

Intuit Inc.
First-quarter Fiscal 2022
Conference Call Remarks
November 18, 2021

Introduction

Good afternoon and welcome to Intuit's first-quarter fiscal 2022 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 2021 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.

First-quarter Fiscal 2022 Overview

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

We are off to a strong start in fiscal year 2022 with continued momentum across the company given our strategy of becoming a global AI-driven expert platform powering the prosperity of consumers and small businesses. We have a nearly \$300 billion addressable market driven by

digital tailwinds that include a shift to virtual solutions, acceleration to online and omnichannel capabilities, and digital money offerings.

First quarter revenue grew 52 percent, including 32 points from the addition of Credit Karma. Total revenue growth was fueled by Small Business and Self-Employed Group revenue growth of 22 percent, and Credit Karma revenue of \$418 million, another record quarter. Consumer Group and ProConnect Group revenue was in-line with our expectations in a seasonally smaller quarter. As a result of both our strong start to the year and the close of the Mailchimp transaction, we are raising our revenue and non-GAAP operating income and earnings per share guidance for fiscal year 2022. Michelle will cover this in detail later.

Our AI-driven expert platform strategy is accelerating innovation and our five Big Bets are solving the largest problems our customers face. We continue to deliver strong proof points that demonstrate this success, and are well-positioned for durable growth in the future. 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'd like to highlight examples of our recent progress across three of these Big Bets.

Our third big bet is to “unlock smart money decisions.” I'm extremely proud of the momentum we're seeing with Credit Karma. Credit Karma is a data platform with powerful network effects solving a two-sided problem. We are focused on 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 insights.

Credit Karma achieved record high revenue again in Q1. We continue to deliver innovation across all verticals fueled by our proprietary Lightbox platform enabling personalized experiences for our members, creating a network effect.

- Within the core, partners' usage of Lightbox reached all-time highs across both credit cards and personal loans. Lightbox more than doubles the average approval rate for members who apply for credit cards on Credit Karma versus outside of Credit Karma.
- Within the growth verticals, we are solving a larger set of financial challenges for consumers. Karma Drive is giving U.S. members the opportunity to see if they can save money on auto insurance with usage based pricing. We are actively exploring expansion opportunities with Lightbox in other verticals including auto loans, building off the successes we've seen in credit cards and personal loans.
- Within the emerging verticals, we remain focused on innovation with Credit Karma Money. We integrated Credit Karma Money into TurboTax last season and experimented with how we could best meet our customers' needs, and announced an integration with QuickBooks Online Payroll. Given our learnings, we are excited about launching our improved experiences in the upcoming tax season. We

believe Credit Karma Money is key to driving growth in frequency of visits over time, one of the many key drivers of average revenue per monthly active user.

Zooming out, we continue to grow members, and are focused on building trust by delivering personalized financial products right for members, helping members save money, pay down debt and get faster access to their money while providing insights and advice. Over time, we are creating a virtuous cycle, which we expect to increase the frequency of engagement, transactions, and monetization across our ecosystem.

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.

- In fiscal 2021, total payments volume on our platform grew 40 percent year-over-year to over \$90 billion. And online payments

volume grew more than 60 percent, driven by an increase in customers using our payments offering.

- As we continue to innovate for our customers in payments, those using QuickBooks Cash have nearly three times higher engagement compared to customers who just use QuickBooks Online. To accelerate engagement and usage of our platform, we recently introduced Get Paid Upfront, a game changing innovation that will help qualified customers get paid soon after the invoice is sent.

Our fifth big bet is to “disrupt the small business mid-market” with QuickBooks Online Advanced. We are seeing strong traction with QBO Advanced, with customers growing to 118,000 in fiscal 2021, up 57 percent year-over-year. As we continue to move up market and serve these customers’ most critical needs, we’re seeing a services ecosystem ARPC that is four times higher than ARPC for QBO customers.

We are pleased with our results and remain confident in our game plan to win. 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. This will be further fueled by Mailchimp.

I am delighted that we closed the acquisition earlier this month which seeks to significantly accelerate two of our big bets, to “be the center of small business growth,” and to “disrupt the small business mid-market.” Getting and engaging customers remains a significant pain point for small and mid-market businesses. 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 priority is to deliver on our vision of an end-to-end customer growth platform to help customers get their business online, market their business, manage their customer relationships, get paid, access capital, pay employees, manage cash flow and be compliant, with virtual experts at their fingertips all in one place;
- Second, disrupting the mid-market, by developing a full marketing automation, CRM and eCommerce suite for mid-market customers at

an attractive price point, enabling mid-market customers to use the power of the platform to grow their business; and

- Third, accelerating global growth with a holistic go-to-market approach.

With Mailchimp now part of the Intuit family, we are uniquely positioned to enable small and mid-market businesses to combine their customer data from Mailchimp and purchase data from QuickBooks to deliver actionable insights they need to grow and run their businesses with confidence. This is where the real magic happens. Our combined platform technology enables us to move with speed and we've already seen strong interest from our customers. The teams are hard at work and we're excited about the opportunity ahead.

Foundational to our company's success is building a high performance culture. I want to take a moment to acknowledge our progress with our diversity, equity and inclusion efforts. Last year, we declared our focus on increasing the percentages of women in technology roles and underrepresented minorities across our business. We achieved 30 percent

and 13 percent, respectively, and we are inspired to accelerate our plans and push even harder as much work remains to be done.

Additionally, we've made meaningful progress supporting our communities.

First, we recently announced the Intuit Climate Action Marketplace which will help 1 million US small businesses find sustainable solutions to reduce carbon emissions. This is part of our decade-long climate positive goal to go beyond being net carbon neutral and reduce global carbon emissions by 2 million metric tonnes by 2030 or 50 times greater than our 2018 operational footprint.

We also recently announced a 23-year partnership with the Los Angeles Clippers that includes economic benefits for the local community with Intuit Dome, the team's future home. And finally, we launched Intuit Ventures to invest in the startup community and accelerate fintech innovation for consumers and small businesses.

All the work we do starts with our mission of powering prosperity around the world, and I'm proud of the momentum across the company in delivering on that mission for our customers and communities.

Now let me hand it over to Michelle.

Financial Results and Segment Details

Thanks, Sasan. Good afternoon everyone and I'd also like to welcome the Mailchimp team to Intuit. Now let me turn to the results.

For the first quarter of fiscal 2022, we delivered:

- Revenue of \$2.0 billion.
- GAAP operating income of \$195 million, versus \$209 million last year.
- Non-GAAP operating income of \$555 million, versus \$334 million last year.
- GAAP diluted earnings per share of \$0.82, versus \$0.75 a year ago.
- And non-GAAP diluted earnings per share of \$1.53, versus \$0.94 last year.

Note that our GAAP results include a \$39 million net gain on other long-term investments.

Business Segment Results

Turning to the business segments:

Small Business and Self-Employed Group

In the Small Business and Self-Employed Group, revenue grew 22 percent during the quarter, with Online Ecosystem revenue up 36 percent. With the aim of being the source of truth for small businesses, our strategic focus within Small Business and Self-Employed 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 32 percent in fiscal Q1, driven mainly by customer growth, higher effective prices, and mix-shift.
- Second, we continue to focus on connecting the ecosystem. Online Services revenue - which includes payroll, payments, capital and time tracking - grew 42 percent in fiscal Q1.

- Within payroll, we continued to see revenue tailwinds during the quarter from growth in payroll customers and a mix-shift to our full service offering.
- Within payments, revenue growth reflects ongoing 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 39 percent on a constant currency basis.

We believe the best measure of the health and success of our strategy is Online Ecosystem revenue growth, which we expect to grow better than 30 percent organically over time. This is driven by 10 to 20 percent expected growth in both customers and ARPC.

Desktop Ecosystem revenue grew 7 percent in the first quarter.

QuickBooks Desktop Enterprise revenue grew high-single digits, driven by strong customer growth and price increases we put in place late last year.

As a reminder, this fall we transitioned to a subscription model for this year's desktop offering, which we expect to be a headwind to revenue

growth in the second half of the year. We expect the desktop business to decline longer term.

Credit Karma

Moving on to Credit Karma, revenue was \$418 million in Q1, another record revenue quarter, driven by high levels of monthly active users and revenue per monthly active user.

Within the core, we saw another record quarter driven by the combined strength in personal loans and credit cards. The growth verticals also achieved another strong quarter, reflecting momentum in home loans and auto loans. And we are developing the emerging vertical by focusing on innovation with Credit Karma Money, part of our digital money offering, though this is not a large revenue driver today.

We continue to expect pent up demand across the core verticals to taper sometime in the second half of fiscal 2022 after a strong year of investment by our partners. We remain excited about the opportunities ahead.

Consumer and ProConnect Groups

Consumer Group revenue of \$120 million in Q1 was in-line with our expectations. Looking ahead to the upcoming tax season, we continue to focus on our strategy to expand our lead in DIY and transform the assisted segment with TurboTax Live.

As for the ProConnect Group, revenue of \$26 million in the quarter was also in-line with our expectations.

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 guide our decisions and 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 \$3.3 billion in cash and investments on our balance sheet. On November 1, we entered into a \$4.7B term loan under a new credit agreement to partially fund the Mailchimp acquisition.

- We repurchased \$339 million of stock during the first quarter. Depending on market conditions and other factors, our aim is to be in the market each quarter.

- The Board approved a quarterly dividend of \$0.68 per share, payable January 18, 2022. This represents a 15 percent increase versus last year.

Fiscal 2022 and Q2 Guidance

Moving on to guidance. We are raising our full year fiscal 2022 revenue and non-GAAP operating income and earnings per share guidance to reflect both the acquisition of Mailchimp and the stronger than expected start to the year in the Small Business and Self-Employed Group and Credit Karma. Our updated fiscal 2022 guidance includes:

- Revenue of \$12.165 billion to \$12.300 billion, growth of 26 to 28 percent, including Mailchimp as of November 1 and a full year of Credit Karma;
- Excluding Mailchimp, revenue growth of 18 to 20 percent, up from our prior guidance of 15 to 16 percent;
- GAAP earnings per share of \$7.00 to \$7.16, and
- Non-GAAP earnings per share of \$11.48 to \$11.64.

This updated fiscal 2022 guidance includes organic growth for the Small Business and Self-Employed Segment of 16 to 17 percent, up from 12 to 14 percent; expected Mailchimp revenue of \$760 million to \$770 million, and Credit Karma revenue of \$1.540 billion to \$1.565 billion, up from \$1.345 billion to \$1.380 billion.

As I've shared before, we continue to see opportunities to leverage the platform and drive margin expansion over time. Excluding Mailchimp, our non-GAAP operating income guidance continues to imply approximately 60 basis points of margin expansion in fiscal 2022. Our guidance assumes the Mailchimp transaction is accretive to Intuit's non-GAAP earnings per share in full year fiscal 2022. However, we expect an approximately 80 basis point one-time step down in non-GAAP operating margin reflecting the impact of Mailchimp as we plan to invest aggressively in the business. We expect non-GAAP operating margin expansion to continue from this new level over time, in-line with our financial principles.

Our fiscal 2022 GAAP operating income guidance includes approximately \$165 million for stock based compensation associated with the acquisition of Mailchimp. In addition, our GAAP operating income guidance includes the impact of the Credit Karma acquisition, along with investments we are making in stock compensation to attract and retain talent. We are confident these are the right decisions to drive long-term growth.

We expect a GAAP tax rate of 18 percent in fiscal 2022.

Our guidance for the second quarter of fiscal 2022 includes:

- Revenue growth of 73 to 74 percent.
- GAAP earnings per share of \$0.55 to \$0.59, and
- Non-GAAP earnings per share of \$1.84 to \$1.88.

You can find our full Q2 and updated fiscal 2022 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.

We are off to a strong start this year with continued momentum across the company given our strategy of being an AI-driven expert platform that is powering prosperity for consumers and small businesses. I am proud of what our employees accomplished this quarter and I am excited about the opportunities ahead to find new, innovative ways to serve our more than 100 million customers. Let's now 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 a strong start to the year. We come to work every day passionate about helping customers and communities overcome their most important financial challenges. We are proud of what we've accomplished, and the speed we were able to deliver new innovations to help our customers.

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; Intuit's prospects for the business in fiscal 2022 and beyond; Intuit's growth outside the US; timing and growth of revenue from current or future products and services; demand for our products; customer growth and ARPC; Intuit's corporate tax rate; changes to our products and their impact on Intuit's business; the amount and timing of any future dividends or share repurchases; availability of our offerings;

and acquisitions and their impact on our business and strategic decisions; as well as all of the statements under the heading “Fiscal 2022 and Q2 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; 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 and Mailchimp; 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 tax rate 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 2021 and in our other SEC filings. You can locate these reports through our website at <http://investors.intuit.com>. Fiscal 2022 full-year and Q2 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.