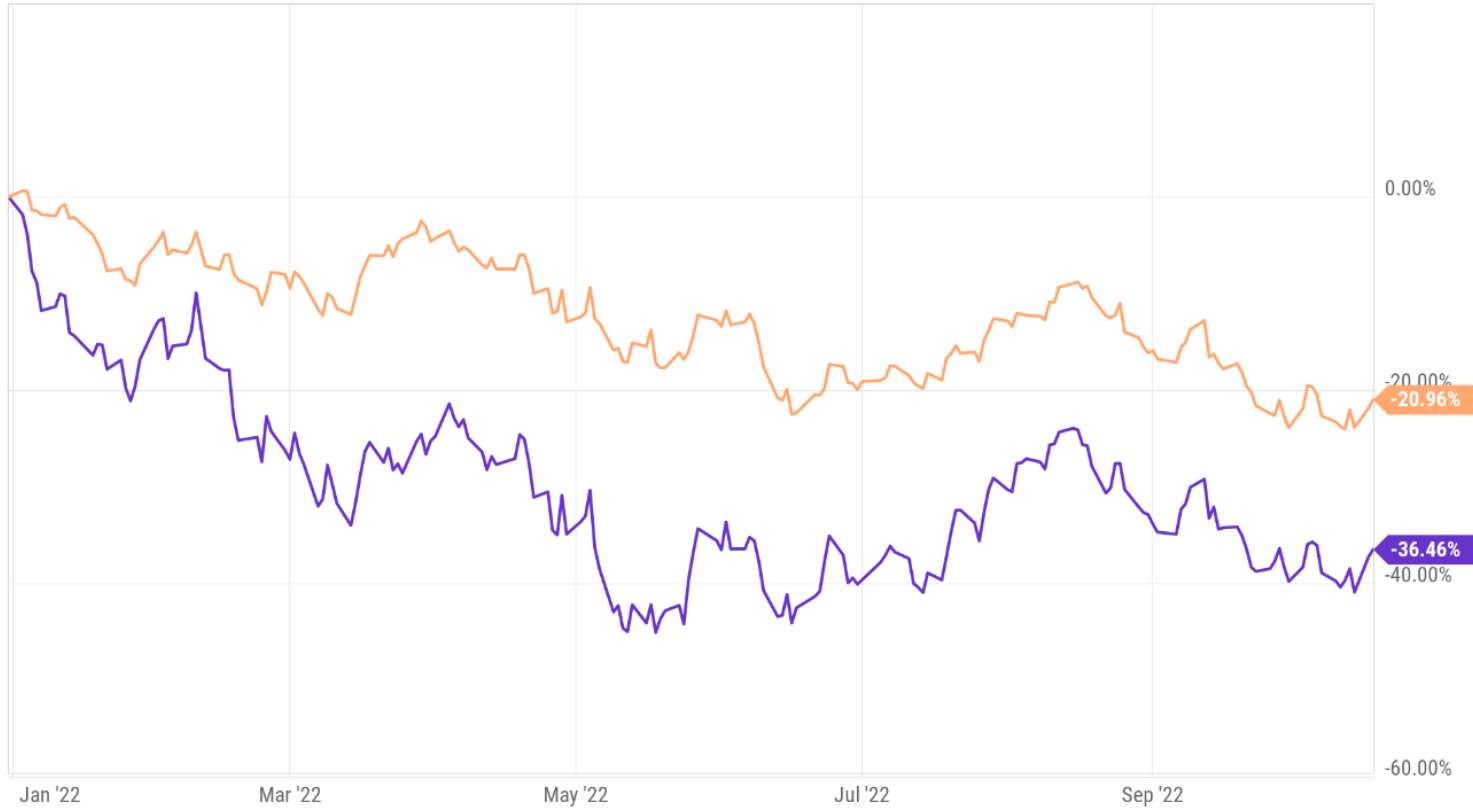


intuit®

# Intuit Stock Performance

- Intuit Inc (INTU) Price % Change
- S&P 500 Total Return (^SPXTR) Level % Change



- Above average company
- Asset light
- 4-sources of moats
- Proven moat
- Strong drivers of growth
- Financials miss understood
- Macro-uncertainties

Oct 18 2022, 10:21PM EDT. Powered by YCHARTS

# Presentation Structure

- What is Intuit & how do they make money?
- What qualitative factors make Intuit so dominant?
  - Is Intuit an above-average company?
  - Who makes this success happen?
- How does Intuit stack up against competitors?
- What are some of the risk factors and headwinds the company is facing?
  - How will the company continue to create value over the long term?
  - Are we paying a reasonable price for the asset?
    - What is our recommendation?

# Let's Get Intuit

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# Business Segments

What is Intuit and how do they make money?

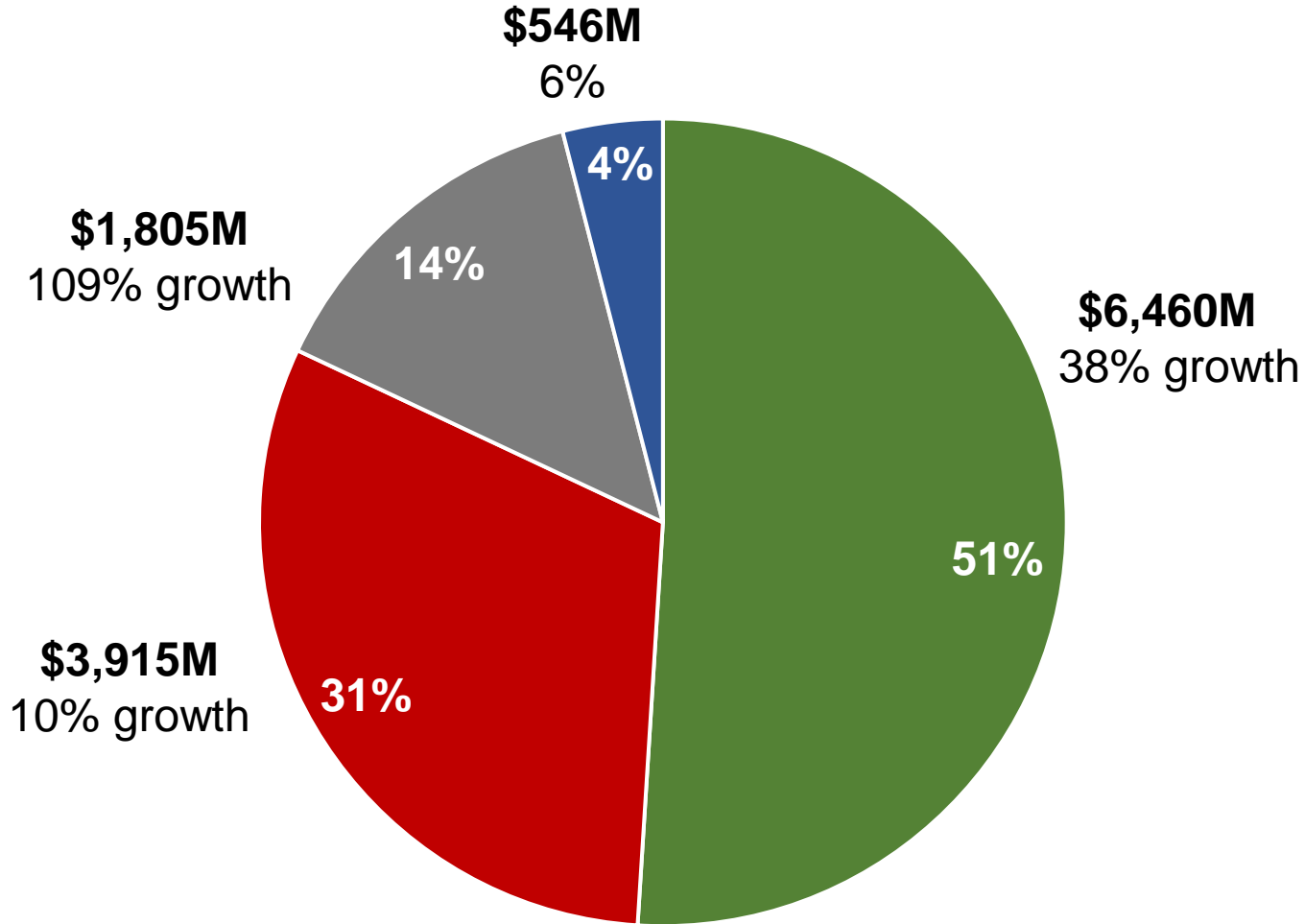
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# Problem Solver

- Consumers, professionals, and small business
- Self-service
- Transparency of the full financial picture
- Thrives on complexity
- Provides time savings and convenience
- Make simple things **Intuitive**



# FY 2022 Revenue Breakdown



## Small Business & Self Employed

QuickBooks  
Mailchimp

## Consumer Group

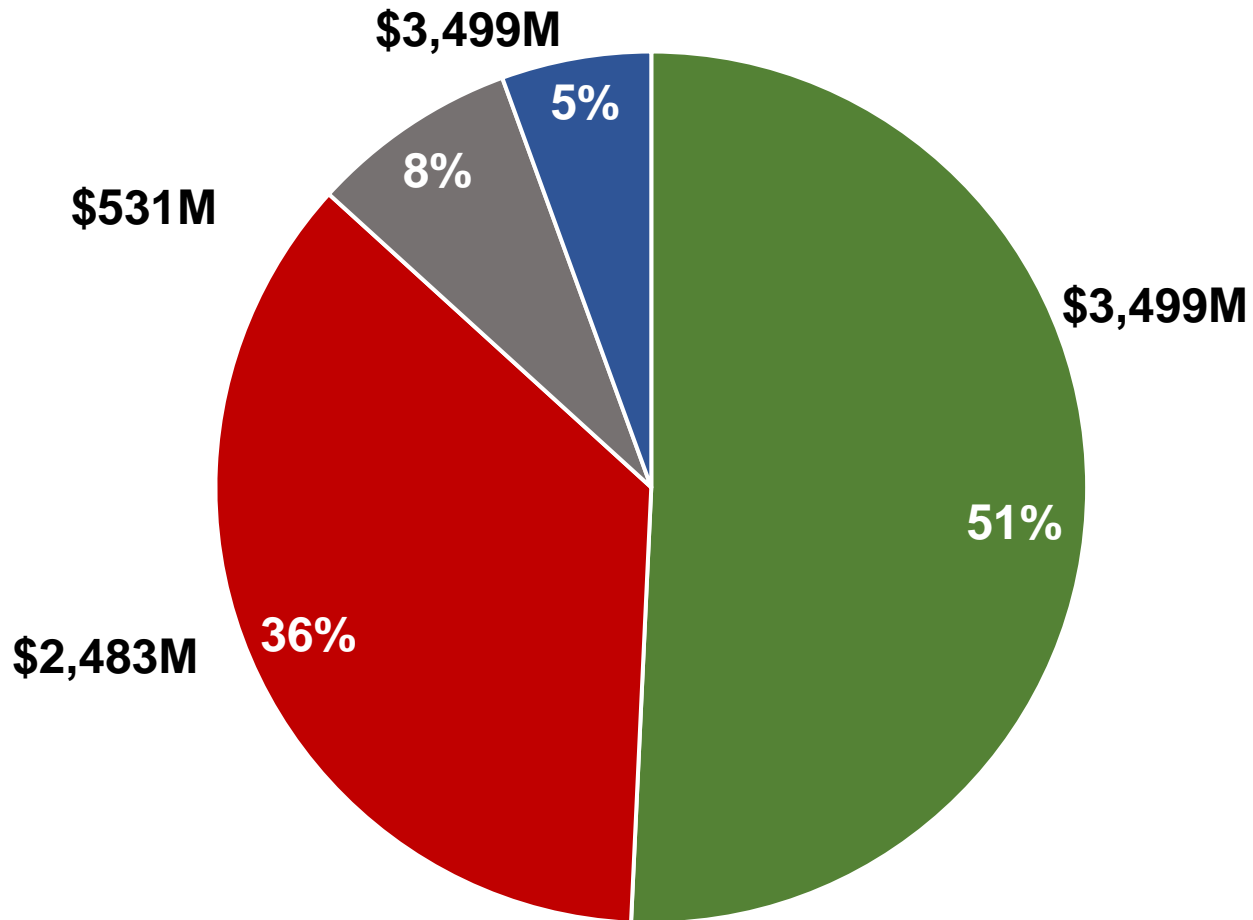
TurboTax  
Mint

## Credit Karma

## ProConnect

Lacerte  
Pro-Series  
Pro-Connect Tax Online  
Pro-File  
Pro-Tax Online

# FY 2022 Operating Income



## Small Business & Self Employed

54% operating margin

## Consumer Group

63% operating margin

## Credit Karma

29% operating margin

## ProConnect

70% operating margin





# QuickBooks

- Bookkeeping software for SMBs
  - Business & financial management
  - Expense & inventory management
  - Accounts payable/receivable
  - Payroll
- 8M active users
- 16M paid workers
- 80% subscription based
- 20% checks & payroll



# Mailchimp



- Email marketing platform
- Acquired 2021 for \$12B
  - Stock & cash
- 14M total users
- 2.4M monthly active users
- Subscription based
- Premium \$0-\$300 per month
- Integration with QuickBooks

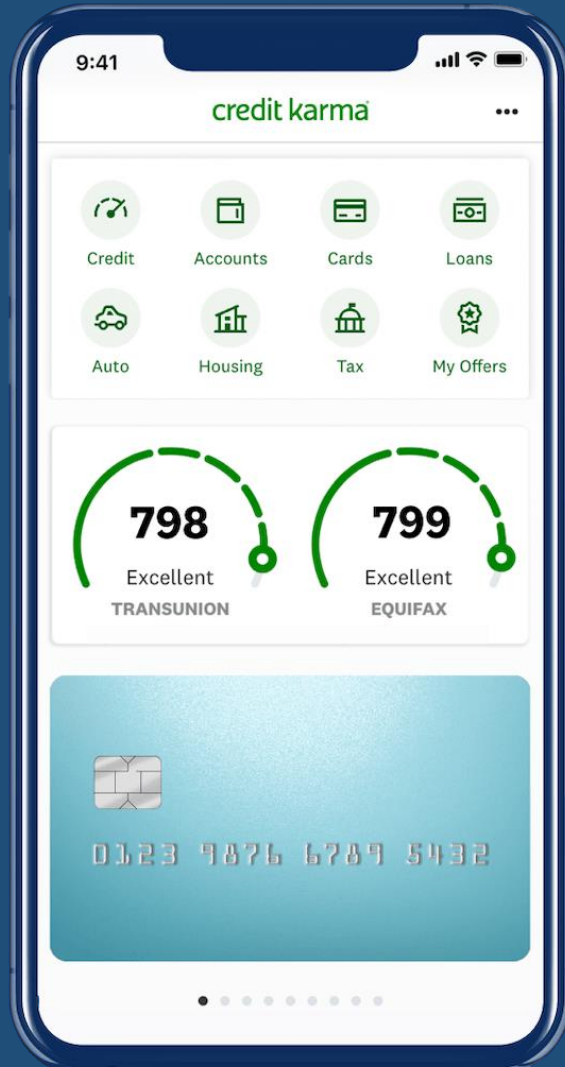


# TurboTax

- Tax preparation platform
- For do-it-yourself
- Or assisted
- 56M unique tax filers



# Credit Karma

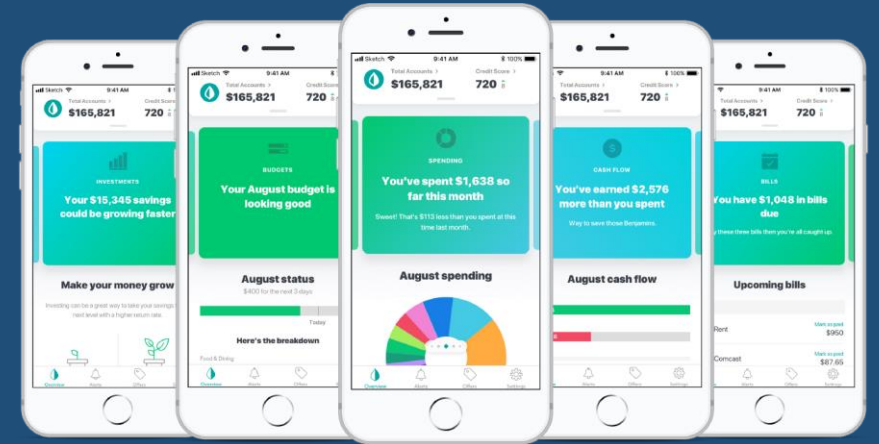


- Acquired December 2020
- For \$8.1B cash & stock
- Offers consumers personalized financial products
- From credit cards to personal loans
- Free credit score from TransUnion & Equifax
- Makes money through paid referrals
- 131M members
- 41M monthly active users



# Mint

- Personal financial management platform
- Budget tracker, planner & goals
- 29M registered users
- 3.6M monthly active users
- 190M weekly transactions
- Added premium subscription





# Pro-Connect

- Tax Software
- Targeted to professional accountants
- Two regions
  - U.S. & Canada
- Products
  - Lacerte
  - Pro-Series
  - Pro-Connect Tax Online
  - Pro-File
  - Pro-Tax Online



# Moat Analysis

What qualitative factors make Intuit so dominant?

---



# Moat Attack

- 4 decades in existence
- 1990s Microsoft push of excel
- 1994 Microsoft tried acquiring Intuit for \$2.3B
- Government blocked the deal
- Australian-based Xero tried to enter the US market
- Could not overcome QuickBooks network effect
- **Why is it so hard to compete against QuickBooks?**







# QuickBooks

## Switching costs

- Operational & productivity loss
- 700 integrated applications
- 83% retention rate
  - Small business churn
  - Customers outgrowing products
  - Solution - QuickBooks Advanced

## Network effect

- 80%+ market share
- CPA firms recommend QuickBooks



# Mailchimp



## QuickBooks

- Manage your business

## Mailchimp

- Retain & gain business
- Complementary to QuickBooks
- Enhances the switching costs
- Mid-market businesses
- Integration with accounting and inventory
- Add Mailchimp to invoice



# TurboTax

## Switching Costs

- 73% market share
- 1/4<sup>th</sup> of Americans wait until the last 2 weeks to file taxes
- Convenience
- Boosts confidence in DIY
- 75% retention rate
  - Improving confidence
  - TurboTax Live

## Intangible Assets

- Data collection
- Credit Karma & Mint enhance switching costs

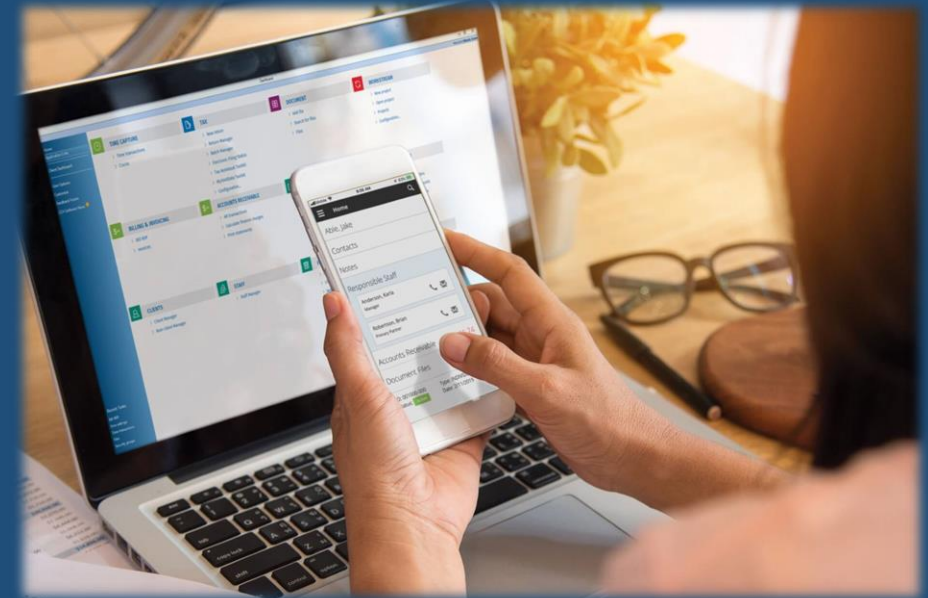




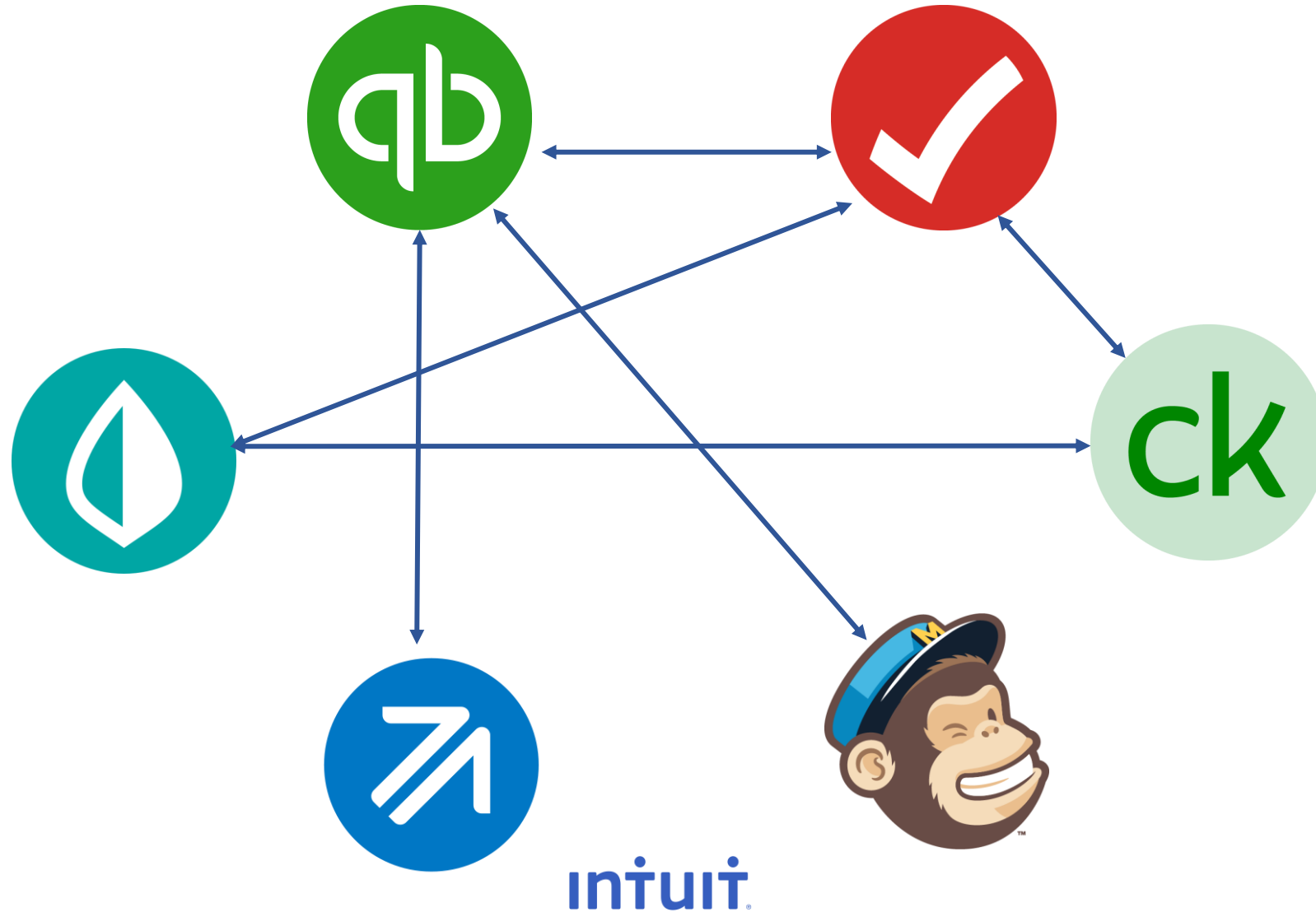
# Pro-Connect

## Switching Costs

- Mission critical accounting software
- Businesses rely on the software
- Difficult to switch due to:
  - Productivity loss
  - Operational risk



# Complementary Moat



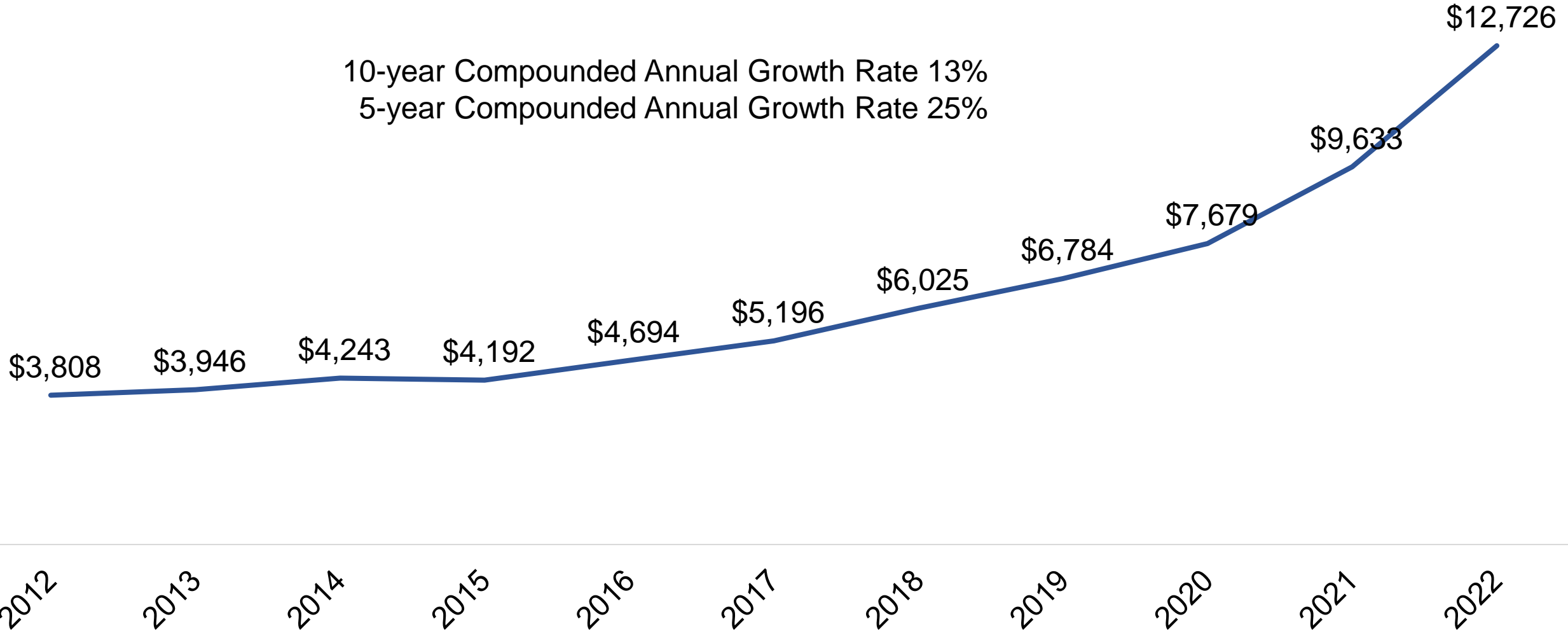
# Interpretations of Financial Statements

Is Intuit an above-average company?

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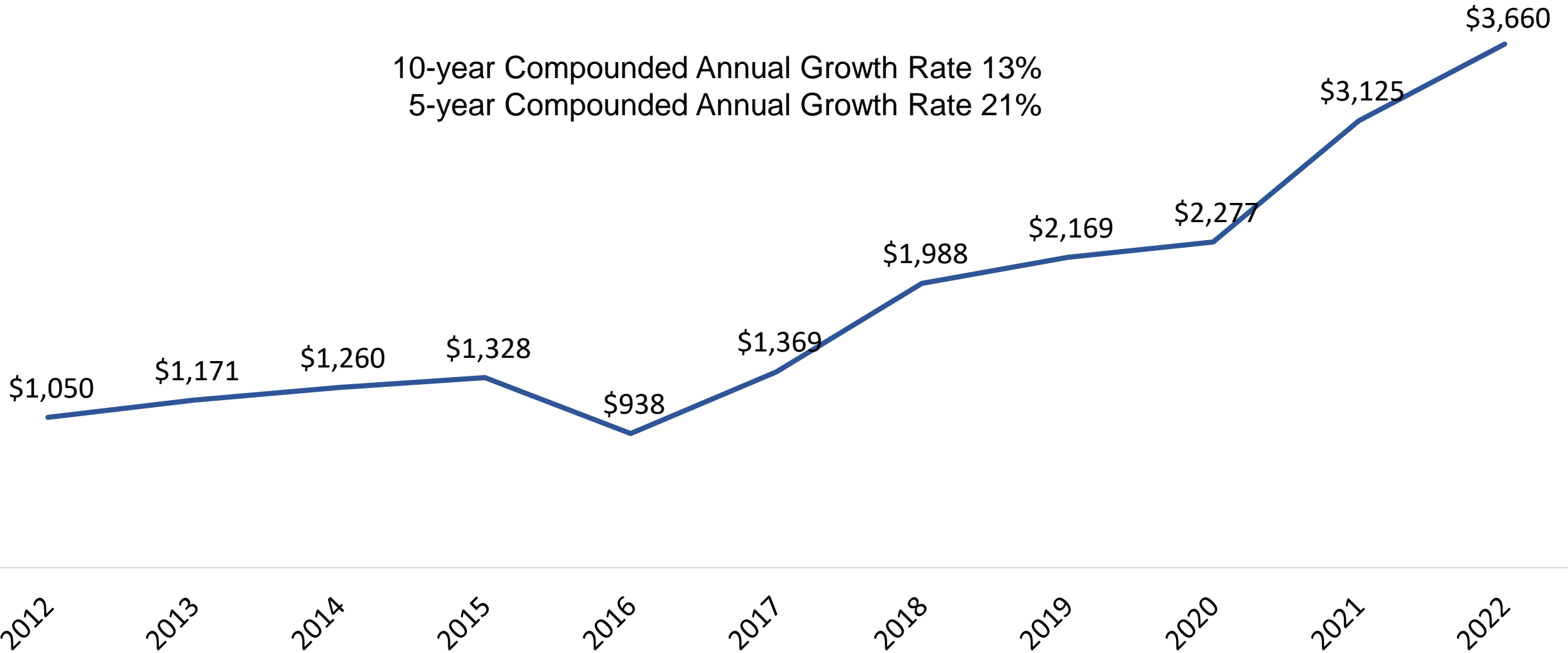
# Revenue *(in millions)*

10-year Compounded Annual Growth Rate 13%  
5-year Compounded Annual Growth Rate 25%



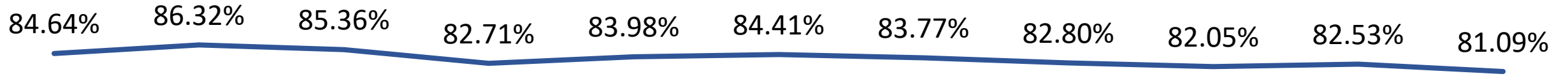
# Free Cash Flow *(in millions)*

10-year Compounded Annual Growth Rate 13%  
5-year Compounded Annual Growth Rate 21%





# Gross Margins



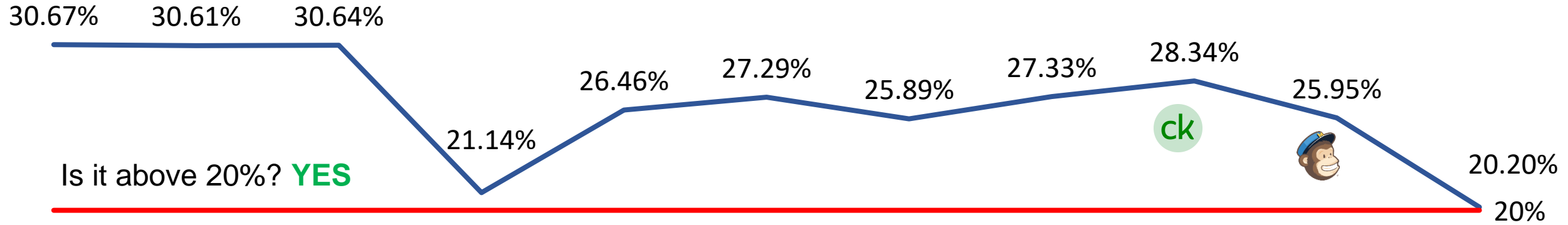
- Shows us high pricing power

Is it above 40%? **YES**

40%

2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022

# Operating Margins



2012

2013

2014

2015

2016

2017

2018

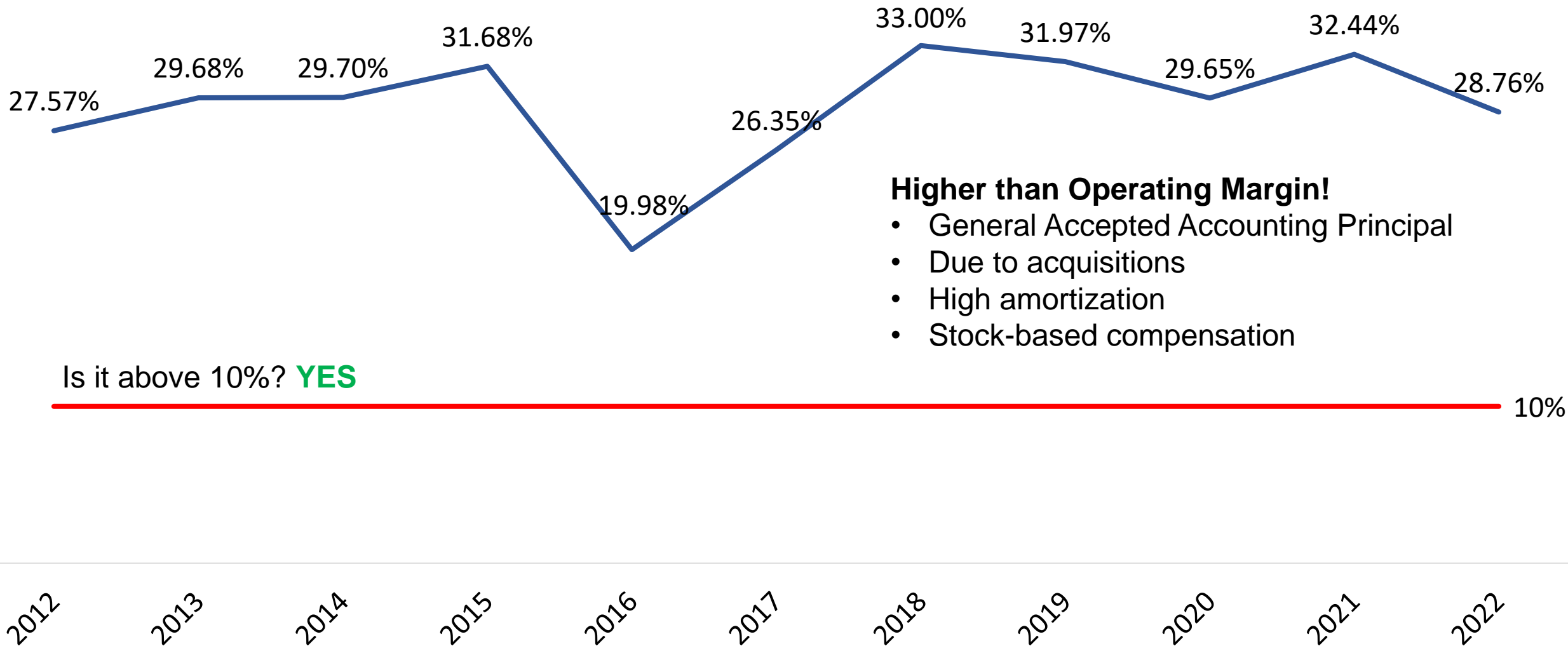
2019

2020

2021

2022

# Free Cash Flow Margins



## Higher than Operating Margin!

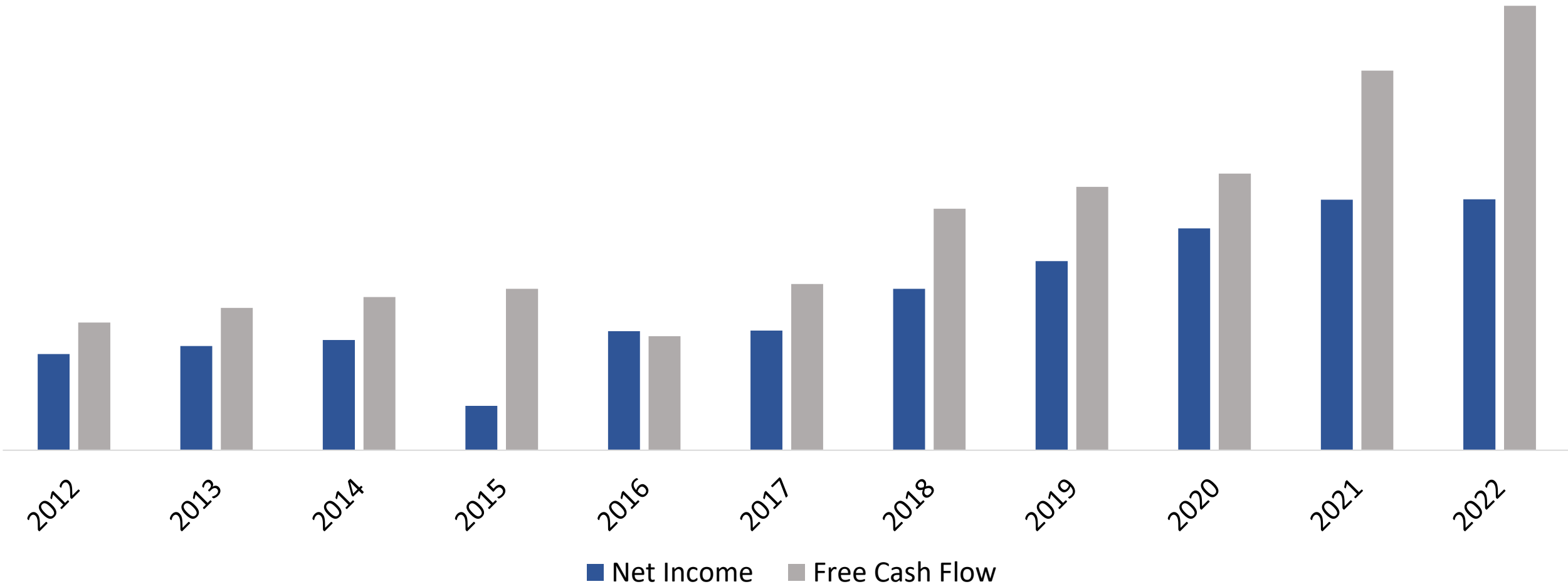
- General Accepted Accounting Principal
- Due to acquisitions
- High amortization
- Stock-based compensation

Is it above 10%? **YES**

10%

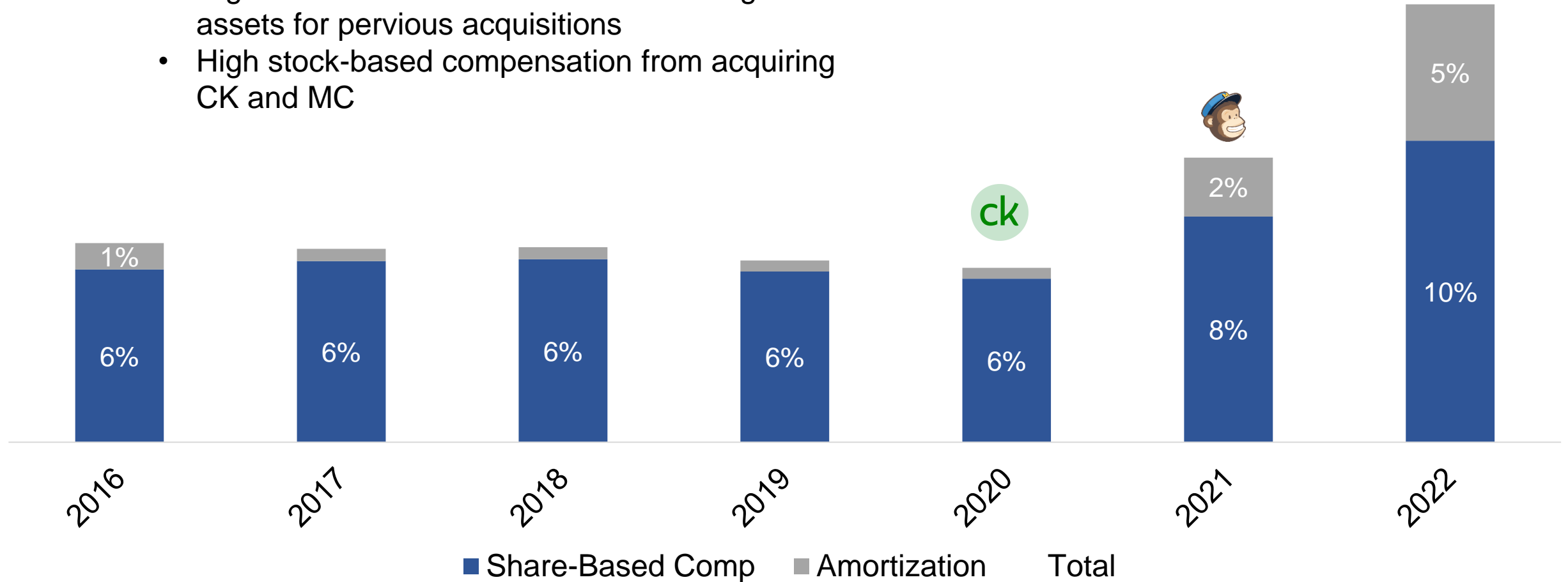
# Net Income vs. Free Cash Flow

Free Cash Flow Shows The True Cash Flow Generating Power of Intuit

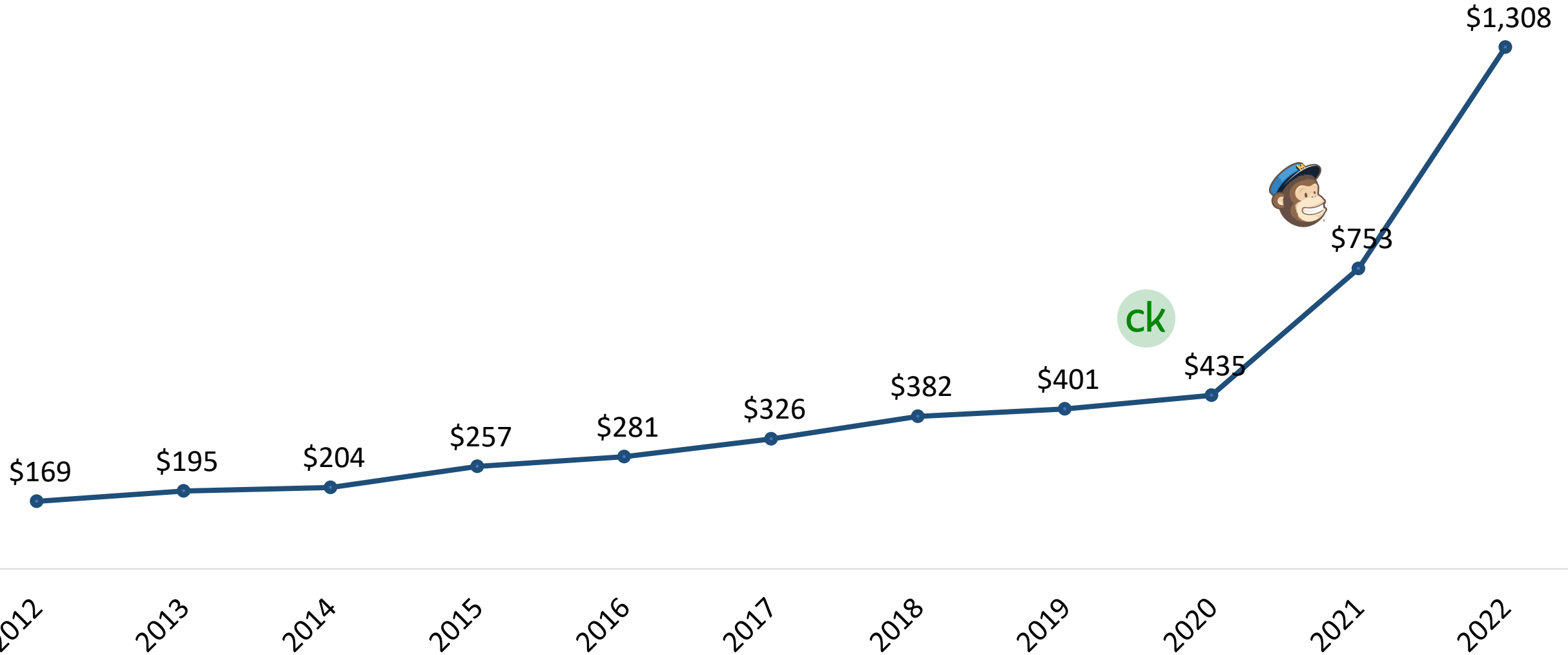


# Non-Cash Expenses Divided by Revenue

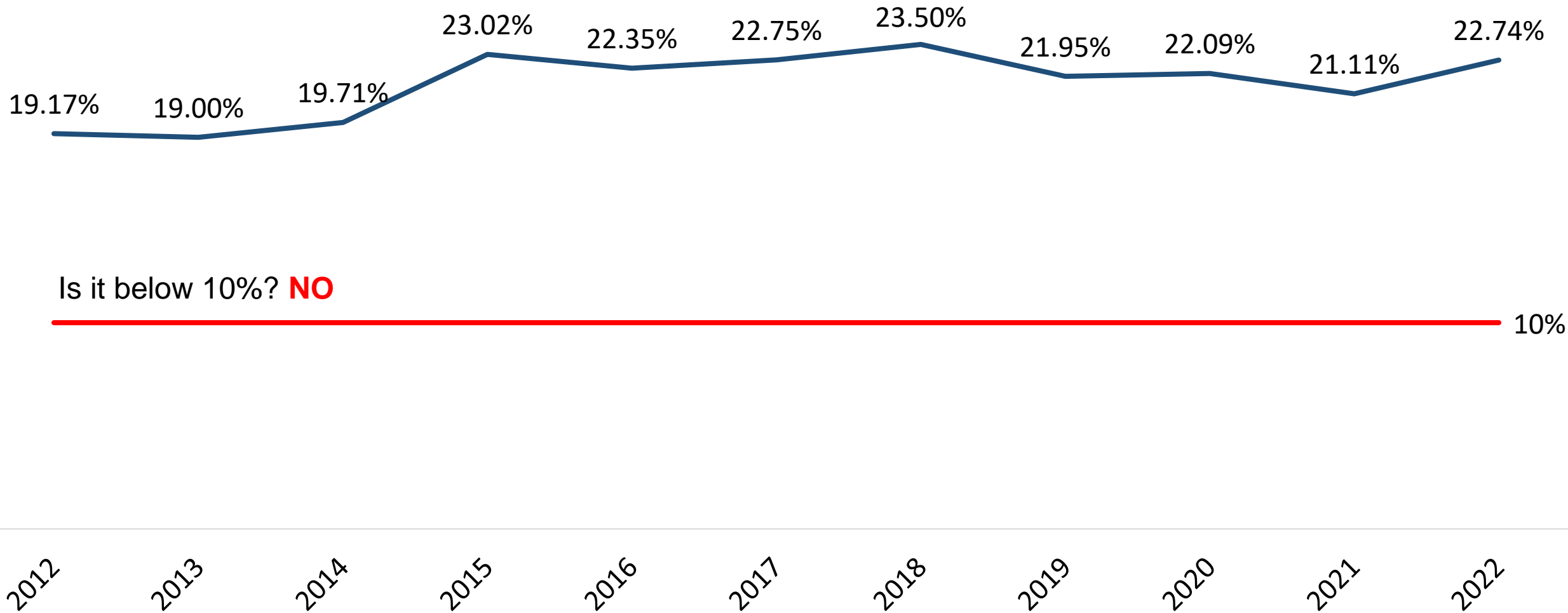
- High amounts of amortization from intangible assets for previous acquisitions
- High stock-based compensation from acquiring CK and MC



# Stock-Based Compensation *(in millions)*

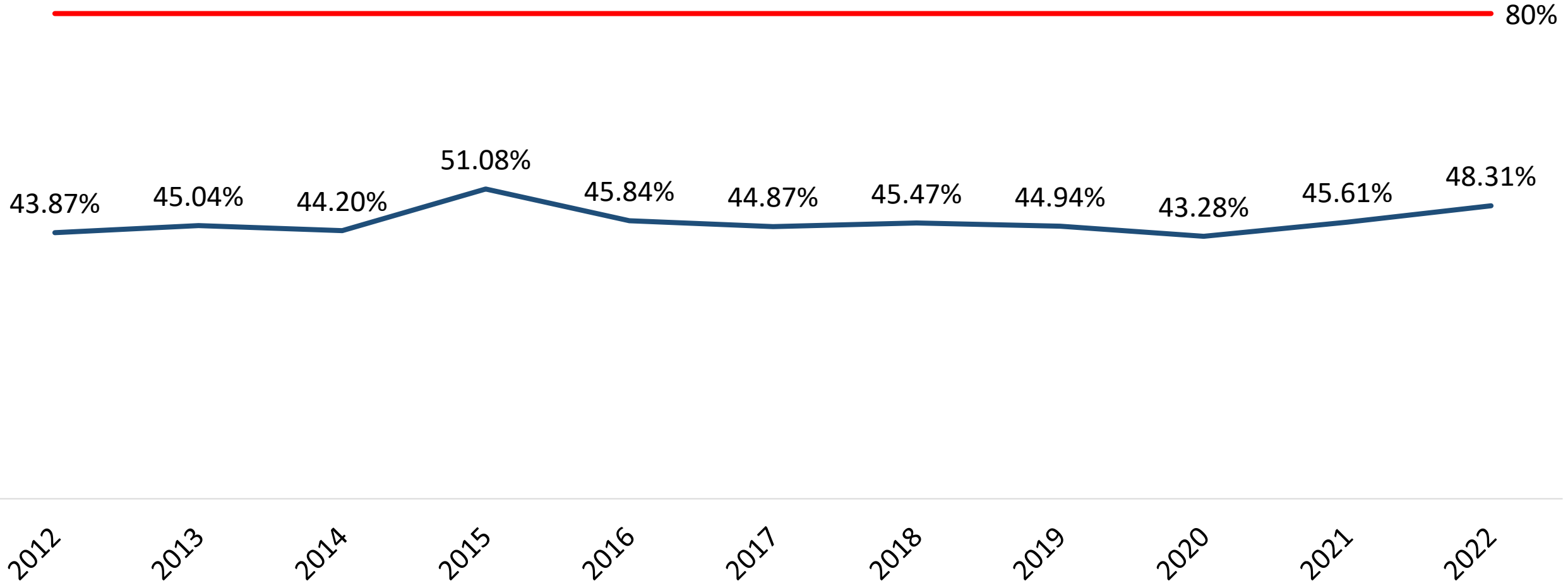


# Research & Development to Gross Profit



# Selling, General & Admin to Gross Profit

Is it below 80%? **YES**

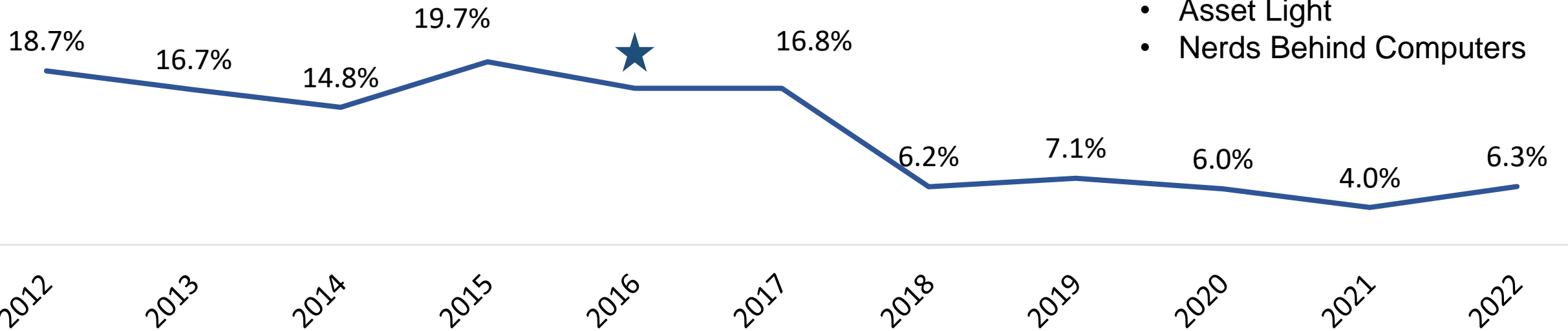




# Capital Expenditures to Free Cash Flow

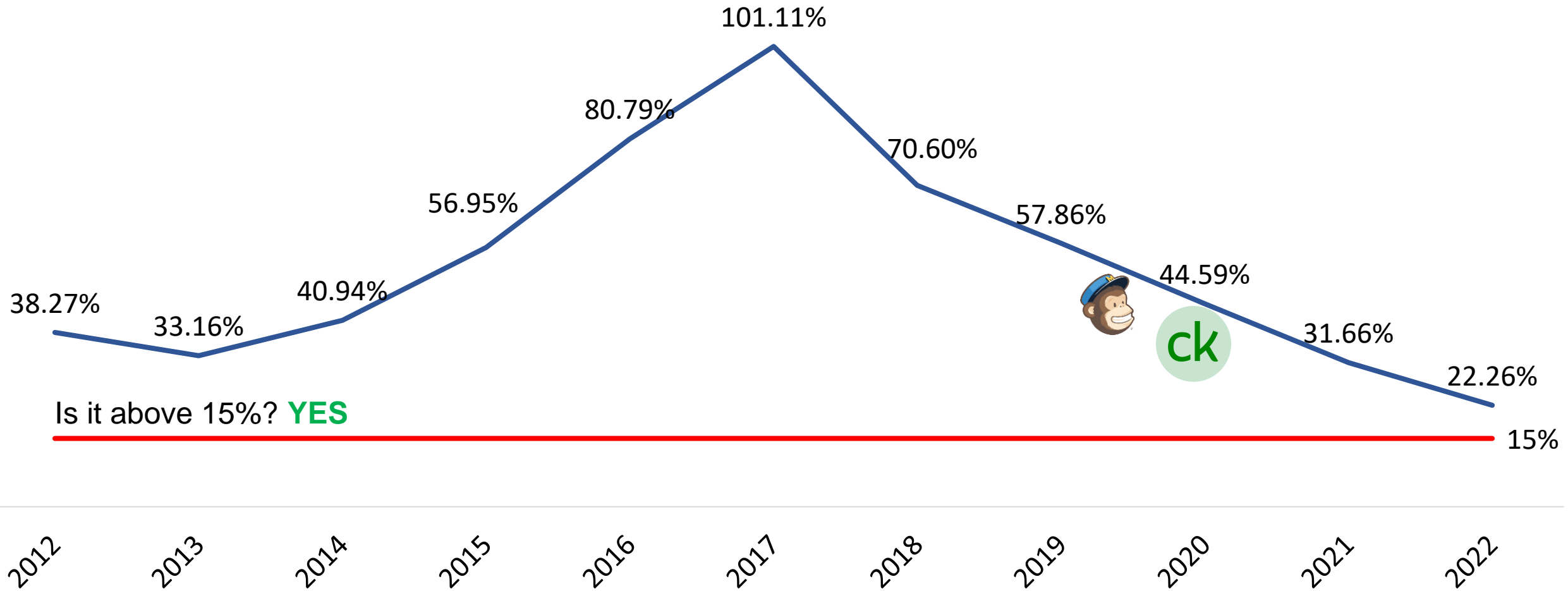
Is it below 50%? **YES**

50%

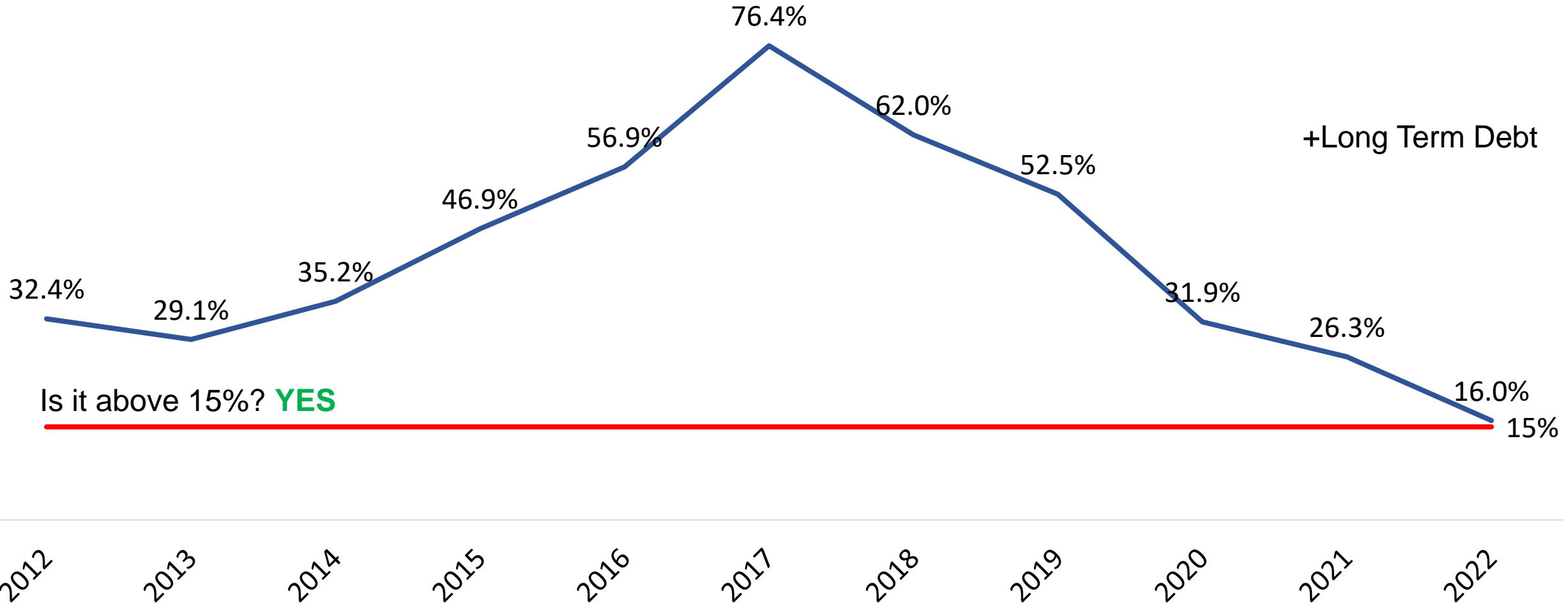


- Asset Light
- Nerds Behind Computers

# Return on Equity Using FCF



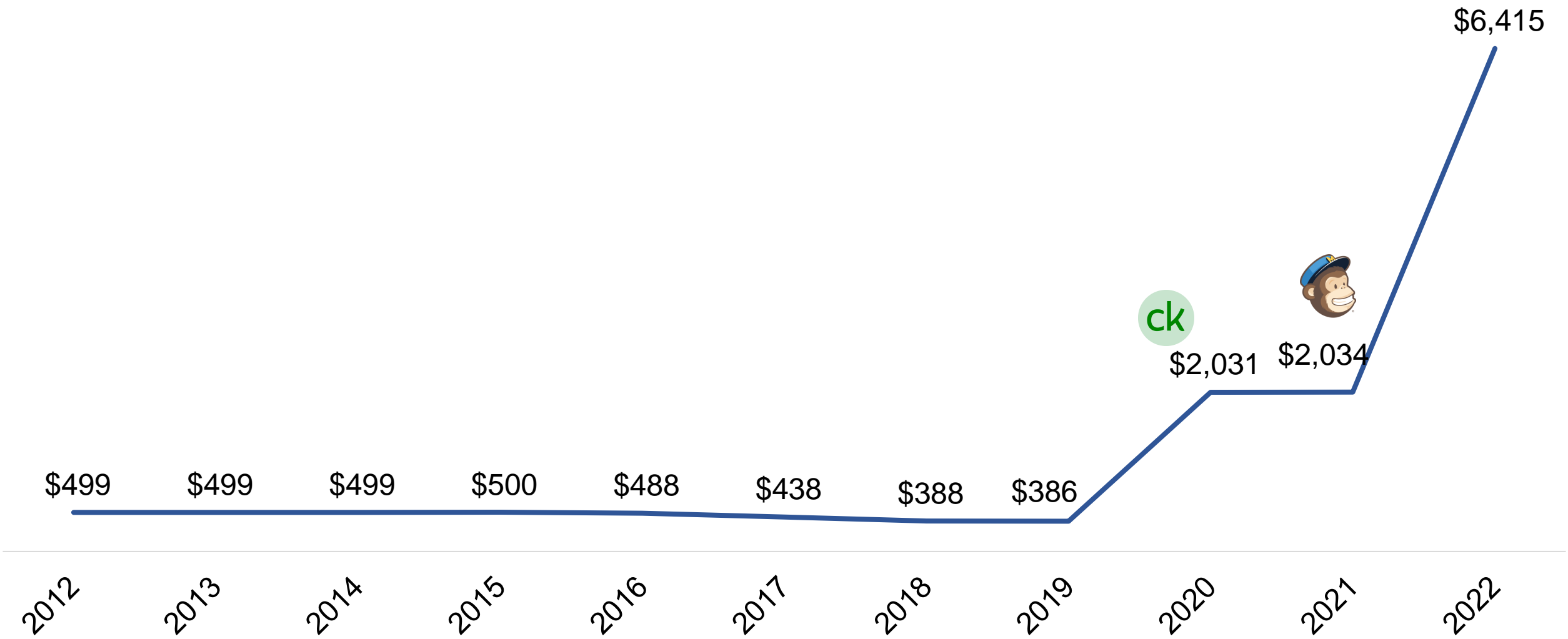
# Return on Capital Using FCF



+Long Term Debt

Is it above 15%? **YES**

# Long-Term Debt *(in millions)*



# Obligation Ratio

	<i>(in millions)</i>	
<b>Long Term Debt</b>	\$	6,415
<b>Short Term Debt</b>	\$	499
<b>Lease * 7</b>	\$	728
<b>Pension Shortfall</b>	\$	0
	\$	0
<b>Preferred Stock Divided</b>		
<b>Cash Asset</b>	\$	3,281
<b>Free Cash Flow</b>	\$	3,660
		<b>1.19</b>
		<b>&lt; 5 years</b>

# Debt Maturities & Obligations

The following table summarizes our known contractual obligations to make future payments at July 31, 2022:

<i>(In millions)</i>	Payments Due by Period				Total
	Less than 1 year	1-3 years	3-5 years	More than 5 years	
Amounts due under executive deferred compensation plan	\$ 147	\$ —	\$ —	\$ —	\$ 147
→ Senior unsecured notes	500	500	500	500	2,000
→ Unsecured term loan	—	4,700	—	—	4,700
Secured revolving credit facility	—	—	230	—	230
Interest and fees due on debt	161	227	37	25	450
Operating leases <sup>(1)</sup>	64	198	143	323	728
Purchase obligations <sup>(2)</sup>	673	904	261	468	2,306
<b>Total contractual obligations <sup>(3)</sup></b>	<b>\$ 1,545</b>	<b>\$ 6,529</b>	<b>\$ 1,171</b>	<b>\$ 1,316</b>	<b>\$ 10,561</b>

# Management

Who makes this success happen?

---

# Top Executives



## Sasan K. Goodarzi

- Assumed role of CEO January of 2019
- Has been with Intuit for 14 years



## Michelle Clutterbuck

- Assumed role of CFO February of 2018
- Has been with Intuit for 19 years



## Christine Martino

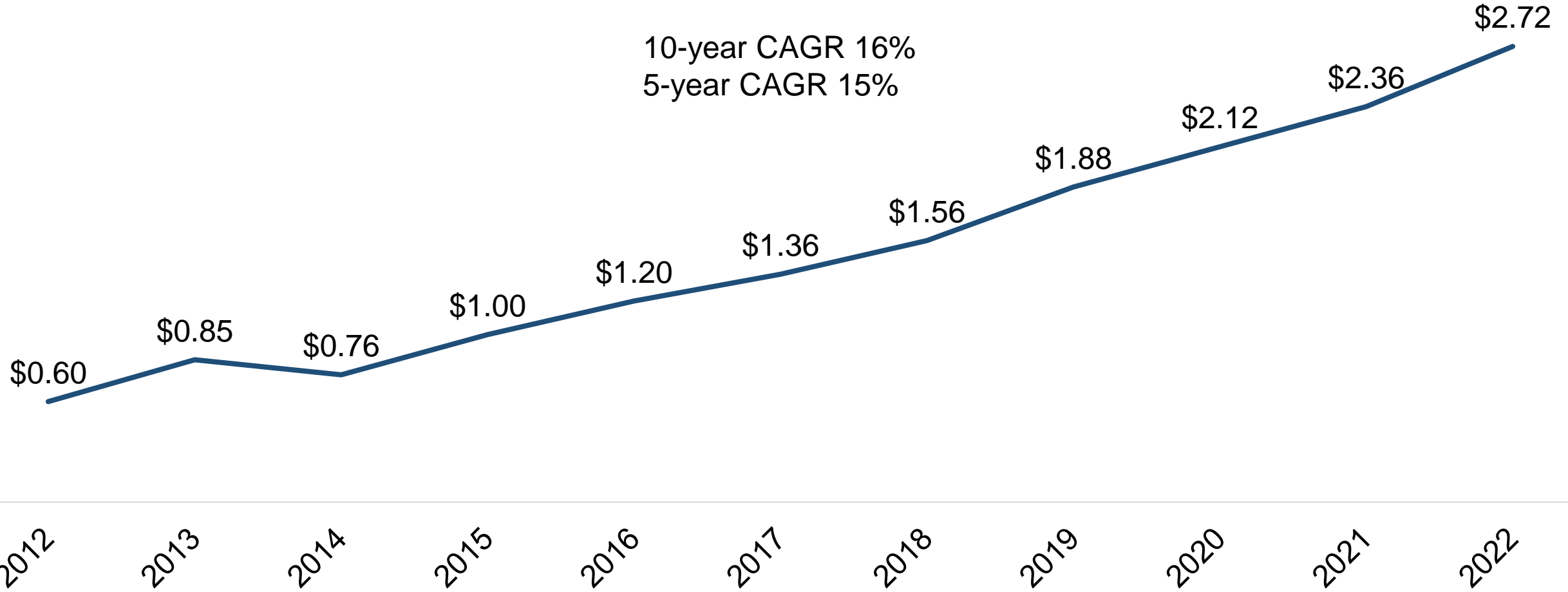
- Assumed role of COO September of 2018
- Has been with Intuit for 10 years



# Intuit Capital Management

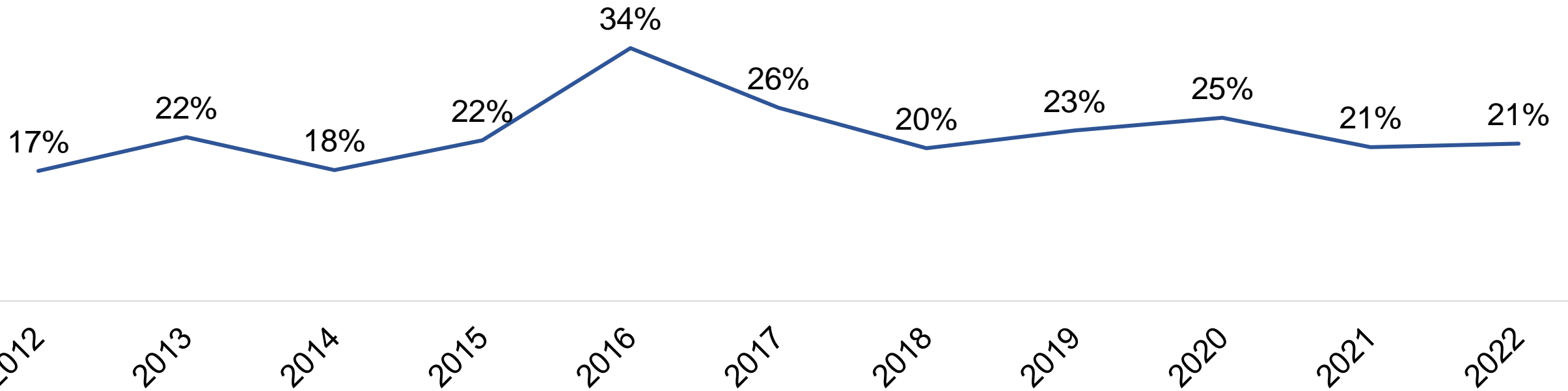
- Disciplined approach to capital management
- Must yield IRR > 15%
- Priorities
  1. Reinvest in the business
  2. M&A to accelerate growth & fill out the product roadmap
  3. Return excess cash they can't invest to shareholders

# Dividend Per Share

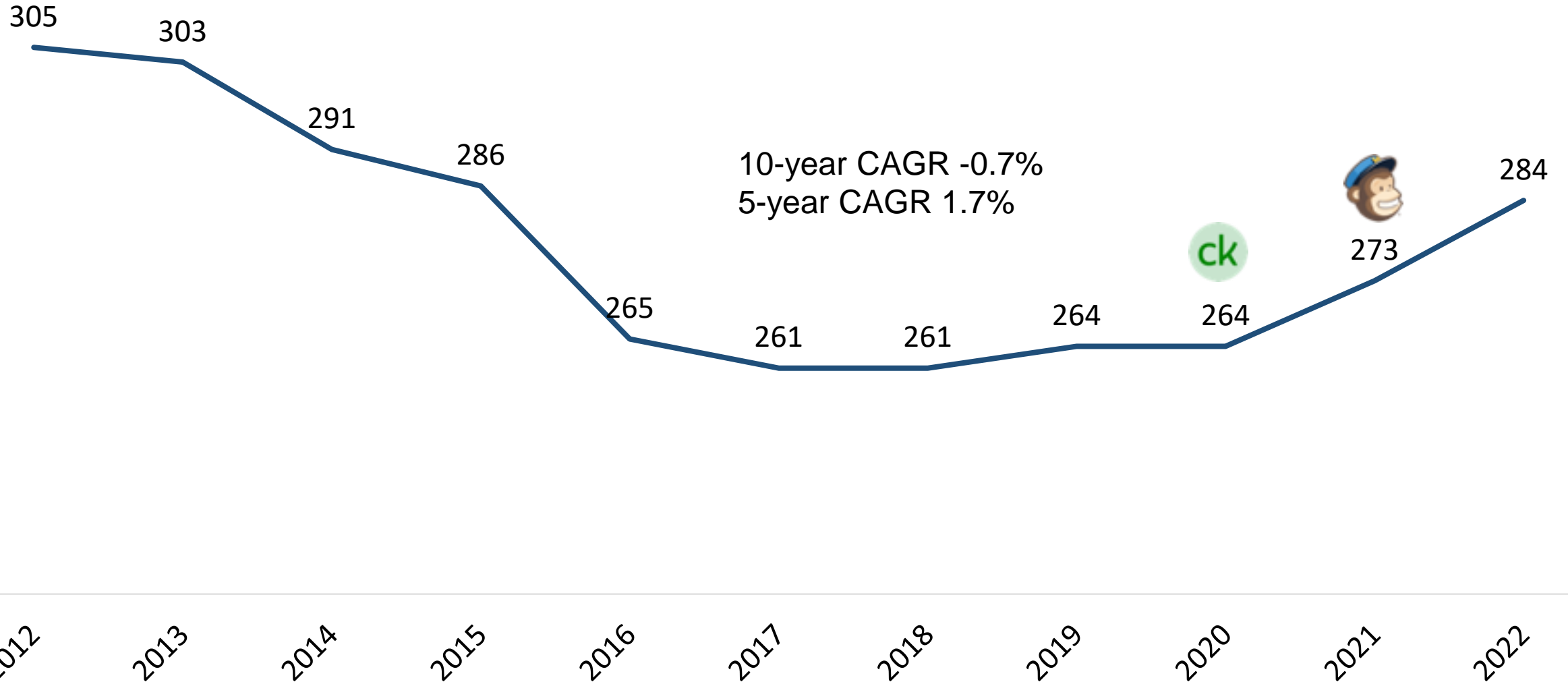


# Dividend Payout Ratio

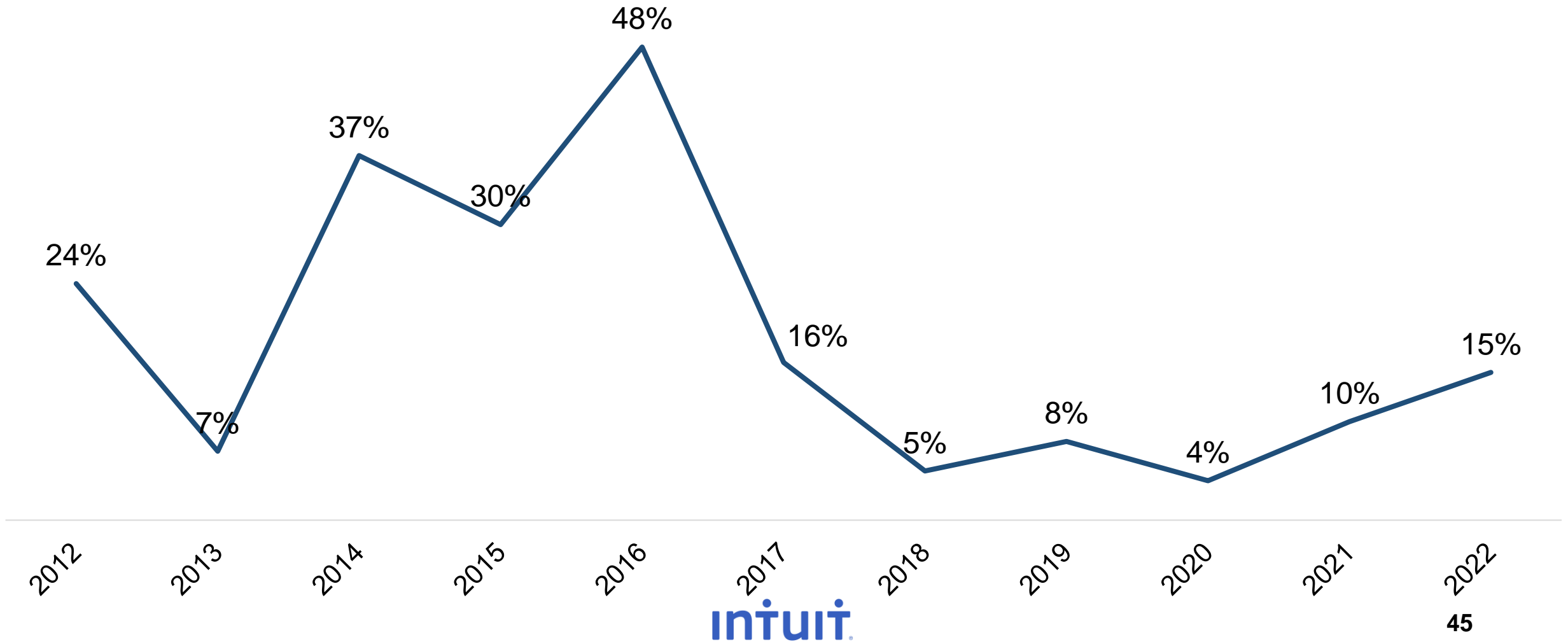
Is it below 60%? **YES**



# Shares Outstanding *(in millions)*



# Stock Repurchases / Revenue



# Acquisition of Mailchimp

- Acquired Mailchimp on November 1, 2021

- For \$12B

## Financing

- \$5.7B in cash
- 10.1M shares of Intuit common stock
- Stock Price \$608
- 52x Price to Free Cash Flow
- Granted \$200M of restricted stock units to Mailchimp employees



# Acquisition of Credit Karma



- Acquired Credit Karma on December 3rd, 2020
- For \$8.1B

## Financing

- \$3.4B in Cash
- 13.3M shares of common stock
- Stock Price \$381
- 38x Price to Free Cash Flow
- Granted \$300M of restricted stock units to Credit Karma employees



# Competitor Analysis

How does Intuit stack up against competitors?

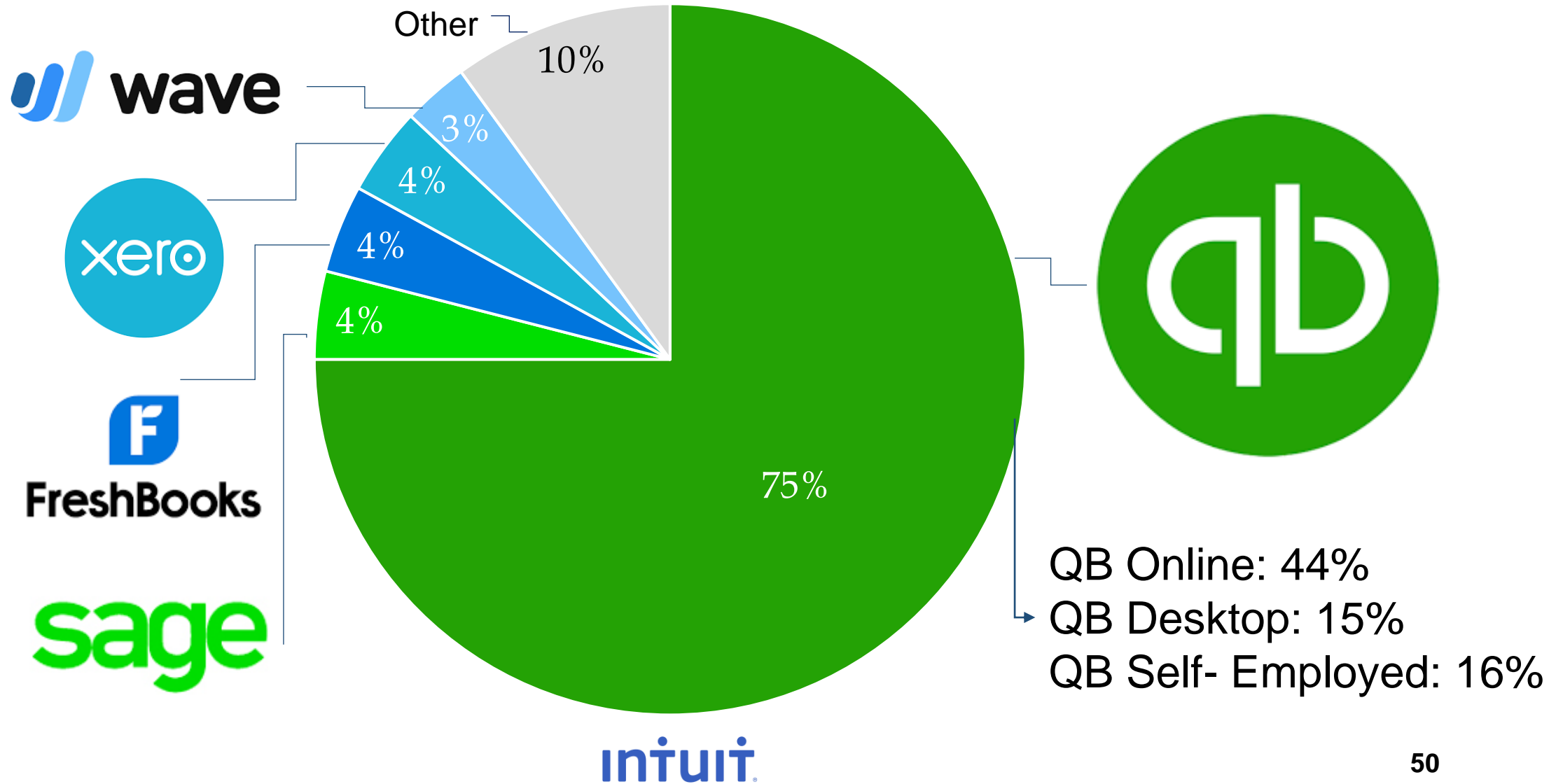
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# QuickBooks Competitors

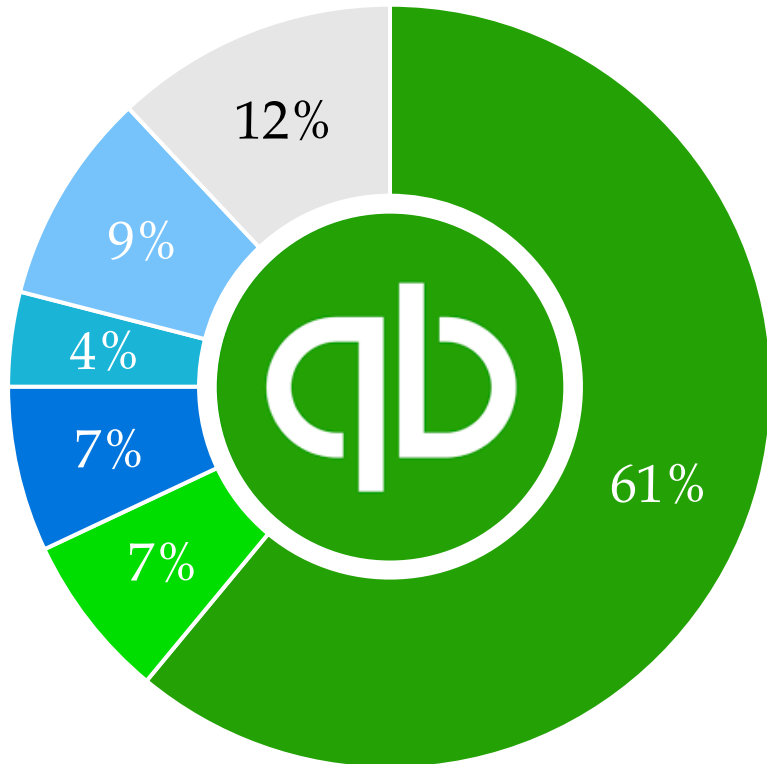
					
Price	Start \$30/mo	Start \$10/\$25	Starts \$12/month	Free for basic	Starts at \$15/month
Number of Users	1-25	Starts at 1, then unlimited	Unlimited	Unlimited	1 user + \$10/per
Sharability	Excellent	Excellent	Difficult	Moderate	None
Scalability	Excellent	Excellent	Good	None	Limited
Ease of Use	Excellent	Difficult	Excellent	Excellent	Excellent
Differences		Larger business and controller	Low-cost inventory tracking	No growth	No inventory management and budgeting tools

# QuickBooks Market Share (US)

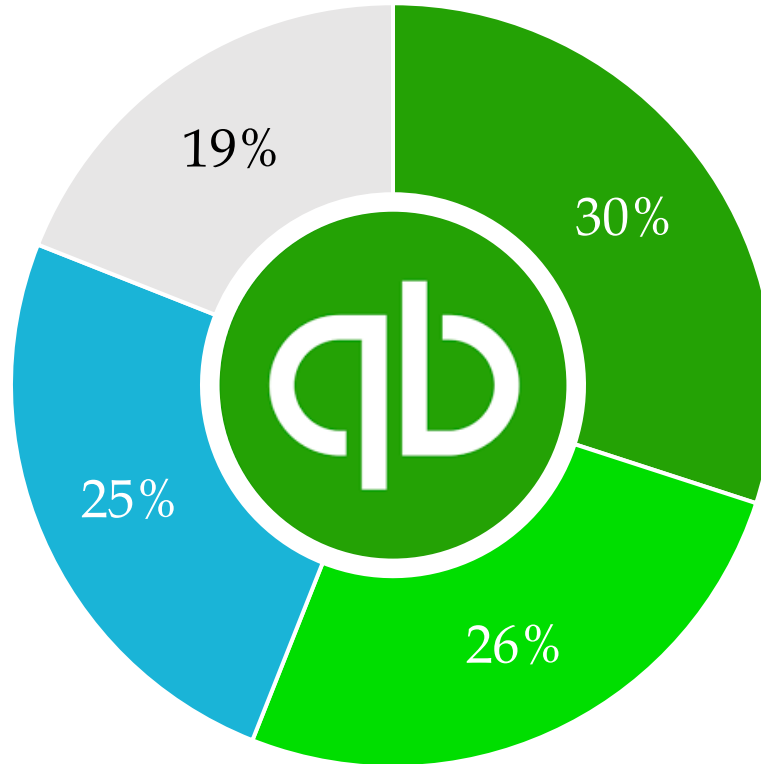


# Continued

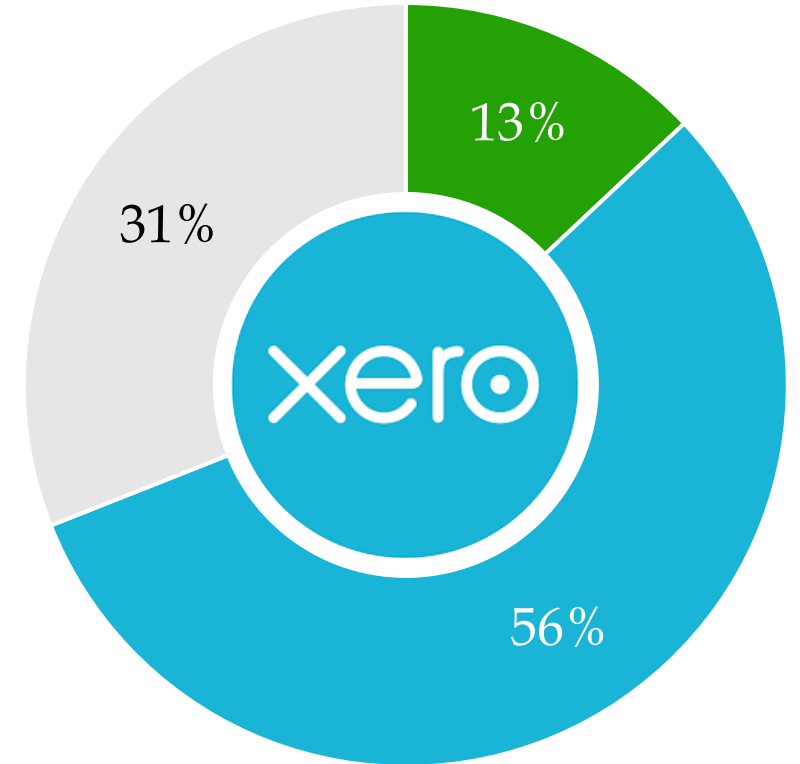
CA



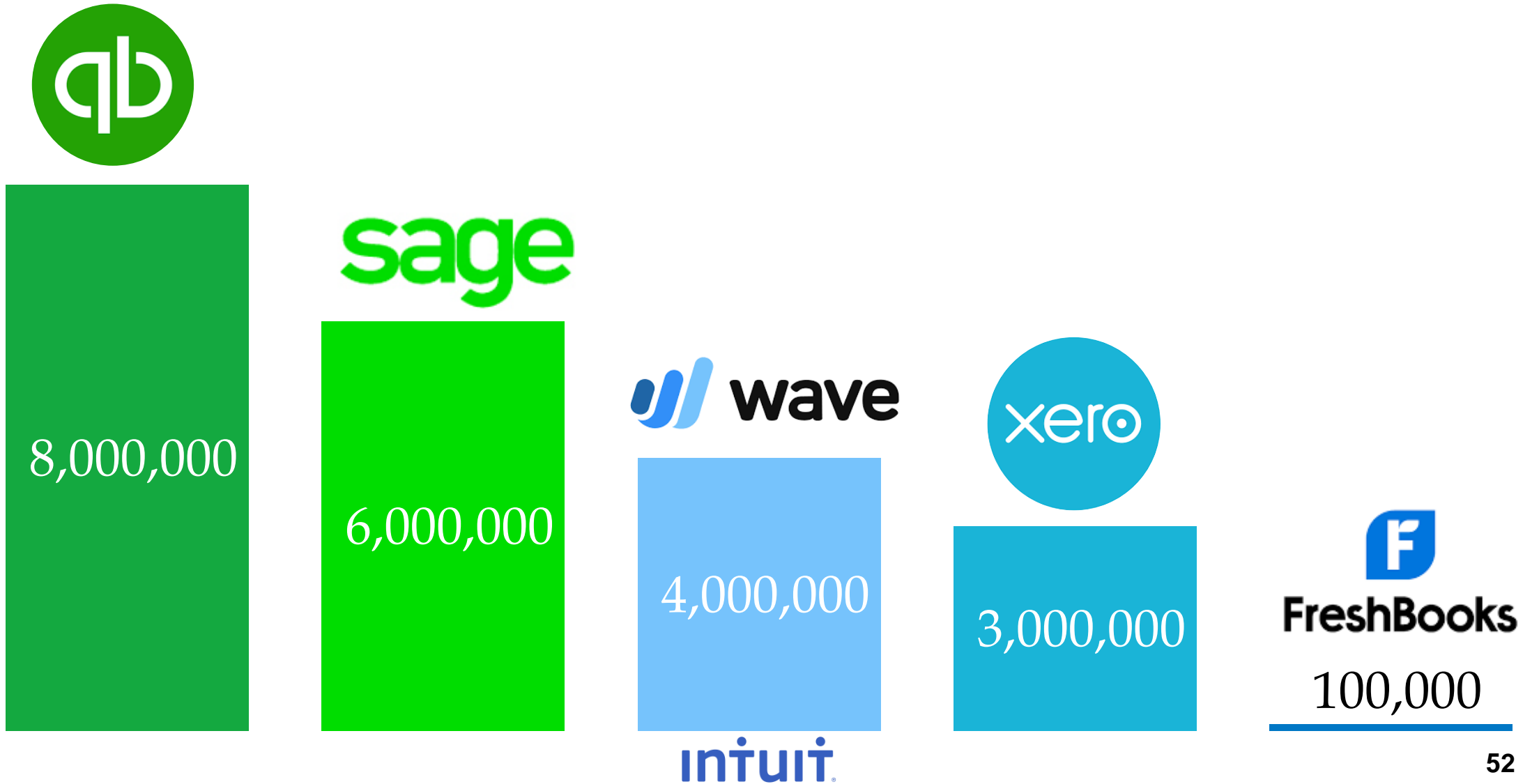
UK



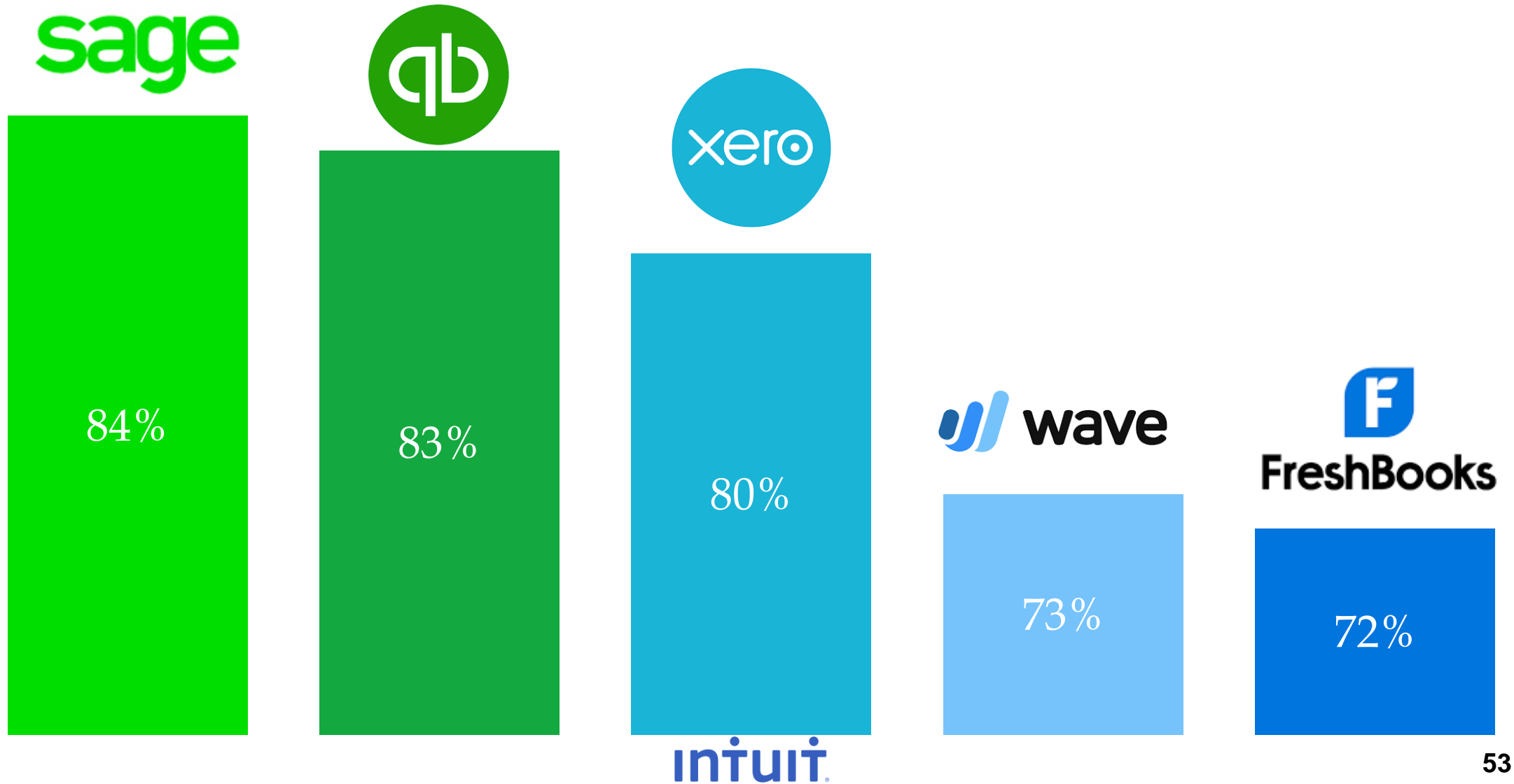
AU/NZ







# Number of Users



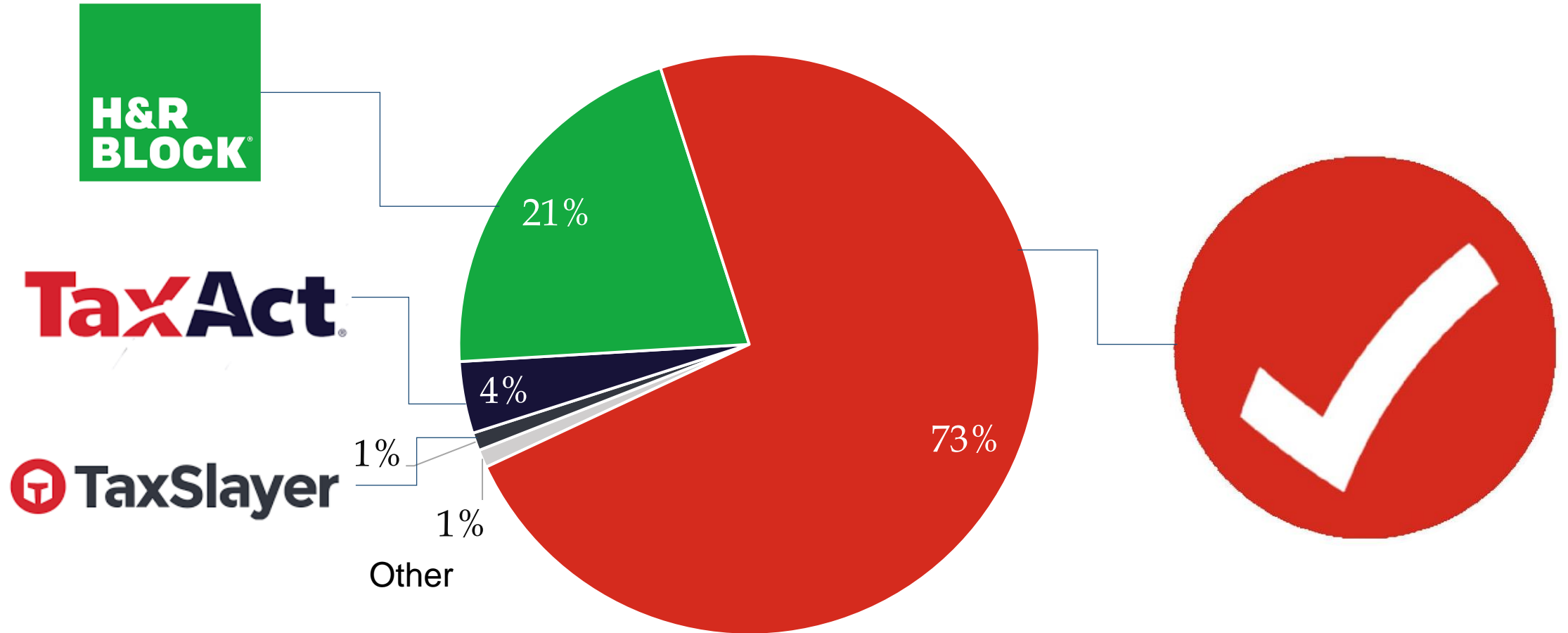
# Retention Rate



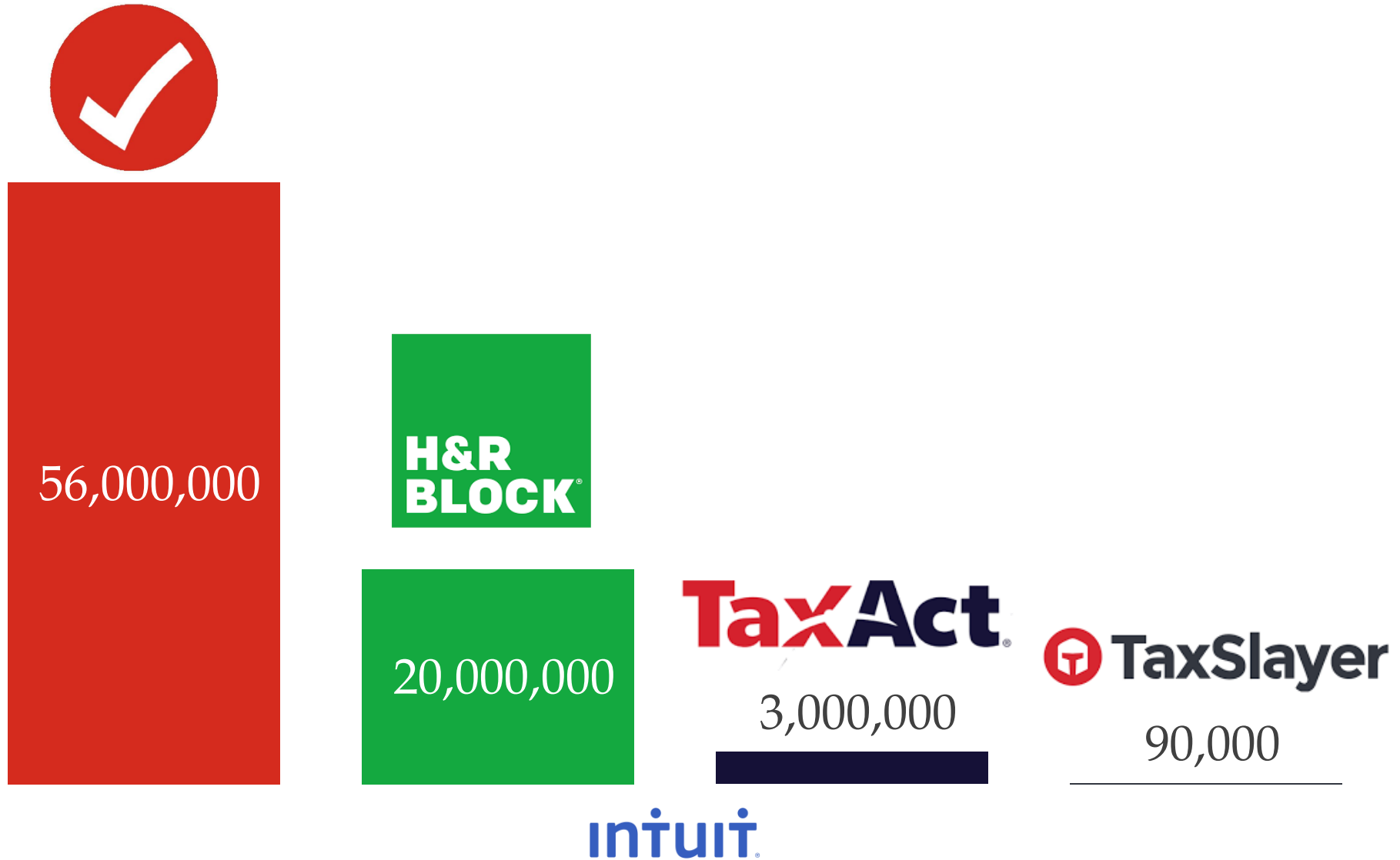
# Turbo Tax Competitors

				
Price	\$0-49	\$0-45	\$0-55	\$0-40
Ease of Use	Excellent	Excellent	Moderate	Moderate
Customer Assistance	Excellent	Excellent	Moderate	Poor
Differences	Cryptocurrency, Software and tax details, Accuracy	Cheaper, "No Surprise Guarantee"	Low-cost alternative, Minimal guidance	Can't import data

# TurboTax Market Share



# Number of Users

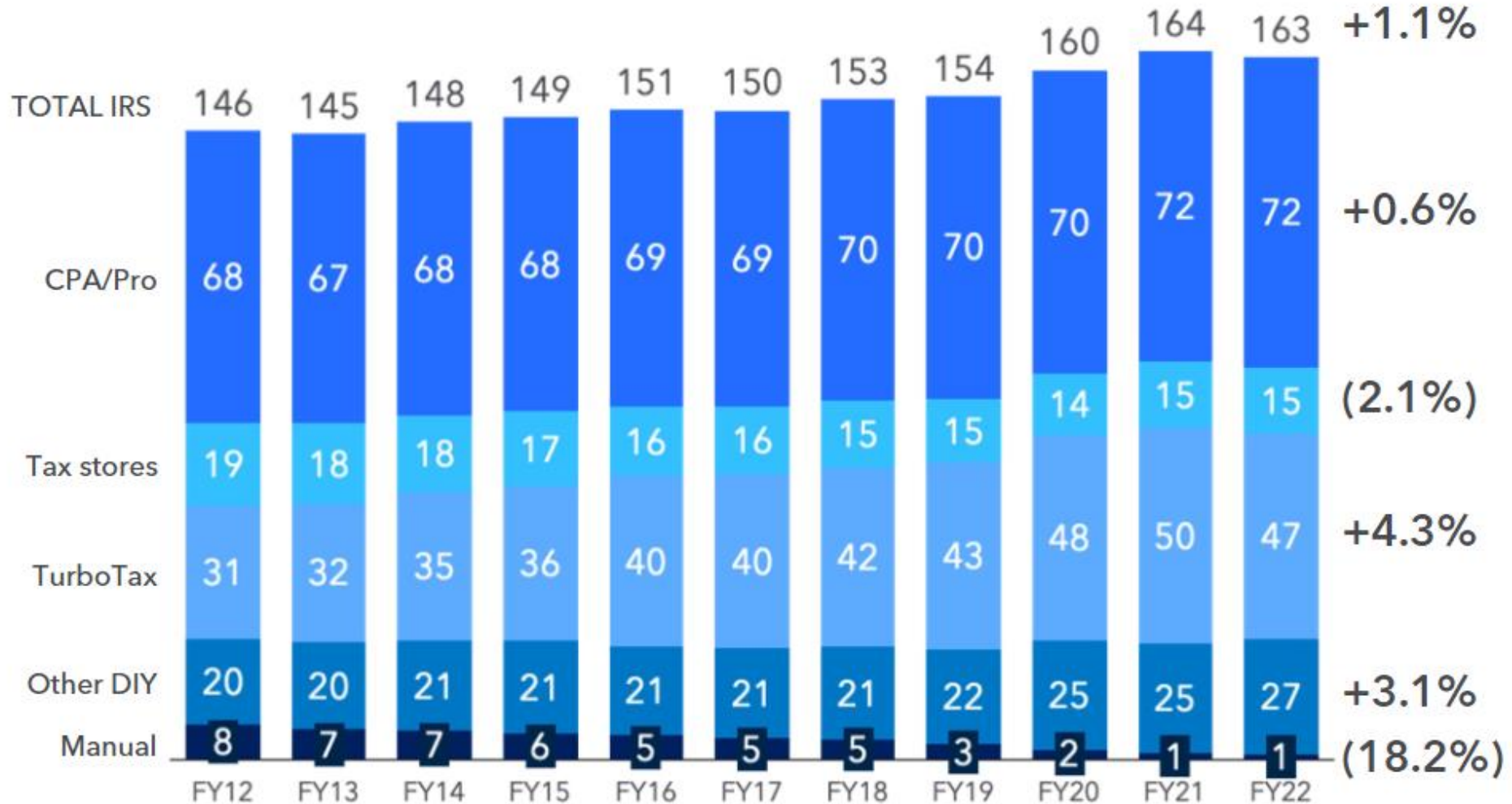




# 10-Year U.S. Tax Industry Trends

Returns in millions

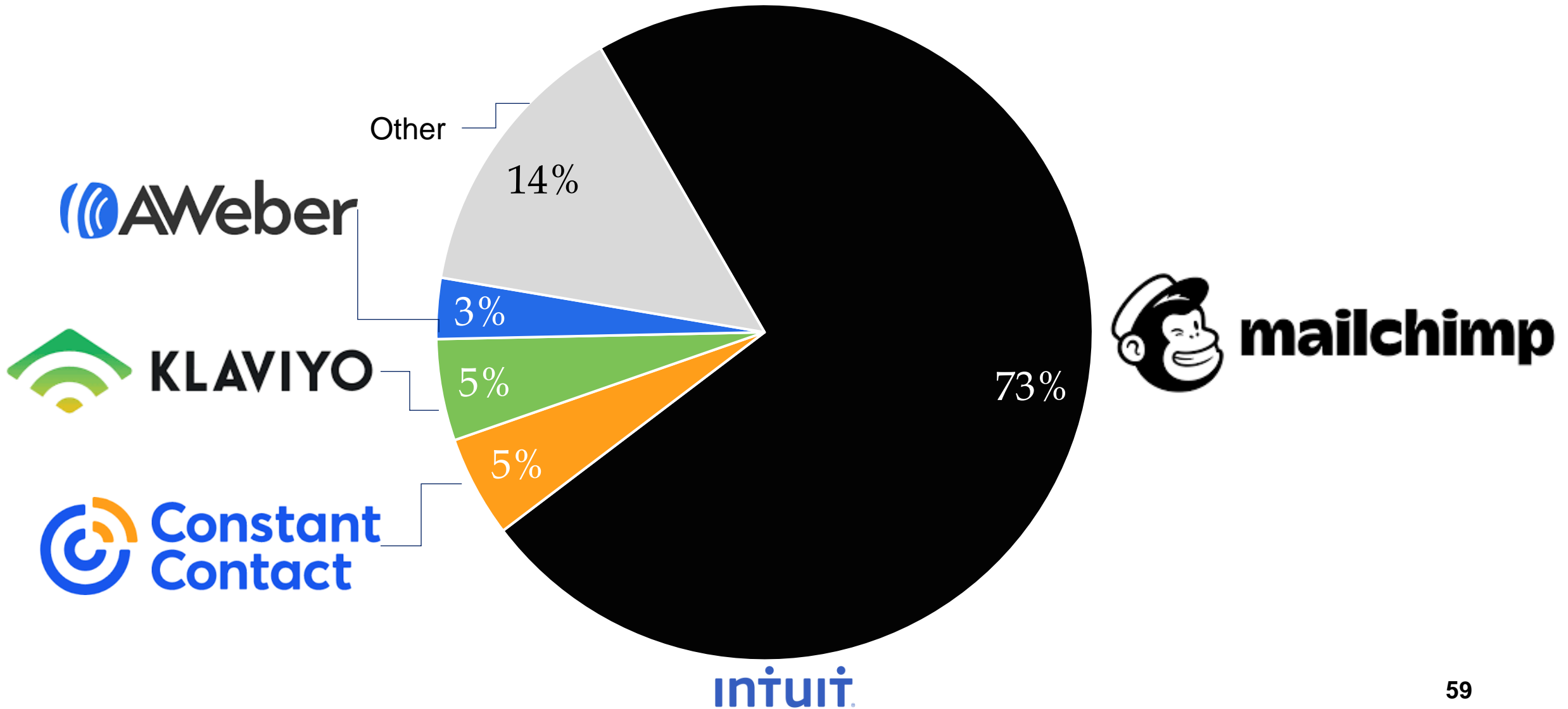
10-year CAGR



# MailChimp Competitors

				
Price	Free- \$299	\$10-45	Free- \$60	Free-\$19
Ease of Use	Excellent	Excellent	Good	Excellent
Design/ Flexibility	Excellent	Good	Excellent	Good
Automations	Excellent	Good	Excellent	Good
Reporting	Excellent	Good	Good	Good
Differences		Limited design, Reporting	Ease of Use	Design, Reporting

# MailChimp Market Share



# Number of Users



600,000



120,000



100,000



intuit.

# Credit Karma and Mint



personal  
CAPITAL



 Monarch

intuit.

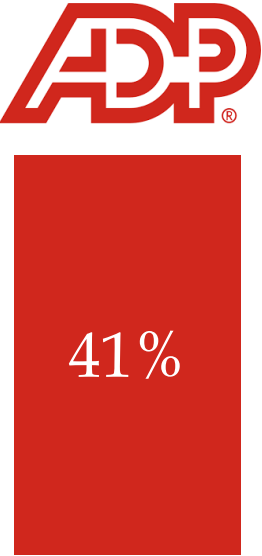
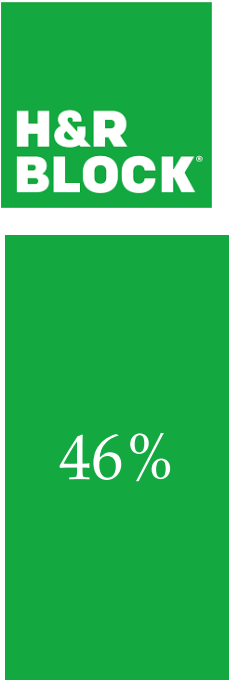
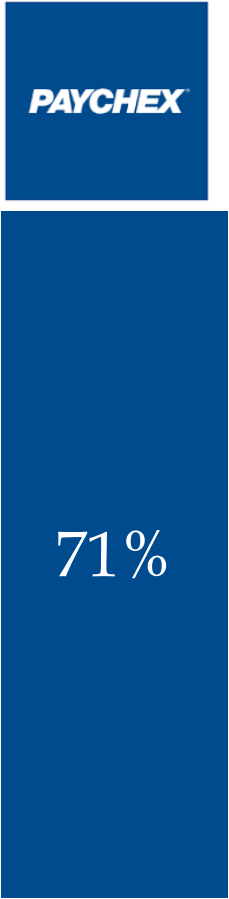
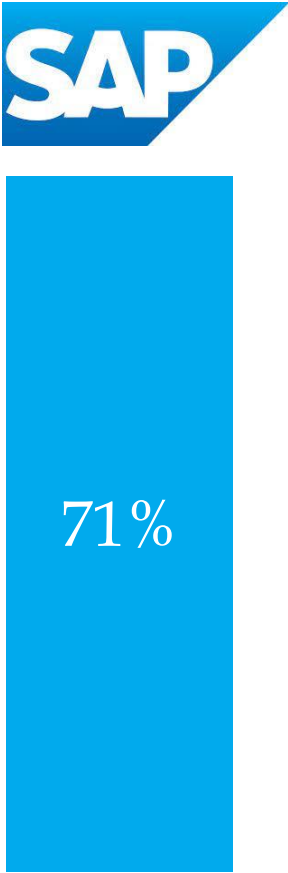
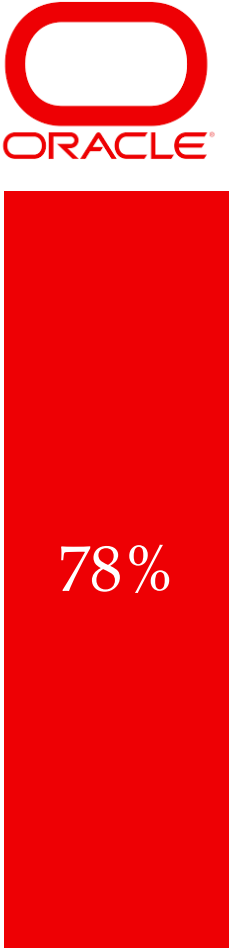
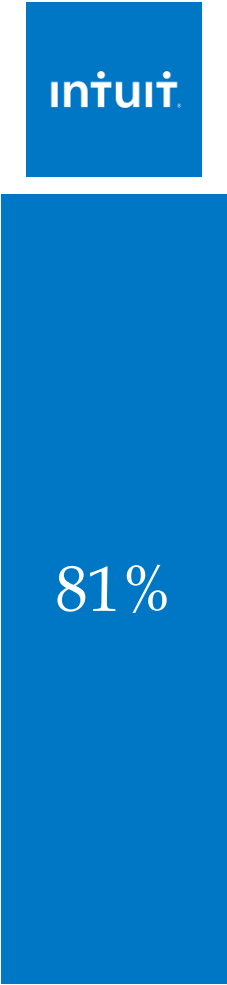
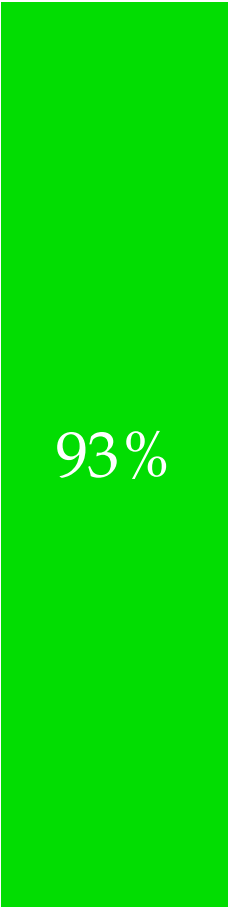
# Competitor Margins

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# Gross Profit Margin >40%

TTM

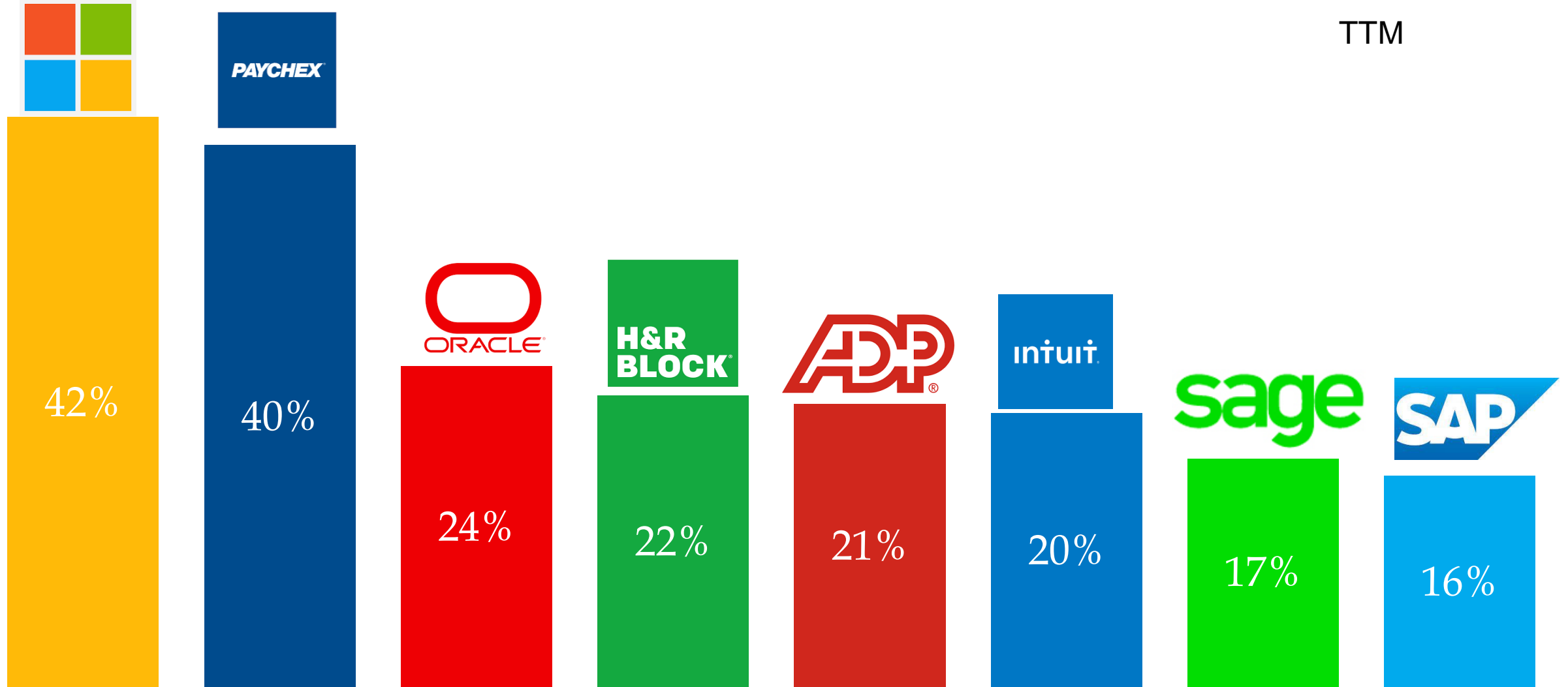
sage



intuit.

# Operating Margin >20%

TTM

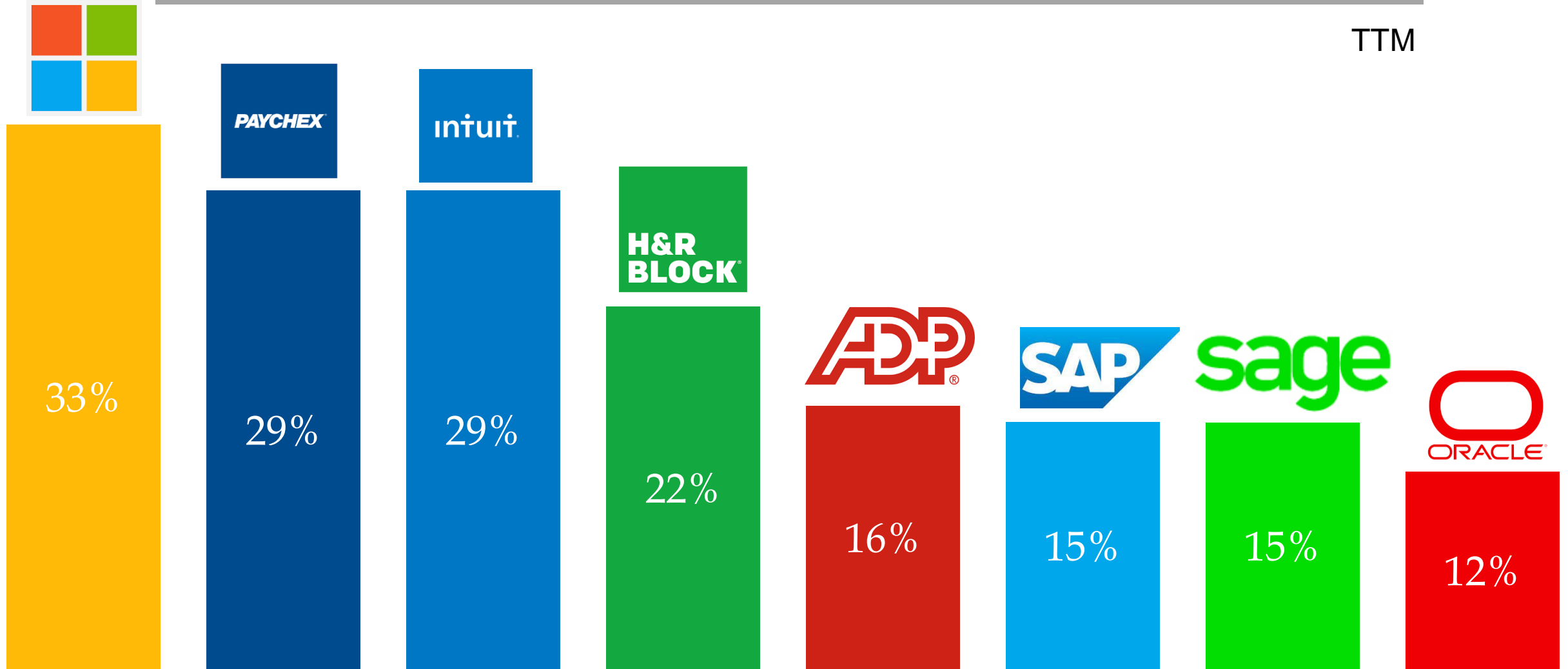


intuit.



# FCF Margin >10%

TTM

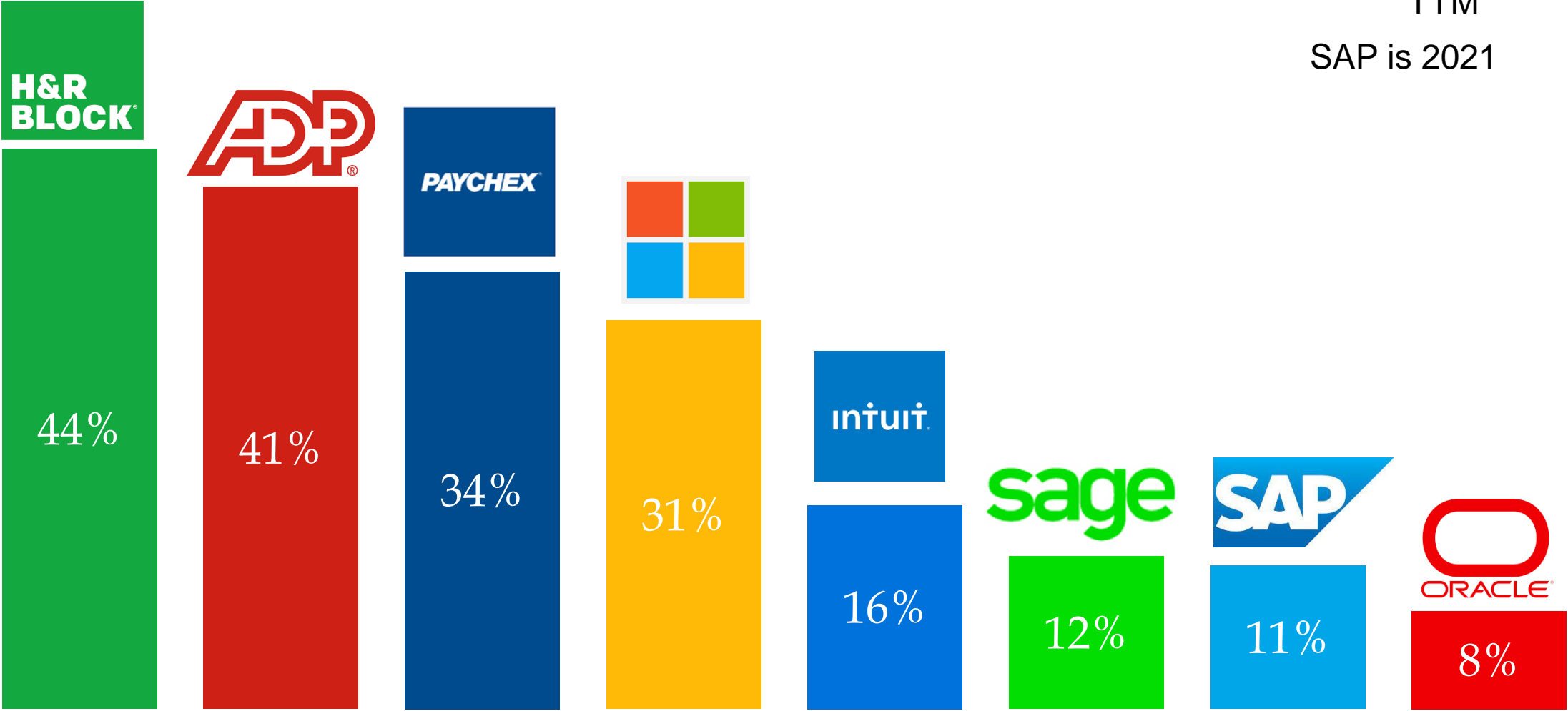


intuit.

# ROC >15%

TTM

SAP is 2021

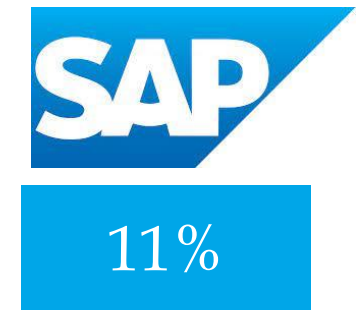
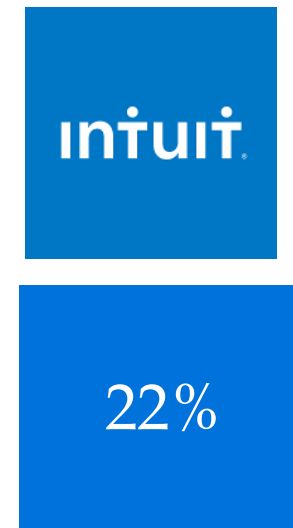
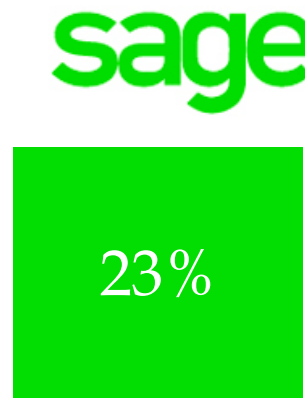
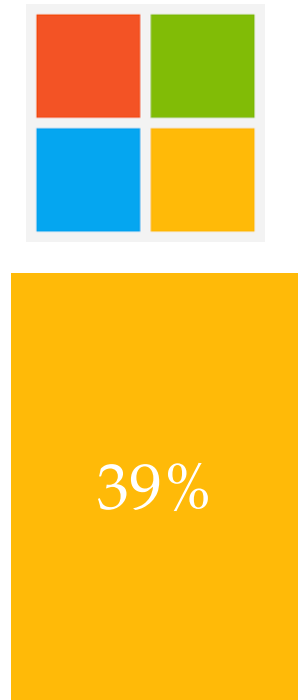
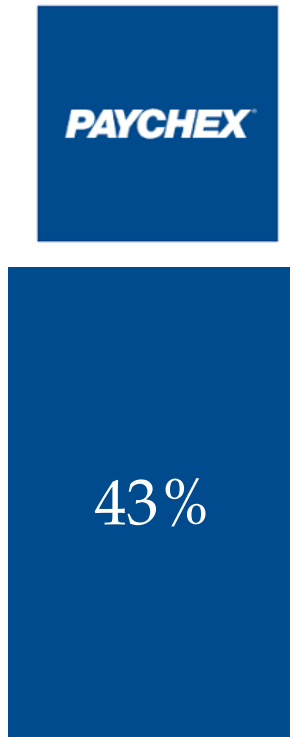


intuit.

# ROE >15%

TTM

\*HRB and ORCL not meaningful



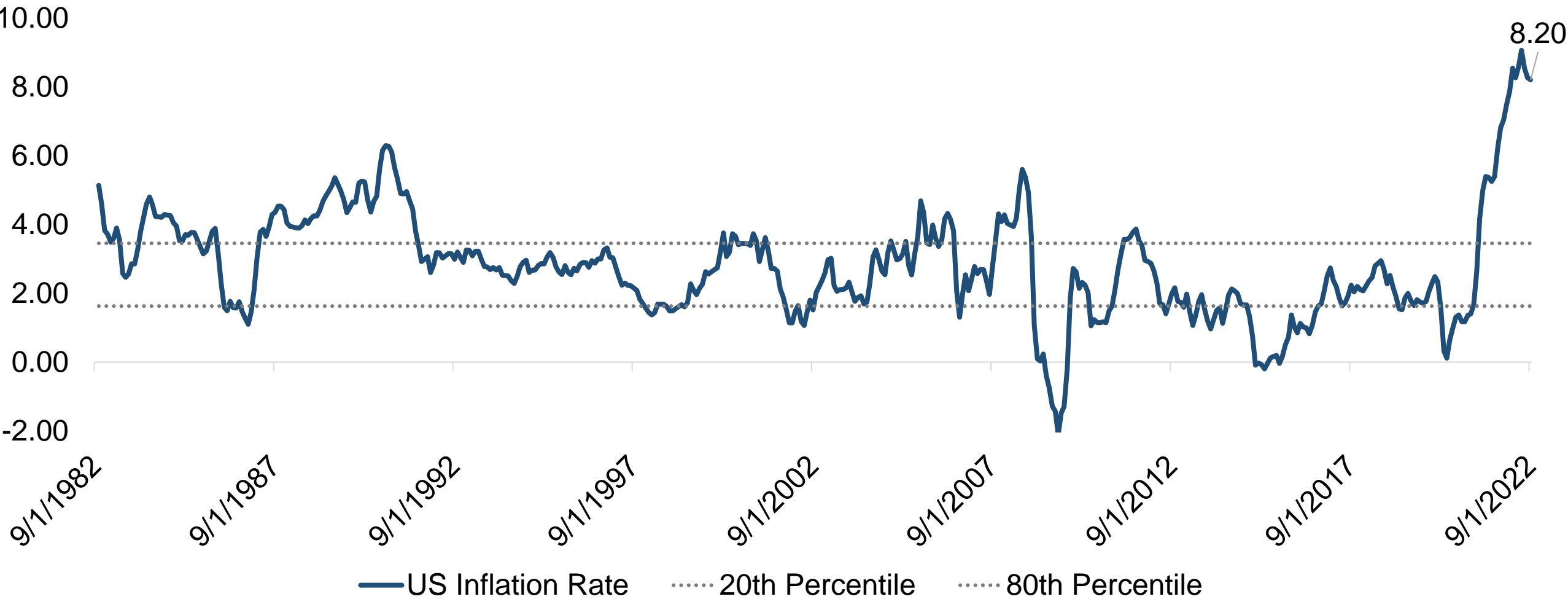
INTUIT.

# Risk Factors

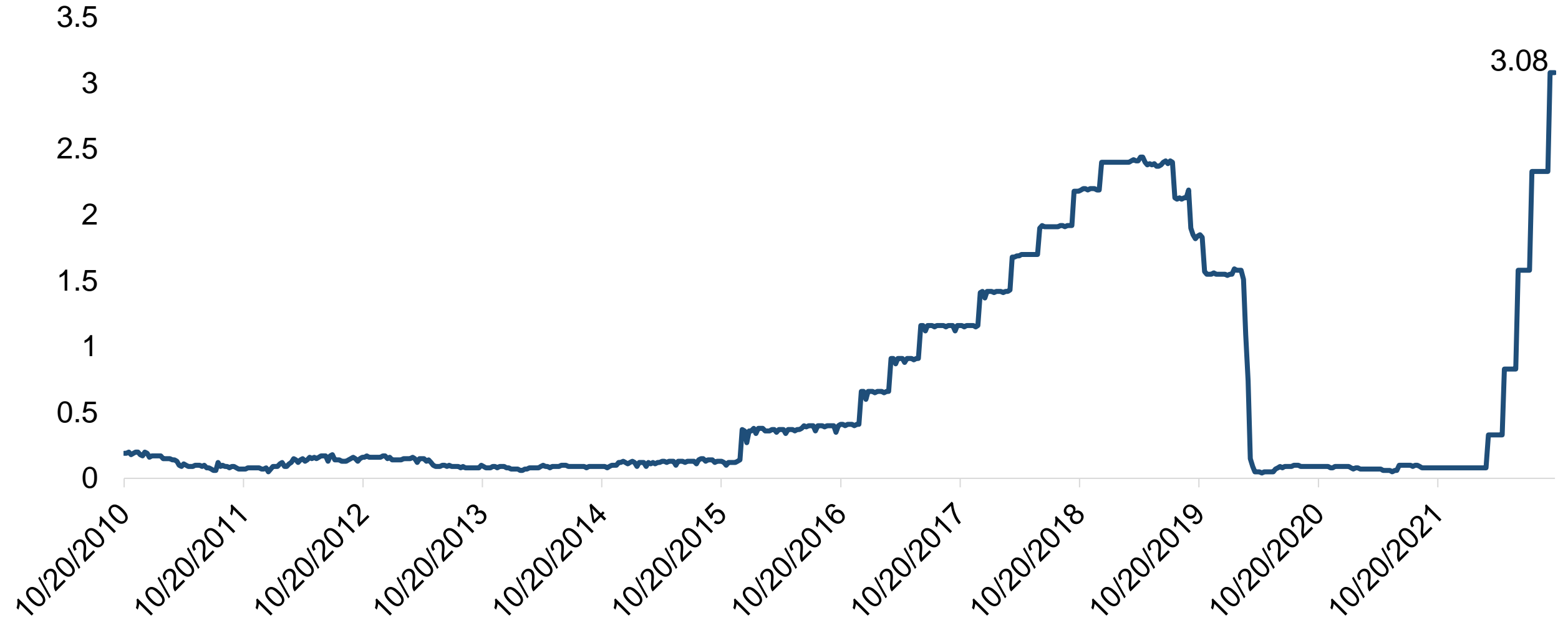
What are some of the risk factors & headwinds the company is facing?

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# U.S. Inflation Rate %

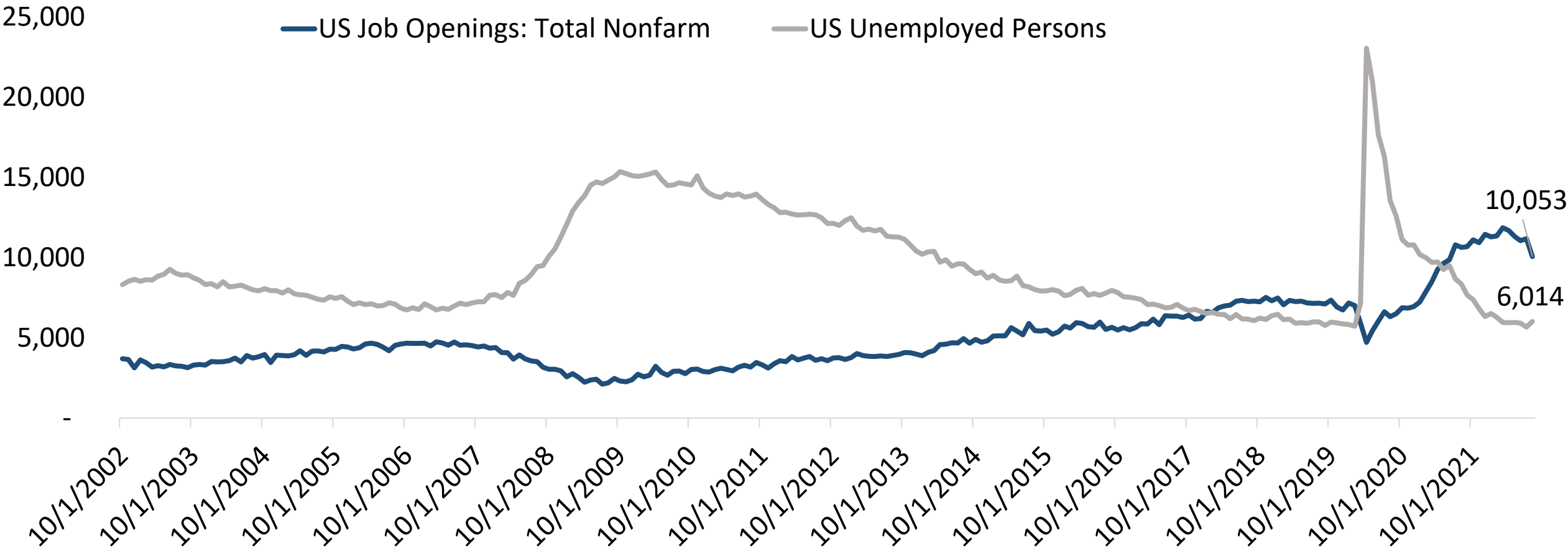


# Federal Funds Rate %

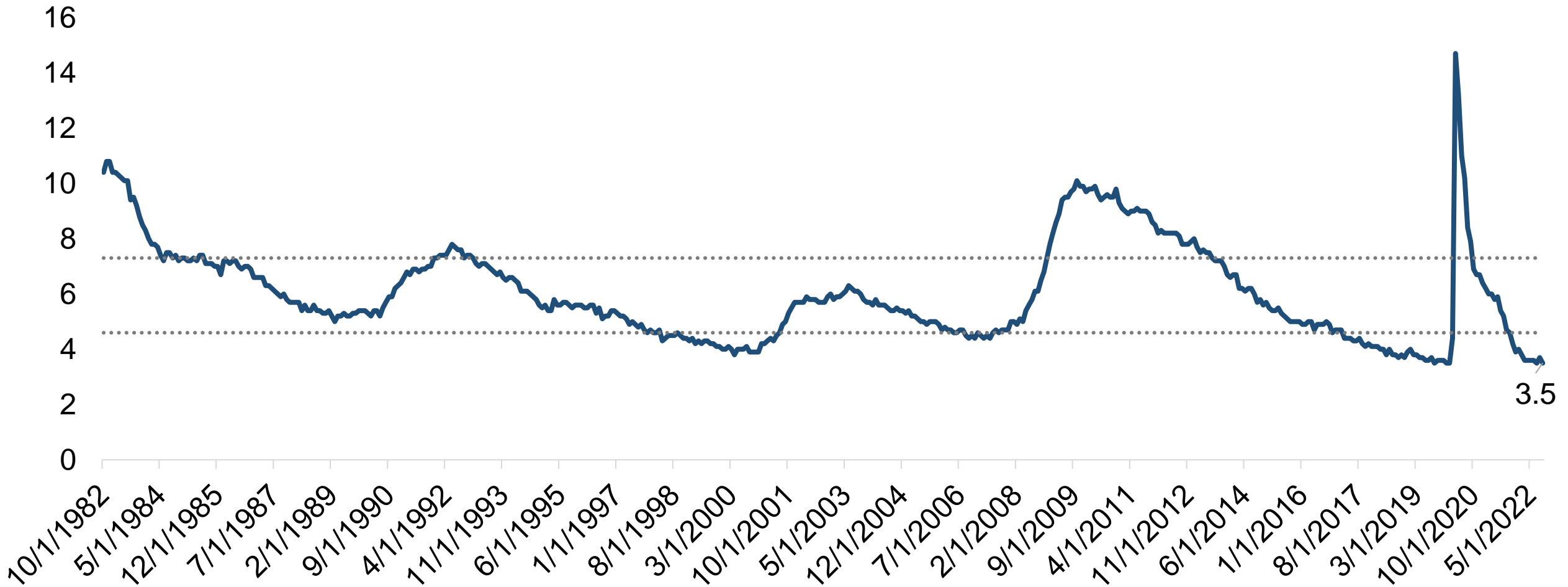


# Job Openings vs Unemployed *(in millions)*

— US Job Openings: Total Nonfarm    — US Unemployed Persons



# Unemployment Rate %



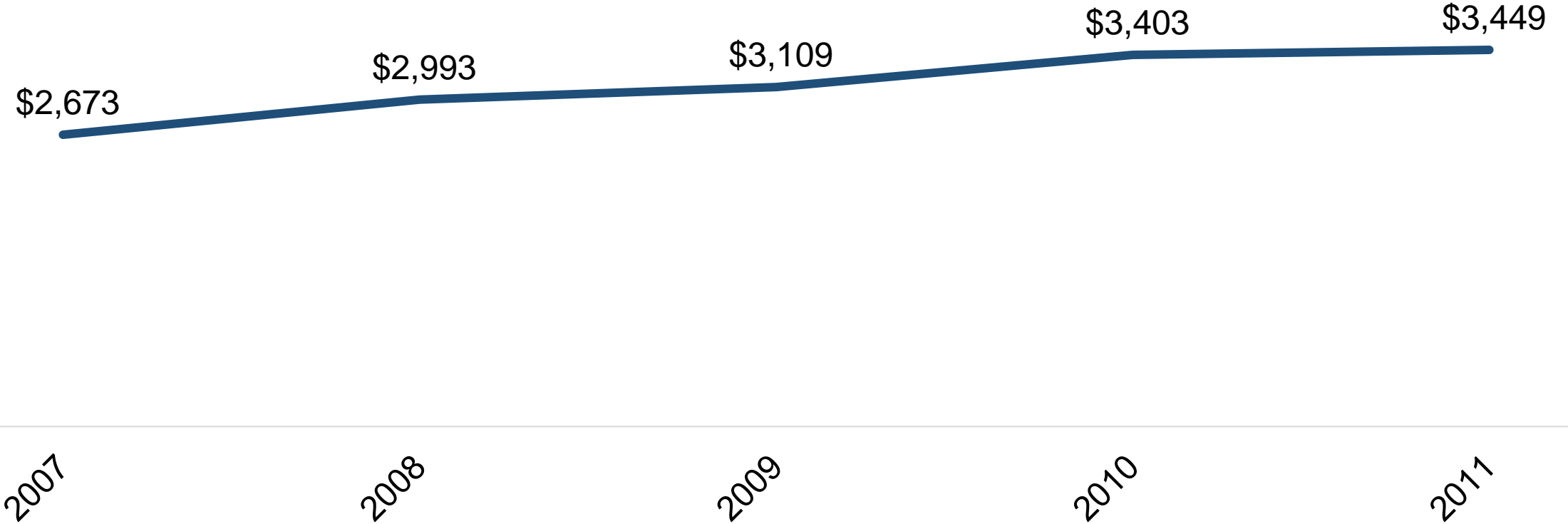


# Recession Scenario

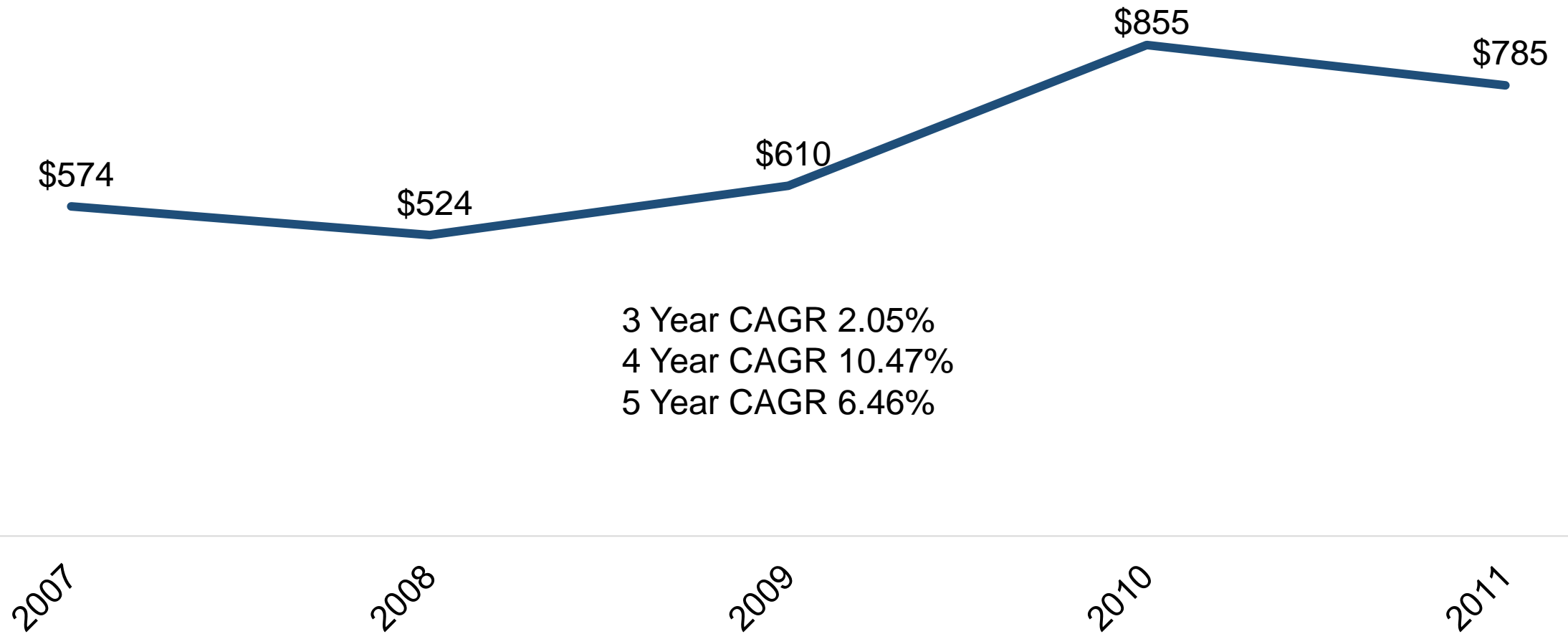
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# Revenue *(in millions)*

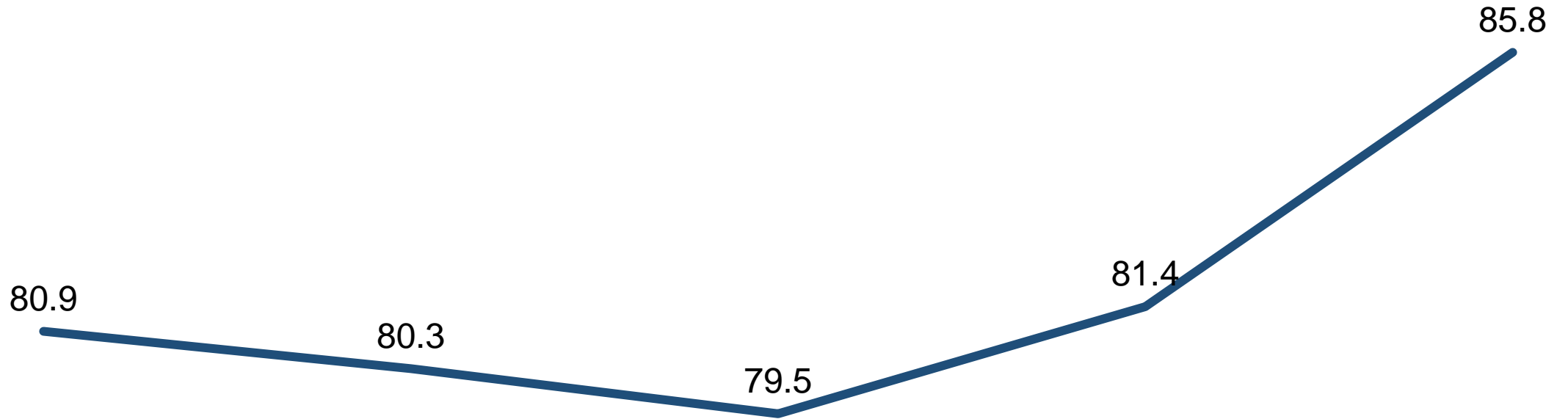
3 Year CAGR 5.17%  
4 Year CAGR 6.22%  
5 Year CAGR 5.23%



# Free Cash Flow *(in millions)*



# Gross Profit Margin %



2007

2008

2009

2010

2011

# Improved Business Model



- Business model has changed
- Subscription based
- People will always have to pay taxes
- FY09 product revenue 44%
- FY22 product revenue 14%

# Other Risks

- Government regulations
  - Credit Karma & Mint
- Lena Khan blocking M&As
- Integration risks
- IRS tax software
  - Free to 70% of US taxpayers
  - Only 3% of taxpayers use it
- Competition



# Growth Opportunities

How will the company continue to create value over the long-term?

---

# Five Big Bets

Intuit strategy



AI-Driven Expert Platform

- Intuit's growth strategy that involves being an AI-driven expert platform
- Problem solver for Intuit
- Accelerates Innovation



# Big Bet 1

- The foundation of all Bets and innovation
- Goal is to revolutionize speed to benefit
  - Putting more money into customer's pockets
  - Build confidence



# Big Bet 2

## Problem

- Customers have a lack of confidence

## Solution

- Connect people to experts

## Examples

- TurboTax Live
- 1-hour reduction
- QuickBooks Live



# Big Bet 3

- Unlocking smart money decisions

## Problem

- Consumers misunderstand their finances
- Fail to make ends meet

## Solution

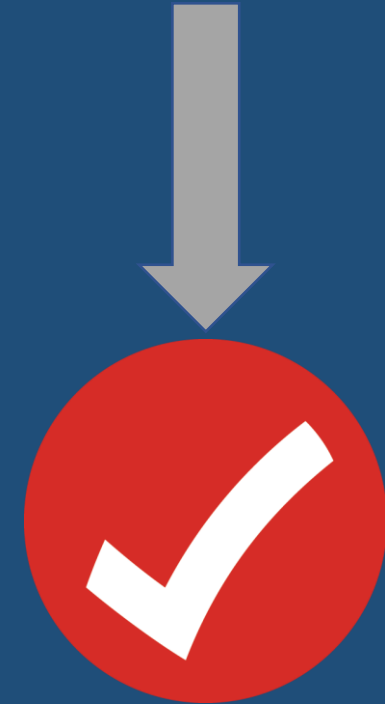
- Help make smart financial decisions
- Comprehensive

+3x

TurboTax Online customers  
who deposited their refunds  
into a Credit Karma  
Money account

intuit.

credit karma™



# Big Bet 4

## Problem

- Businesses struggle with:
- Expanding their customer base
- Managing cash flow

## Solution

- Be the center and help growth

## Examples

- Mailchimp
- QuickBooks



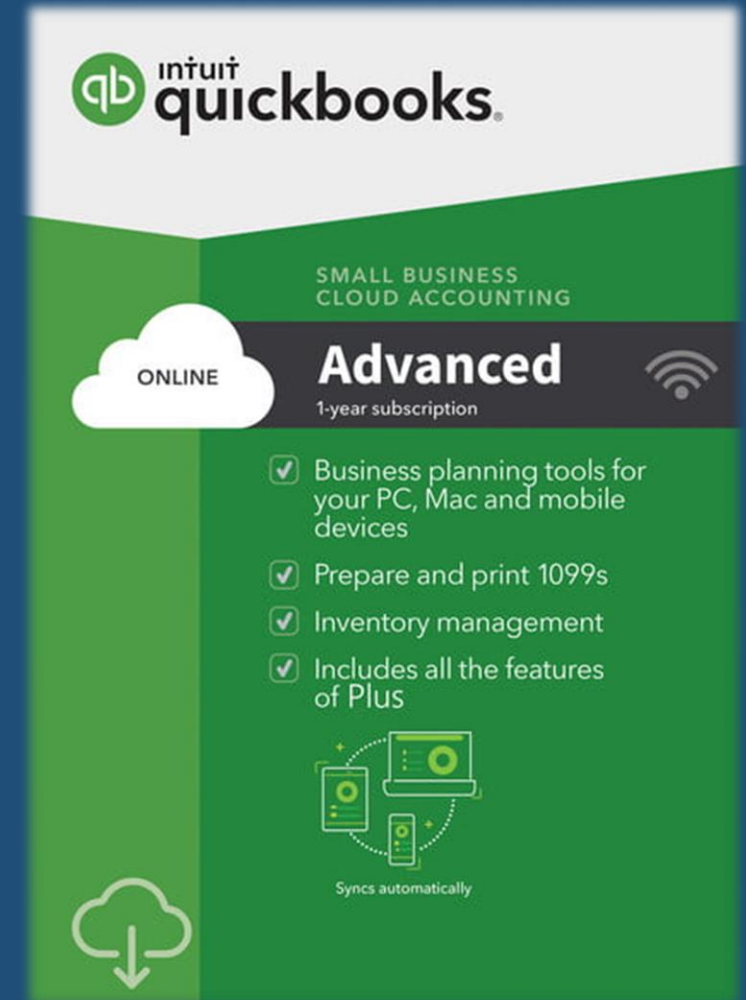
# Big Bet 5

## Problem

- Mid-market customers have trouble:
- Managing complex spreadsheets
- Disconnected apps

## Solution

- Be the source of truth for businesses to fit their needs
  - End-to-end data integrity
  - Automated Workflows
  - Customizable solution



# Integration of Acquisitions

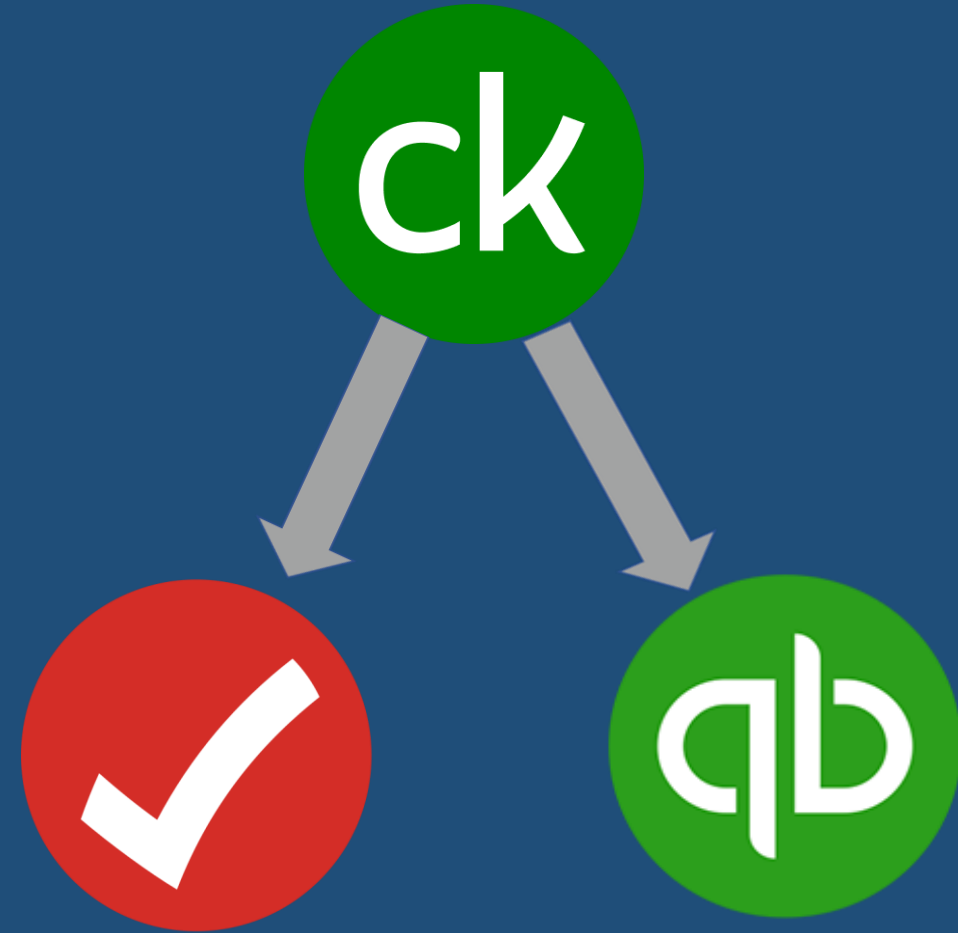
- Mailchimp and QuickBooks go hand-to-hand
- **QuickBooks customers in Mailchimp**
  - Send automated messages to new subscribers
  - Easier to distribute targeted, personalized campaigns



# Integration of Acquisitions

- Credit Karma has synergized with TurboTax & QuickBooks
- TurboTax has grown its members through Credit Karma
- Credit Karma Money integrated with QuickBooks Online

Payroll



# ARPC: Improved monetization over time

	FY19 ARPC	FY20 ARPC	FY21 ARPC	FY22 ARPC	FY23-FY25 EXPECTED TRAJECTORY
QuickBooks Online Ecosystem WW	\$386	\$432	\$488	\$604	<b>INCREASE:</b> Maturing base, online services, and new product innovation (for example, QB Live and QBO Advanced)
Standalone Services	\$665	\$721	\$752	\$832	<b>INCREASE:</b> Maturing base
Mailchimp	–	–	–	\$1,237	<b>INCREASE:</b> Higher mix into premium SKUs offset by international expansion
Online Paying ARPC	\$412	\$455	\$504	\$692	<b>INCREASE:</b> Maturing base, online services, and new product innovation offset by mix shift to non-US base
QuickBooks Desktop	\$623	\$682	\$793	\$1,064	<b>INCREASE:</b> Enterprise growth, retention of customers with complex needs
TurboTax (per return)	\$62	\$63	\$68	\$79	<b>INCREASE:</b> Growth of assisted offerings driving higher ARPR
Credit Karma		\$22	\$28	\$43	<b>INCREASE:</b> Share gains within credit cards and personal loans, new products in Auto and Home, Credit Karma Money scaling
ProTax (average order per customer)	\$3,836	\$4,083	\$4,197	\$4,459	<b>SLIGHT INCREASE:</b> Mix and attach offerings

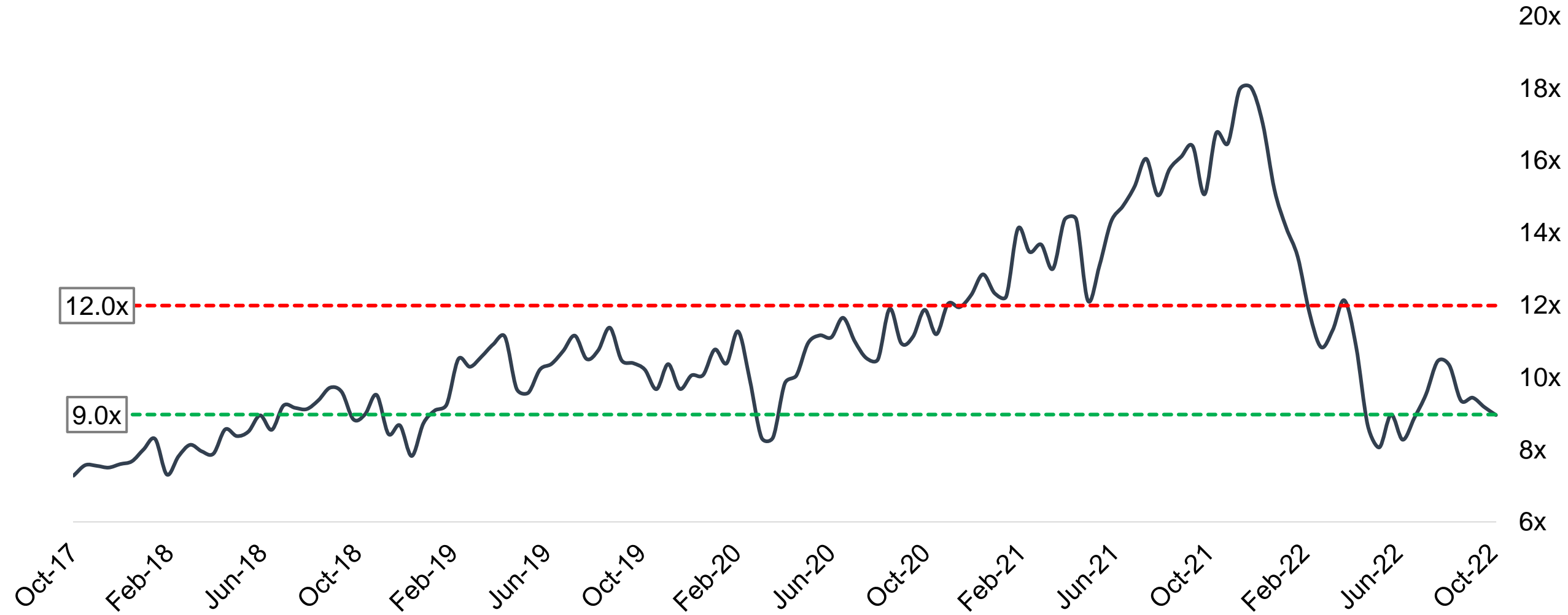


# Valuation

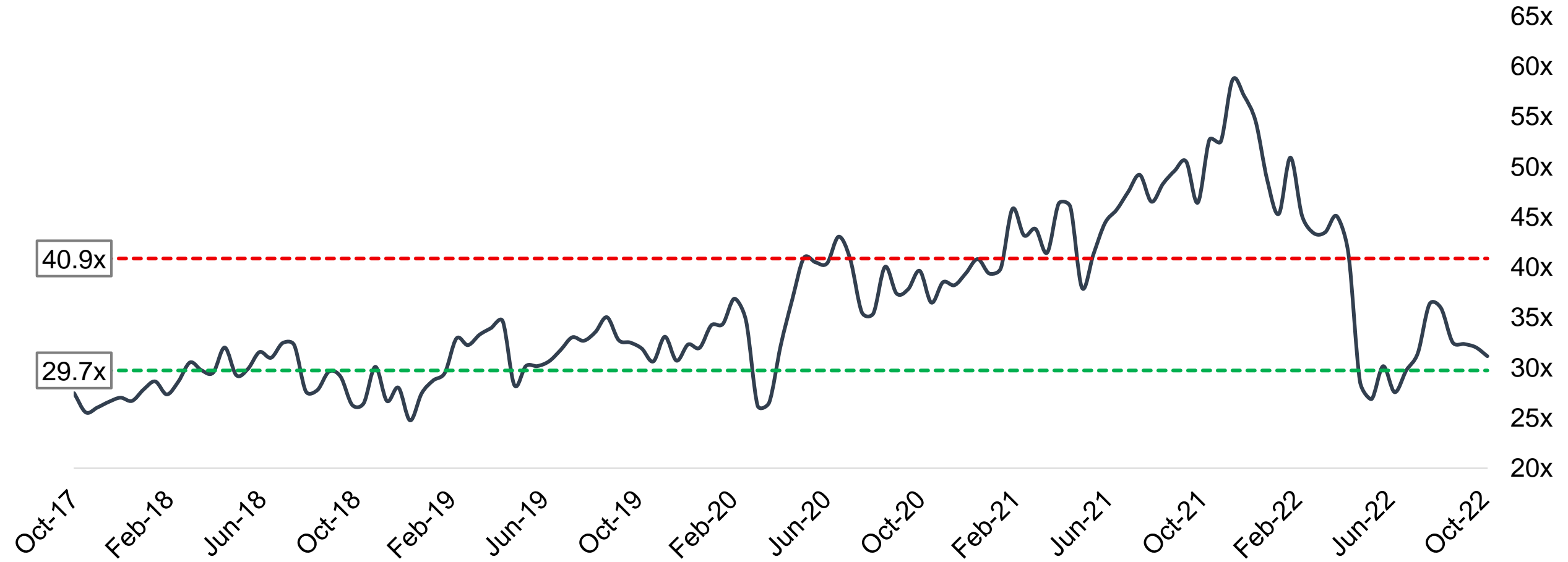
Are we paying a reasonable price for the asset?

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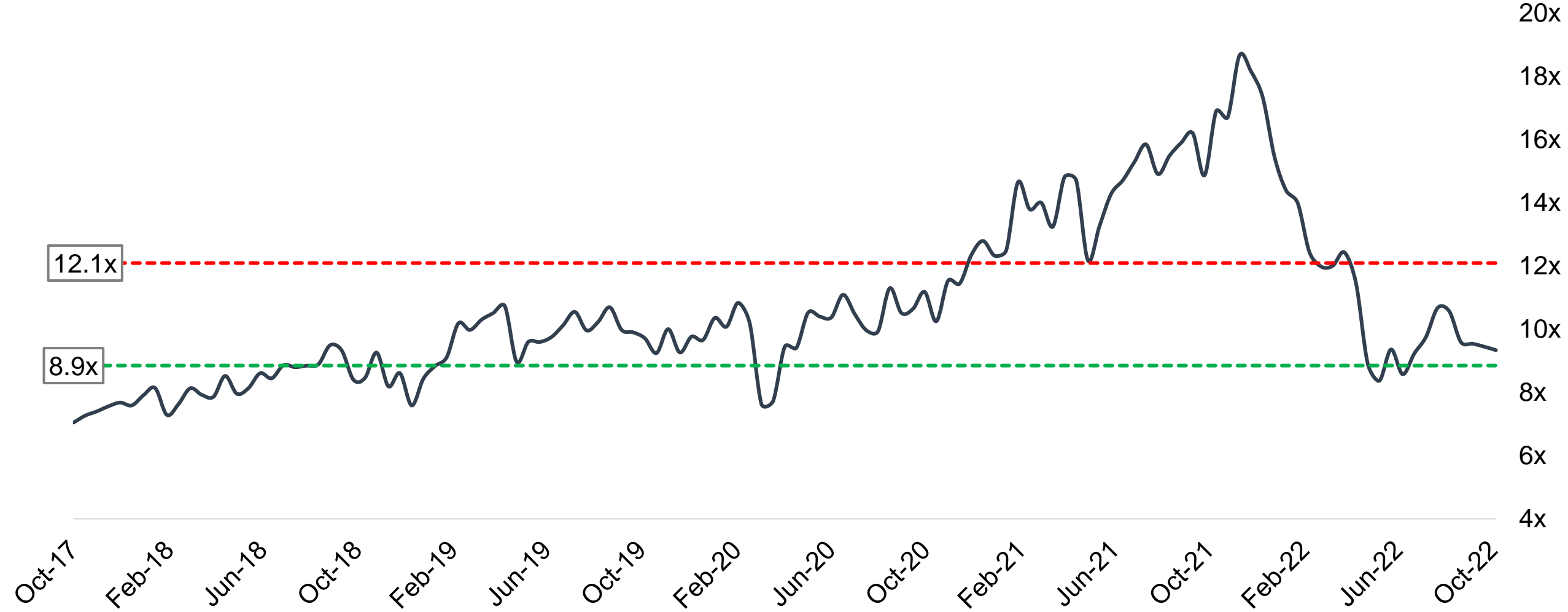
# Price to Sales



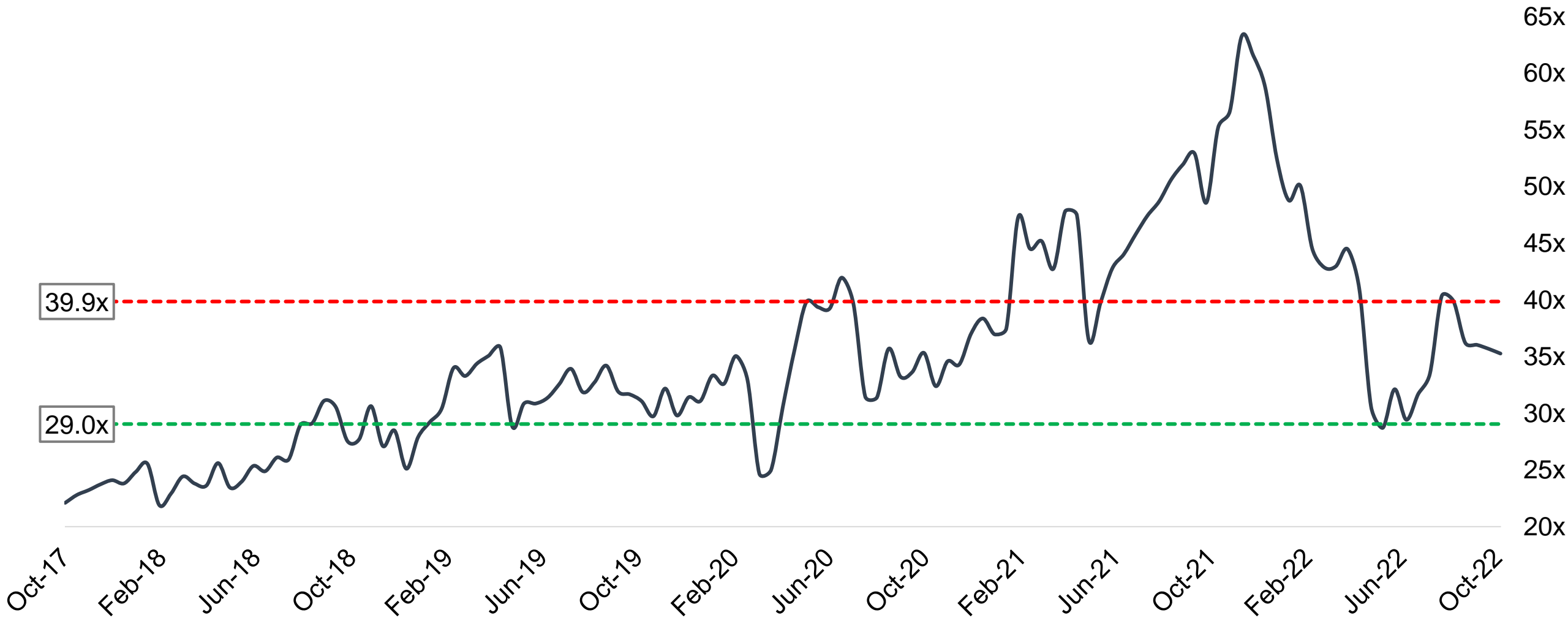
# Price to Free Cash Flow



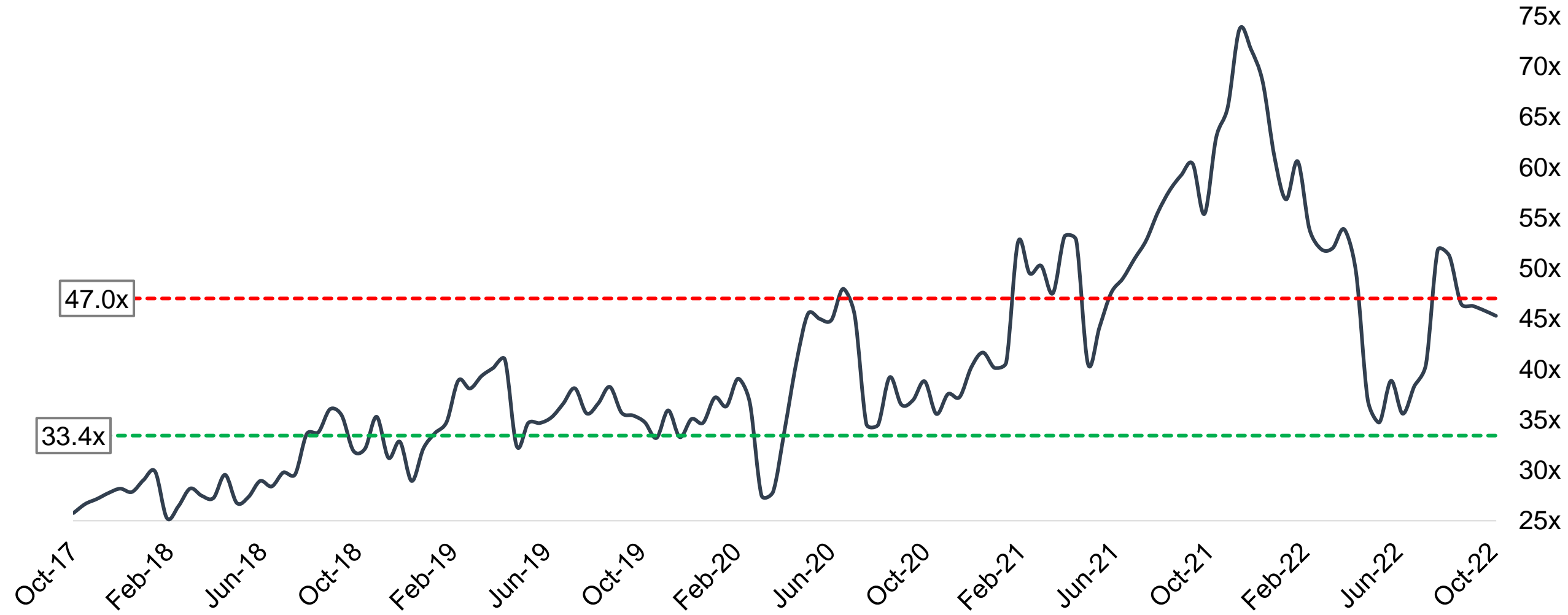
# EV to Sales



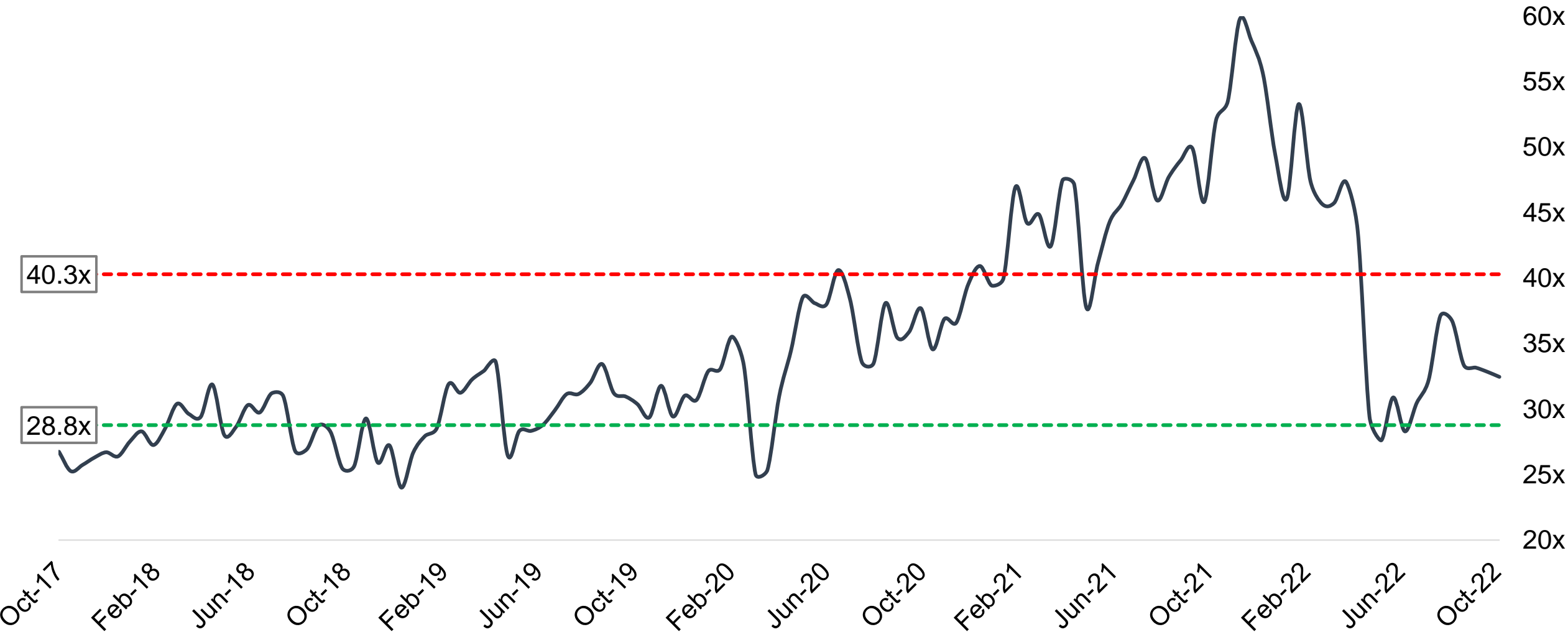
# EV to EBITDA



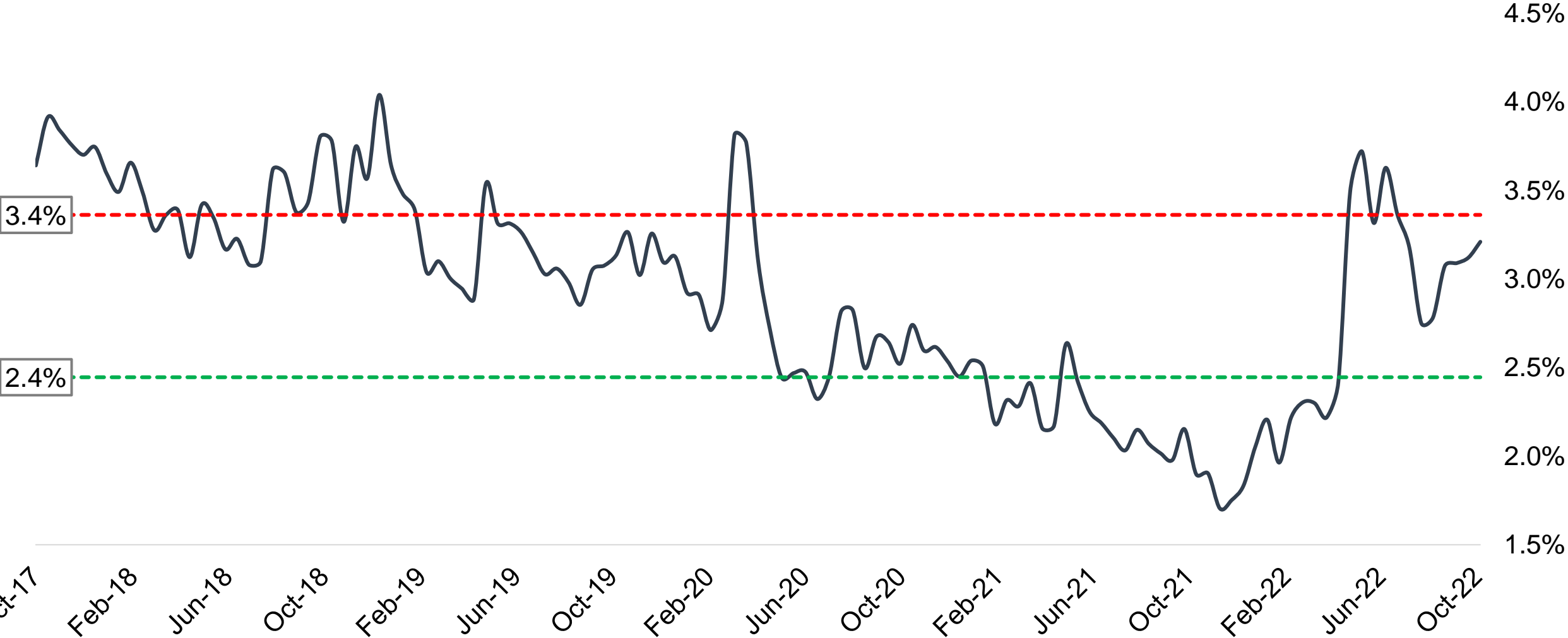
# EV to EBIT



# EV to Free Cash Flow

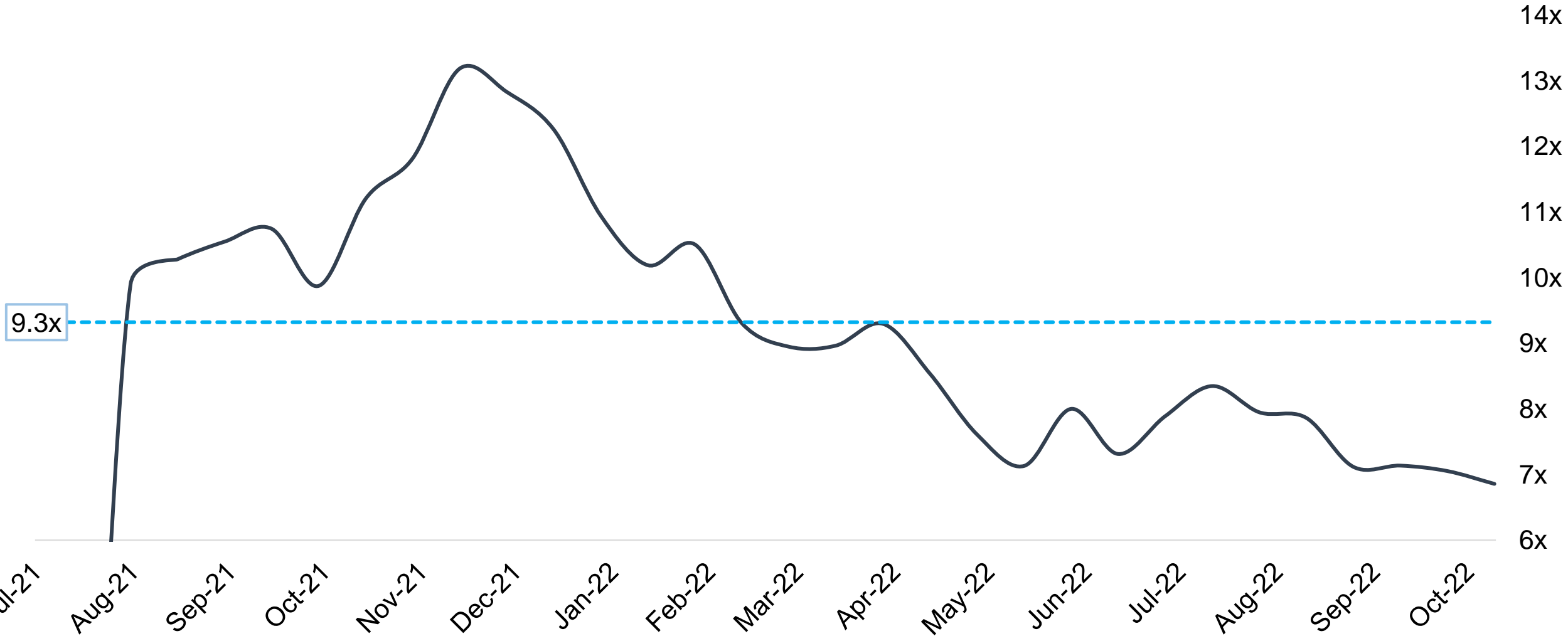


# Free Cash Flow Yield

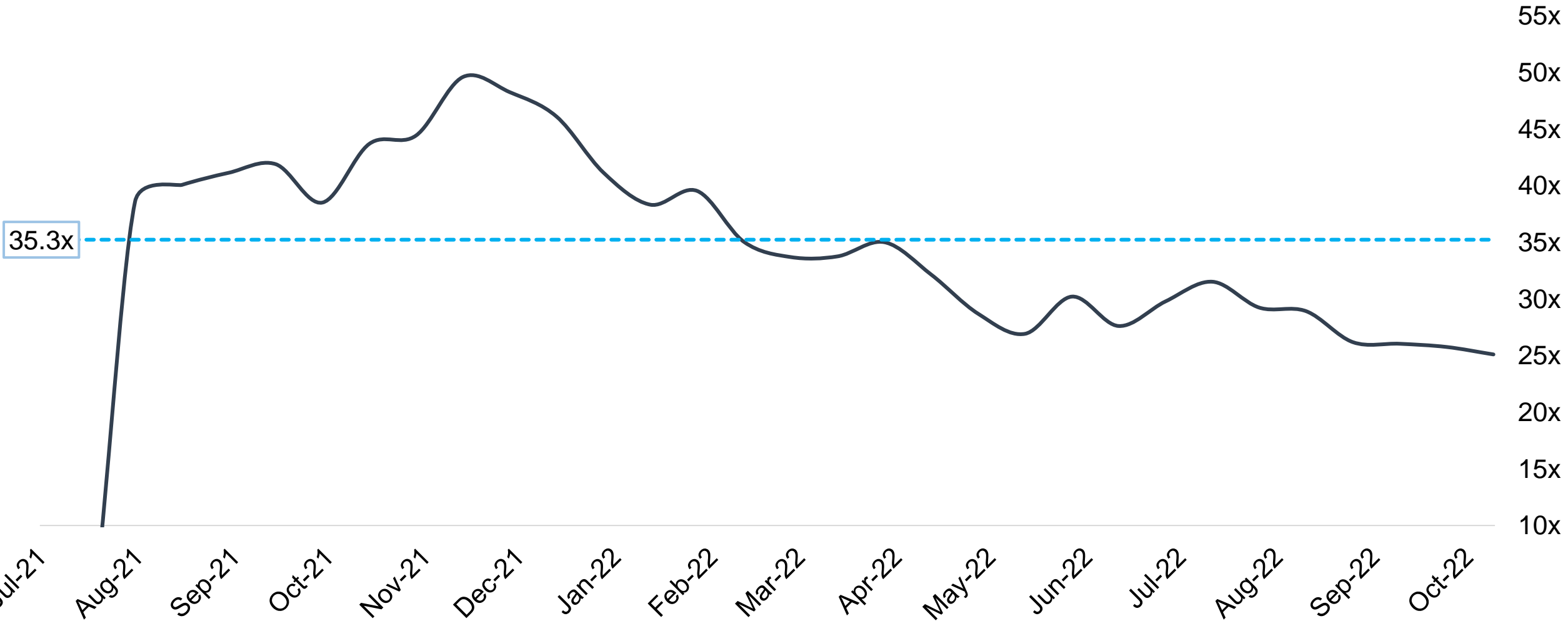




# Forward Price to Sales

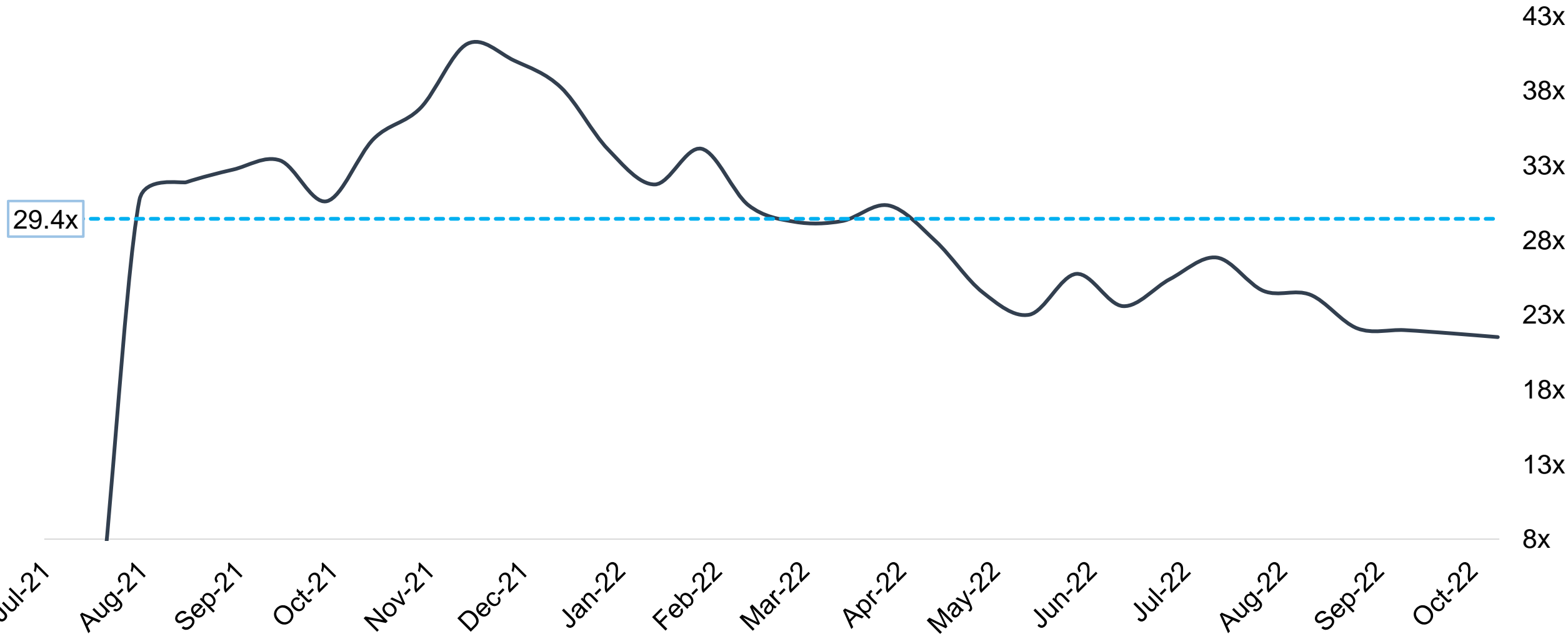


# Forward Price to Earnings

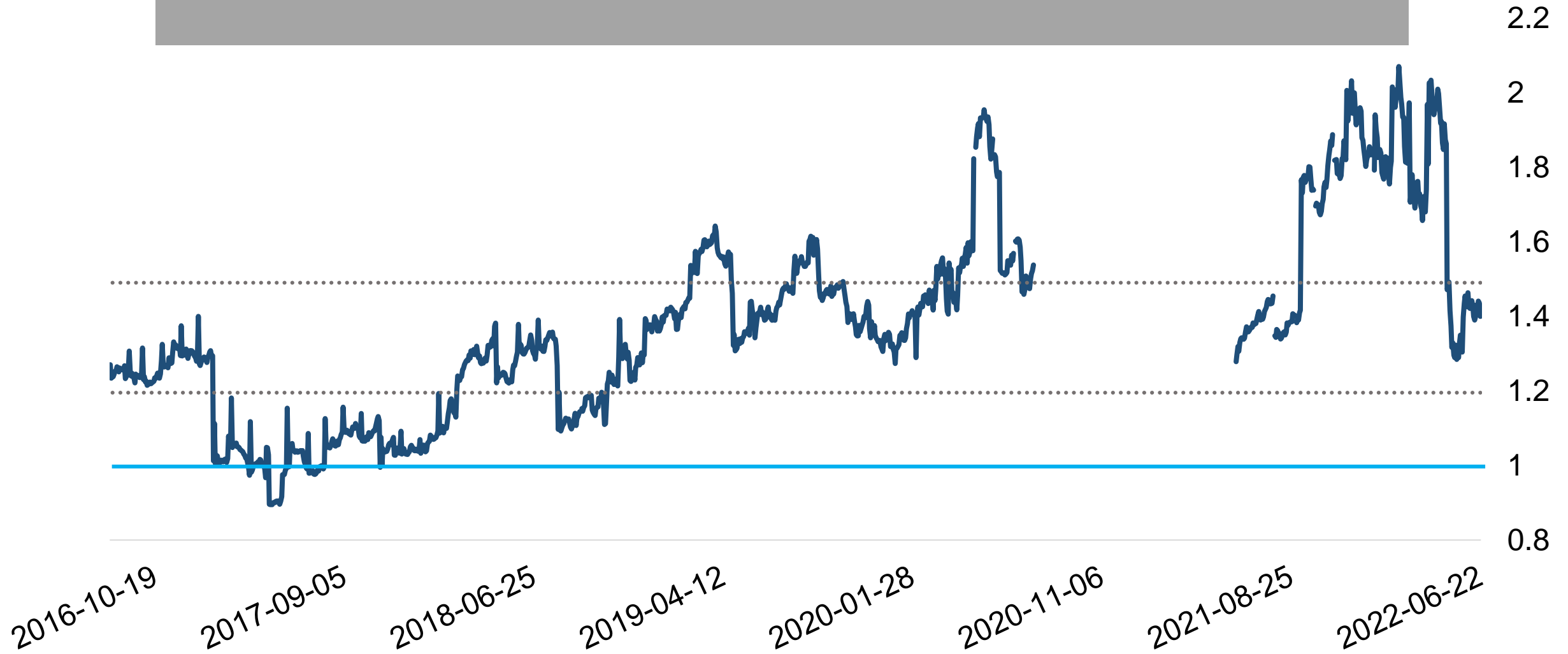


35.3x

# Forward EV to EBITDA



# INTU P/FCF / S&P 500 P/E



# Quality Matters

	S&P 500	Intuit (FY 22)	% Point Difference
<b>ROCE</b>	16%	15.18%	-0.82%
<b>Gross Profit Margin</b>	45%	83%	38%
<b>Adj. Operating Margin</b>	17%	38%	21%
<b>FCF Margin</b>	14%	32%	18%

*Intangible assets substantially increased from the acquisitions  
ROCE Intuit using FCF*

# Research Analyst Growth Rates

	2023	2024	2025
<b><u>Goldman Sachs</u></b>			
Revenue	15.5%	17.5%	15.7%
EPS	11.7%	22.0%	20.4%
FCF	33.9%	11.9%	19.5%
Shares Outstanding	-0.4%	-0.7%	-0.5%
<b><u>Value Line</u></b>		<b>5-year CAGR</b>	
Revenue		16.5%	
Cash Flow		17.5%	
Earnings		17.5%	
<b><u>Refinitiv</u></b>			
Revenue	14.5%	13.3%	15.3%
EBITDA	17.3%	15.8%	21.4%
EPS	16.1%	15.8%	18.2%
<b><u>Morningstar</u></b>		<b>5-year CAGR</b>	
Revenue		13%	
Operating Margin		20%-34%	

# 5-year Valuation Model Inputs

Stock Price: \$401

	Bear	Base	Bull
<b>FCF</b>	\$13.63	\$13.63	\$13.63
<b>Growth Rate</b>	11%	16%	19%
<b>Price to FCF</b>	15x	22x	28x

# 5-year Expected Rate of Return

Stock Price: \$401

		Est. FCF growth rate		
		11%	16%	19%
P / FCF	\$13.63			
	15.0x	(1.9)%	1.7%	4.0%
	22.0x	5.6%	9.6%	12.1%
	28.0x	10.7%	14.9%	17.6%

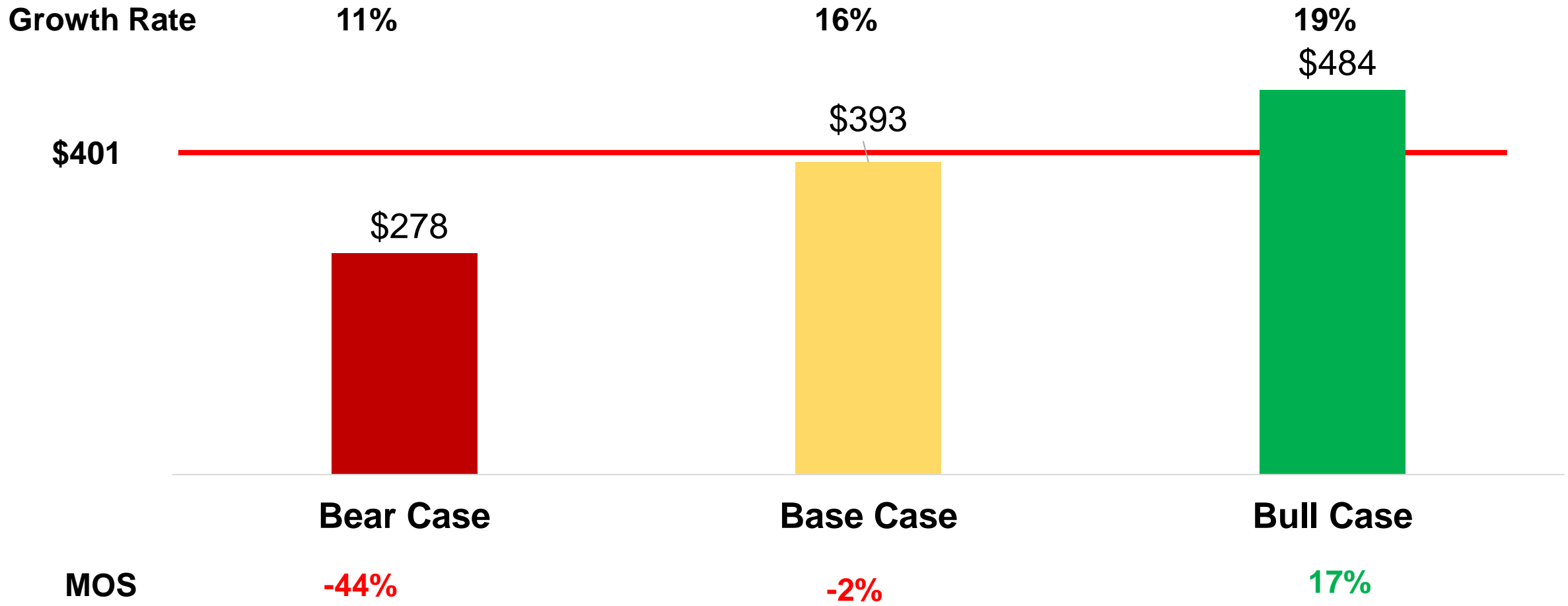


# 10-year Two Stage DCF Inputs

Stock Price: \$401

	Bear	Base	Bull
<b>FCF</b>	\$13.63	\$13.63	\$13.63
<b>Growth Rate</b>	11%	16%	19%
<b>Discount Rate</b>	9%	9%	9%

# 10-year DCF Present Values



# Presentation Recap

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# Presentation Structure

- What is Intuit & how do they make money?
- What qualitative factors make Intuit so dominant?
  - Is Intuit an above-average company?
  - Who makes this success happen?
- How does Intuit stack up against competitors?
- What are some of the risk factors and headwinds the company is facing?
  - How will the company continue to create value over the long term?
  - Are we paying a reasonable price for the asset?
    - What is our recommendation?

# Recommendation

---

# Recommendation 1)



It's far better to  
buy a wonderful  
company at a fair  
price than a fair  
company at a  
wonderful price.  
~ Warren Buffett

- Write 2-3 put options 5%-8% of the portfolio
- **Expiration Date:** Jan. 20, 2023
- **Strike Price:** \$390
- **Premium:** \$28.7
- **Break Even Price:** \$360.7
- Take advantage of Mr. Market

## Recommendation 2)



**It's far better to  
buy a wonderful  
company at a fair  
price than a fair  
company at a  
wonderful price.**

~ Warren Buffett

- Do not get cute with it
- Fair price for a great business
- Buy outright
- Make it 6% of the portfolio

# Price to Free Cash Flow 20-years









# Appendix




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Name	Type	Retention Rates	Exposure	Number of Customers
<b>QuickBooks</b>	Accounting	83%	Small	8M
<b>Xero</b>	Accounting	80%	Small	2.7M
<b>FreshBooks</b>	Accounting	93%	Small & Medium	100K
<b>Paychex</b>	Payroll & HR	82%	Small	710K
<b>ADP PEO</b>	Payroll & HR	85%	Small	
<b>ADP</b>	Payroll & HR	91%	Medium	920K
<b>*Shopify</b>	*e-commerce	75%	Small	2.1M

# Credit Karma Competitors

		
Price	Free	Free- \$16
Differences	<ul style="list-style-type: none"> <li>Identity monitoring</li> <li>Credit score simulator</li> <li>Unclaimed money search</li> <li>Tax filing</li> <li>Shows TransUnion and Equifax</li> <li>More detailed</li> <li>Access to more financial services</li> <li>Easier to navigate</li> </ul>	<ul style="list-style-type: none"> <li>ID theft insurance</li> <li>Just shows Transfusion</li> </ul>

# Mint Competitors

			
Dashboard	High level view	High level view	Customizable
Price	Free	Free	\$10/mo
Revenue	Advertising bank accounts, credit cards, investment accounts	Wealth management services	Premium users
Budgeting	Superior tracking	Offered	Offered
Investing	Offered	Superior investing	Offered
Bills	Offered	Offered	Offered
Joint Accounts	Offered	Offered	Offered
Differences	Allows categorizing with spending goals Users can set goals	Analyzes portfolio Superior retirement planning No credit score	Offers expense groups Does not have loan management or multi-currency No credit score

# Spotlight USA



## SMALL BUSINESSES

There are around 30.7 million small businesses in the United States making up over 99% of the total number of businesses in the region – 75.3% of which have 10 employees or fewer.

# Spotlight Canada



## SMALL BUSINESSES

There are 1.15 million small businesses in Canada making up 97.9% of the total number of businesses in the region – 75% of which have 10 employees or fewer.

# Spotlight UK



## SMALL BUSINESSES

There are 5.9 million small businesses in the UK making up 99.9% of the total number of businesses in the region – 95% of which have 10 employees or fewer.

# Spotlight Australia and New Zealand



## SMALL BUSINESSES

There are 2.9 million small businesses in Australia & New Zealand making up 93.8% of the total number of businesses in the region – 76.2% of which have 10 employees or fewer.