating new offerings to solve additional customer pain points and create new categories for Intuit.

Many people thought QuickBooks was out of gas after Y2K, when we sold a little over 900,000 units. This year we’ll sell more than 1.6 million.

Of the roughly 700,000 additional units, 300,000 have come from growing the core QuickBooks category and 400,000 are the result of creating new categories, with products launched since Y2K.

Examples are QuickBooks Enterprise Edition, which is now about a $50 million business and QuickBooks Online Edition, which has more than 100,000 subscribers. And revenue per customer grows as we solve more of their needs.

This year we'll sell more than 300,000 Premier units at double the price of QuickBooks Pro.

Small business offerings beyond QuickBooks have grown even faster. We've grown the payroll category dramatically. In 2000 we had 566,000 Do It Yourself payroll customers paying us $69 a year. Today we have nearly 1 million paying us more than three times that per year.

The payments business – a new category – will be more than $160 million this year. Our payments business has allowed many QuickBooks customers to accept electronic payments for the first time – converting non-consumption into growth for Intuit and the banking category.

The long-term trends continued this quarter, with payments customers growing 23 percent and charge volume per customer up 8 percent. Payroll also grew nicely and the transition of our "can't be bothered" customers to ADP positions us for accelerated future growth.

Despite years of success, we've got plenty of room for growth in the small business market. Sixty percent of small businesses still use manual methods – pencil and paper or spreadsheets to keep their books. That's a lot of non-consumption. Our payroll penetration of the QuickBooks base alone is only 40 percent and for payments it's only 10 percent – with additional potential beyond QuickBooks users.

In addition to our existing offerings, we're actively looking for opportunities to buy and partner so we can move faster to solve additional small business customer needs.

Just like in Consumer Tax, in Small Business we continue to execute our two-prong game plan and produce solid, consistent results.

Our third and newest growth engine is Financial Institutions, and we're thrilled with the Digital Insight business performance so far. We had 26 percent growth in bill-pay customers and 17 percent growth in online banking customers this quarter – very solid performance even before we've seen many synergies from the combined companies.

We announced two new offerings – Personal and Small Business FinanceWorks – at the annual DI financial institution customer conference in March. FIs were very enthusiastic and we continue to be excited about the opportunity to grow and expand this category.

Similar to our other growth engines, our Financial Institutions segment benefits from favorable market trends as more consumers and small businesses use online banking. It's another market that is growing with lots of non-consumption and many unmet underserved needs that we can solve well.

Another potential growth opportunity is Quicken Health, which is on track to pilot its V1 offering later this summer and, if we get it right, could be another catalyst for Intuit's long-term growth.

Tying it all together, we like the businesses we're in, we like the strong performance this year, and even more importantly, we like the long-term growth opportunities and prospects for Intuit.

But every year there are things that cause worry and concern among investors about Intuit's ability to grow.

In 1999 Microsoft entered the tax business – and exited in less than a year. Four or five years ago the big question was the Free File Alliance and how that would negatively impact TurboTax growth.

Two years ago the worry was Microsoft's new accounting offering – their third or fourth attempt to challenge QuickBooks. For the record, the Microsoft stand-alone unit share at retail over the last 12 months has been less than 2 percent and QuickBooks has actually gained unit share at retail since Microsoft launched its new product.

This year the big concern was low-priced TurboTax Web competitors, and we won again. Next year and the year after there will be something else, some other challenge to overcome.

Yet by getting better at executing our strategy of being in good businesses with strategies to win – with talented and engaged employees delighting customers so we deliver sustained revenue and profit growth – Intuit continues to thrive. And maybe even more important than that, as you can see from today's results, gain momentum.

We have the best talent throughout the organization that we've ever had and our strongest leadership team ever. The opportunities in front of us have never been greater. That's why I feel so great about this quarter, this year and more importantly, the years ahead.

Thanks to all of you for your support and to all the Intuit employees that stay so focused on delivering for our customers. Now to your questions.

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About Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures. These measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with Generally Accepted Accounting Principles ("GAAP"). These non-GAAP financial measures do not reflect a comprehensive system of accounting, differ from GAAP measures with the same names and may differ from non-GAAP financial measures with the same or similar names that are used by other companies.

We believe that these non-GAAP financial measures provide meaningful supplemental information regarding Intuit's operating results primarily because they exclude amounts that we do not consider part of ongoing operating results when assessing the performance of the organization, our operating segments or our senior management. Segment managers are not held accountable for share-based compensation expenses, acquisition-related costs, or the other excluded items that may impact their business units' operating income (loss) and, accordingly, we exclude these amounts from our measures of segment performance. We also exclude these amounts from our budget and planning process. We believe that our non-GAAP financial measures also facilitate the comparison of results for current periods and guidance for future periods with results for past periods.

We refer to these non-GAAP financial measures in assessing the performance of Intuit's ongoing operations and for planning and forecasting in future periods. These non-GAAP financial measures also facilitate our internal comparisons to Intuit's historical operating results. We have historically reported similar non-GAAP financial measures and believe that the inclusion of comparative numbers provides consistency in our financial reporting. We compute non-GAAP financial measures using the same consistent method from quarter to quarter and year to year.

The tables that accompany the press release filed by Intuit on May 17, 2007 provide more details on Intuit's historical performance and financial projections, a description of our non-GAAP financial measures, including the reasons management uses each measure, and reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures. A copy of the press release can be found on the investor relation's page of Intuit's web site at www.intuit.com/about_intuit/investors.

Cautions About Forward-looking Statements

These remarks contain forward-looking statements, including forecasts of Intuit's expected financial results, our prospects for the business in fiscal 2007 and beyond; our guidance for fiscal 2007, including all of the statements under the headings "Fiscal 2007 Guidance;" our assessment of our prospects and growth opportunities for our businesses, including consumer tax, QuickBooks, payroll, payments, financial institutions and healthcare; and our expectations regarding the launch or future availability of specific products and services.

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: product introductions and price competition from our competitors can have unpredictable negative effects on our revenue, profitability and market position; governmental encroachment in our tax businesses or other governmental activities regulating the filing of tax returns could negatively affect our operating results and market position; we may not be able to successfully introduce new products and services to meet our growth and profitability objectives, and current and future products and services may not adequately address customer needs and may not achieve broad market acceptance, which could harm our operating results and financial condition; any failure to maintain reliable and responsive service levels for our offerings could cause us to lose customers and negatively impact our revenues and profitability; any significant product quality problems or delays in our products could harm our revenue, earnings and reputation; our participation in the Free File Alliance may result in lost revenue opportunities and cannibalization of our traditional paid franchise; any failure to properly use and protect personal customer information could harm our revenue, earnings and reputation; our acquisition activities may be disruptive to Intuit and may not result in expected benefits; our use of significant amounts of debt to finance acquisitions or other activities could harm our financial condition and results of operations; our revenue and earnings are highly seasonal and the timing of our revenue between quarters is difficult to predict, which may cause significant quarterly fluctuations in our financial results; predicting tax-related revenues is challenging due to the heavy concentration of activity in a short time period; we have implemented, and are continuing to upgrade, new information systems and any problems with these new systems could interfere with our ability to ship and deliver products and gather information to effectively manage our business; our financial position may not make repurchasing shares advisable or we may issue additional shares in an acquisition causing our number of outstanding shares to grow; and litigation involving intellectual property, antitrust, shareholder and other matters may increase our costs. More details about these and other risks that may impact our business are included in our Form 10-K for fiscal 2006 and in our other SEC filings. You can locate these reports through our website at http://www.intuit.com/about_intuit/investors. Forward-looking statements are based on information as of May 17, 2007, and we do not undertake any duty to update any forward-looking statement or other information in these remarks.