

Intuit Inc.
Third-quarter Fiscal 2022
Conference Call Remarks
May 24, 2022

Introduction

Good afternoon and welcome to Intuit's third-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.

Third-quarter Fiscal 2022 Overview

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

I'm proud of our continued momentum as we execute on our strategy to be the global AI-driven expert platform powering the prosperity of consumers and small businesses. We have a nearly \$300 billion addressable market driven by tailwinds that include a shift to virtual solutions, acceleration to online and omnichannel capabilities, and digital money offerings. This -

combined with the team's execution - is contributing to the strength of our performance.

Third quarter revenue grew 35 percent, including 6 points from the addition of Mailchimp. It was another strong quarter for our Small Business and Self-Employed Group, with revenue up 42 percent, 20 percent organically. Credit Karma posted another quarter with revenue at an all-time high, up 48 percent. And I am proud of how the team executed in the Consumer Group in another unusual tax season. We are confident in our business trajectory and are raising our total Intuit revenue and non-GAAP earnings per share guidance for fiscal year 2022. We expect to grow total company revenue 31 to 32 percent as our platform is in demand now more than ever.

Let me turn to tax.

Our multi-year strategy is to extend our lead in the DIY category and transform the assisted category with TurboTax Live. This strategy is working.

This fiscal year we expect our share of total IRS returns to be up approximately one point and our share of the DIY category to increase two points. We are also growing average revenue per return again.

We expect customers in underpenetrated segments - including Latinx, self-employed, and investors - to grow double-digits in total. Within transforming the assisted category, we continue to make progress connecting people to experts with TurboTax Live. We anticipate achieving a significant milestone with TurboTax Live revenue reaching \$1 billion in fiscal 2022, growing approximately 30 percent, and customers growing 20 percent. Note that last year TurboTax Live customer growth significantly benefited from the introduction of the free Basic offer.

We are proud of the progress against our strategy. However, slower total IRS returns growth is resulting in expected Consumer Group revenue growth of 10 percent this fiscal year.

- We now expect overall IRS returns to decline 3 percent through July 31, compared to IRS returns growth of 3 to 4 percent the last two

seasons. This was driven by one-time stimulus filers that did not return this season and overall IRS extension filers up significantly year-over-year, with the number of TurboTax customers filing extensions nearly doubling. As a reminder, every point of IRS return growth equals about one point of TurboTax revenue growth.

- We now expect the DIY category share of total IRS returns to be flat this year, below our expectations after growing an average of approximately 1 point per year over the last two years. Our hypothesis is that the DIY category performance was weaker than we expected due to the one-time stimulus filers, approximately 30 percent of whom were paid customers for us last season.

While the last three years were anything but normal, over this period IRS returns grew on average one percent per year and the DIY category gained an average of just over half a point of share per year, consistent with long-term trends. Looking ahead, we expect more normal total IRS returns growth.

More broadly, 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.” We continue to see strong momentum with Credit Karma, a data platform with powerful network effects solving a two-sided problem. Our vision is to unlock smart money decisions by creating an autonomous financial platform that helps

consumers find the right financial products, puts more money in their pockets and connects them to insights and advice.

In Credit Karma, we continue to innovate across all verticals. Our proprietary Lightbox technology allows us to better personalize and connect members to the products that are right for them, providing more certainty to members and partners on the platform.

- We continue to see strength in credit cards and personal loans, and combined Lightbox penetration remained high. Lightbox approximately doubles the average approval rate for members who apply for credit cards on Credit Karma versus outside of Credit Karma, making it a competitive differentiator for both our members and partners.
- We continue to make progress combining our capabilities to fuel the success of both TurboTax and Credit Karma. We integrated Credit Karma Money into the TurboTax filing experience, more than tripling the number of TurboTax Online customers who deposited their refund into their Credit Karma Money account this year. This gave them the

ability to receive their refund up to five days earlier with direct deposit. These TurboTax customers drive Credit Karma member growth and, like other Credit Karma members, get access to personalized products across the platform, which accelerates engagement over time.

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 continue to innovate to help customers overcome this challenge.

- In payments, we offer a single place where small businesses can get paid, pay others, manage money and access capital. We are seeing more customers accessing loans through QuickBooks Capital, with loan volume at a record level, more than tripling year-over-year in April. We have increased discoverability and expanded eligibility in product. This is driven by our rich data and proprietary risk models

which allow us to use our customers' data on their behalf, with permission, to offer access to loans.

In addition to cash flow, getting and engaging customers remains a significant pain point for small and mid-market businesses. With 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.

We continue moving with speed as we focus on product innovation, marketing, and improving conversion.

- First, we launched a customers and leads tab within QuickBooks Online, which allows new and existing customers to send revenue and customer data from QBO to Mailchimp in real-time, where small businesses can segment customers and automate marketing campaigns based on QuickBooks data. We're also saving customers' time by bringing their contact lists into Mailchimp from other partners and platforms.
- Second, we continue to invest in marketing. We are seeing early signs that the recent investments in paid media are driving growth in customer sign ups across large markets like the U.S. We expect it to take time for this to translate into financial results, but we are excited about the potential.
- And third, we're focused on opportunities to improve conversion as we look at top of the funnel traffic to how we deliver benefits in the product for our customers. This includes highlighting product benefits as soon as customers enter the product, improving the checkout page experience, and streamlining in-product navigation.

Our fifth big bet is to “disrupt the small business mid-market” with QuickBooks Online Advanced. During the quarter, we launched in Canada, the first market outside of the U.S., expanding the geographic reach of this offering.

Accelerating innovation and executing our strategy starts with our employees. I’m proud to share that we were on Fortune’s 100 Best Companies to Work For list for the 21st year in a row—this year proudly ranking number 11. We remain focused on creating an environment where employees can bring their whole selves to work and do the best work of their lives, which is reflected in our employee retention rate that is above our peers.

Wrapping up, we feel confident in our long term business strategy. Our strong business fundamentals, including our balance sheet, our speed of innovation, and demand for our platform, continue to put Intuit in a position of strength. In the current macro environment, the benefits of our platform are more important than ever. We are proud to be the platform of choice for

over 100 million customers around the world who rely on Intuit to prosper.

Now let me hand it over to Michelle.

Financial Results and Segment Details

Thanks, Sasan.

For the third quarter of fiscal 2022, we delivered:

- Revenue of \$5.6 billion, up 35 percent, including 6 points from the addition of Mailchimp.
- GAAP operating income of \$2.4 billion, versus \$1.9 billion last year.
- Non-GAAP operating income of \$2.9 billion, versus \$2.2 billion last year.
- GAAP diluted earnings per share of \$6.28, versus \$5.30 a year ago.
- And non-GAAP diluted earnings per share of \$7.65, versus \$6.07 last year.

On May 4th we entered into a settlement agreement with the state attorneys general regarding our advertising practices related to free tax preparation. This resulted in a \$141 million one time charge in our fiscal

third quarter. Under the terms of the settlement, we admitted no wrongdoing. We are pleased to put this issue behind us so we can continue to focus on delivering innovative solutions for our customers.

Excluding the settlement charge, our fiscal third quarter GAAP and non-GAAP operating margin would have been 250 basis points higher, and GAAP and non-GAAP earnings per share would have been \$0.37 and \$0.38 higher, respectively.

Business Segment Results

Turning to the business segments:

Consumer and ProConnect Groups

Consumer Group revenue was \$3.2 billion, up 32 percent, reflecting the earlier IRS tax filing deadline this year. I'm proud of our execution this season, as we expect to gain share and grow our average revenue per return.

There are four primary drivers of our Consumer business. This data reflects our expectations through July 31, 2022 versus the prior year through July 31, 2021.

- The first is the total number of returns filed with the IRS. We now expect total returns to decline 3 percent this year, below our original expectations. Every point of IRS returns growth equals about one point of TurboTax revenue growth.
- The second is the percentage of those returns filed using do-it-yourself software. We expect the DIY category share of total IRS returns to be flat by the end of the year, also below our expectations.
- The third driver is our share. We expect our share of total IRS returns to expand approximately a point this year and our share of the DIY category to be up two points, excluding users of the TurboTax Free File offering in prior year periods.
- The fourth is average revenue per return, which we expect to increase this year, driven by a mix-shift to TurboTax Live and our Premier offering used by investors, as well as fewer free customers.

As a result of the weaker IRS returns, we now expect total customer growth of 1 percent, including TurboTax Online paying customer growth of 8 percent this year. We expect the base of customers paying us nothing in our commercial free offering to decline 11 percent this year to just over 13 million, from over 14 million last year. This was driven by one-time stimulus filers that did not return this season, approximately 30 percent of whom were paying customers.

We now expect Consumer Group revenue growth of approximately 10 percent in fiscal 2022, versus our prior guidance of 10 to 11 percent, reflecting the decline of total IRS returns I mentioned earlier. We continue to expect Consumer Group revenue growth of 8 to 12 percent long-term.

Turning to the ProConnect Group, revenue grew 10 percent in Q3, reflecting a shift in the timing of the IRS tax filing window year-over-year.

For the full year, we now expect ProConnect Group revenue growth of 4 to 5 percent.

Small Business and Self-Employed Group

In the Small Business and Self-Employed Group, revenue grew 42 percent during the quarter, or 20 percent on an organic basis, excluding \$257 million in revenue from Mailchimp. Online ecosystem revenue grew 67 percent, or 31 percent excluding Mailchimp. With the aim 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 32 percent in fiscal Q3, driven mainly by higher effective prices, customer growth, and mix-shift.
- Second, we continue to focus on connecting the ecosystem. Online services revenue - which includes Mailchimp, payroll, payments, capital and time tracking - grew 121 percent in fiscal Q3. Excluding Mailchimp, online services revenue grew 28 percent.
 - Mailchimp revenue recorded in online services was \$257 million in the quarter. This was in line with our expectations.

- Within payroll, revenue growth in the quarter reflects growth in payroll customers and a mix-shift to our full service offering.
- Within payments, revenue growth reflects an increase in charge volume per customer and ongoing customer growth.
- Third, we continue to make progress expanding globally. Total international online ecosystem revenue grew 221 percent in fiscal Q3 on a constant currency basis, and 29 percent on an organic basis excluding Mailchimp.

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 3 percent in the third quarter.

QuickBooks Desktop Enterprise revenue grew mid-teens, driven by strong customer growth and price increases. Longer term, we don't expect the desktop business to be a growth driver for the Small Business and Self-Employed Group.

Credit Karma

Moving on to Credit Karma, revenue grew 48 percent to \$468 million in Q3, another record revenue quarter, driven primarily by growth in average revenue per monthly active user.

On a product basis, revenue growth was driven primarily by personal loans and credit cards, and to a lesser extent, auto loans. We are developing the emerging verticals by focusing on innovation with Credit Karma Money, which we believe is key to growing the frequency of visits over time. As Sasan shared earlier, we saw a more than tripling in the number of TurboTax Online customers who deposited their refund into their Credit Karma Money account this year. We remain excited about the opportunities ahead.

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 we'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 being 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 \$3.9 billion in cash and investments on our balance sheet.
- We repurchased \$489 million of stock during the third 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 July 18, 2022. This represents a 15 percent increase versus last year.

Fiscal 2022 and Q4 Guidance

Moving on to guidance. We are raising our full year fiscal 2022 revenue and non-GAAP earnings per share guidance to reflect the momentum we've seen throughout the year in the Small Business and Self-Employed Group and Credit Karma. Our updated fiscal 2022 guidance includes:

- Revenue of \$12.633 billion to \$12.674 billion, growth of 31 to 32 percent, including Mailchimp as of November 1 and a full year of Credit Karma, up from prior guidance of 26 percent to 28 percent growth.
- Excluding \$765 million to \$770 million in Mailchimp revenue, growth of 23 to 24 percent, up from prior guidance of 18 to 20 percent growth.

- GAAP earnings per share of \$6.95 to \$7.01, down from prior guidance of \$7.00 to \$7.16. We now expect a GAAP tax rate of approximately 20 percent this year, up from 18 percent previously.
- Non-GAAP earnings per share of \$11.68 to \$11.74, up from prior guidance of \$11.48 to \$11.64.

Our fiscal 2022 guidance includes the impact of the \$141 million one-time charge related to the state attorneys general settlement. Excluding this charge, our expected GAAP and non-GAAP operating margin would both be approximately 110 basis points higher in fiscal 2022, above our prior guidance. Expected fiscal 2022 GAAP and non-GAAP earnings per share would be approximately \$0.37 and \$0.38 higher, respectively.

Our guidance for the fourth quarter of fiscal 2022 includes:

- A revenue decline of 8 to 9 percent, reflecting the earlier tax filing deadline this year versus last year.
- GAAP loss per share of \$0.53 to \$0.47, and
- Non-GAAP earnings per share of \$0.94 to \$1.00.

You can find our full Q4 and 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.

Before closing, I wanted to mention the leadership changes in our Consumer Group that we shared in our earnings release today. Effective May 31, Greg Johnson, general manager of the Consumer Group, will step down as the leader of Intuit's consumer business to become CEO of McAfee. Varun Krishna, senior vice president and general manager of growth products, Consumer Group, will succeed Greg as general manager.

Greg's done a tremendous job driving growth for our consumer business and I couldn't be happier for this next chapter for him. Intuit is known for developing world class leaders and Greg is no exception. McAfee is lucky to have him. At the same time, I couldn't be more excited to welcome Varun as the Consumer Group's next general manager. With over seven years of experience leading commercial and product innovation for

TurboTax, Varun is perfectly suited for leading Consumer Group's next phase of growth.

We're seeing 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 the team and how we've delivered for our customers so far this year. 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 another great quarter. 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: the size, components and our share of the tax preparation software space; the timing of when individuals will file their tax returns; 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 average revenue per return; 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 the impact of acquisitions and other strategic decisions on our business; as well as all of the statements under the heading "Fiscal 2022 and Q4 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 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 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 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 Q4 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.