

## Q3 2019 Earnings Call

### Company Participants

- Brad Smith, Chairman and CEO
- Jerry Natoli, Vice President of Finance and Treasurer
- Michelle Clatterbuck, CFO
- Sasan Goodarzi, Incoming CEO

### Other Participants

- Brad Zelnick
- Brent Thill
- Gross Mervin
- Jackson Ader
- Jennifer Lowe
- Josh Beck
- Kartik Mehta
- Keith Weiss
- Ken Wong
- Kirk Materne
- Michael Turrin
- Raimo Lenschow
- Scott Schneeberger
- Walter Pritchard
- Yao Chew

### Presentation

#### Operator

Good afternoon. My name is Jerome and I will be your conference facilitator. At this time, I would like to welcome everyone to Intuit's Third Quarter Fiscal Year 2019 Conference Call. All line have been placed on mute to prevent any background noise. After the speakers there will be a question-and-answer period. (Operator Instructions) With that, I'll now turn the call over to Jerry Natoli, Intuit's Vice President of Finance and Treasurer, Mr.Natoli the floor is yours.

#### Jerry Natoli {BIO 4692239 <GO>}

Thank you Jerome. Good afternoon and welcome to Intuit's third quarter fiscal 2019 conference call. I am here with Intuit's CEO, Sasan Goodarzi; and Michelle Clatterbuck,

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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 2018, and our other SEC filings. All of those documents are available on the Investor Relations page of Intuit's website at [intuit.com](http://intuit.com). We assume no obligation to update any forward-looking statement. Some of the numbers in these remarks are presented on a non-GAAP basis, we've reconciled the comparable GAAP and non-GAAP numbers in today's press release. Unless otherwise noted, all growth rates refer to the current period versus the comparable prior year period, and the business metrics and associated growth rates refer to worldwide business metrics. A copy of our prepared remarks, and supplemental financial information, will be available on our website after this call ends.

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

Thanks Jerry, and thanks everyone for joining us. We had a great third quarter, and we're on track to exceed the guidance we provided at the beginning of the year. We're seeing momentum across every part of the company, and as a result, we're raising our revenue, operating income, and earnings per share guidance for fiscal year 2019. During the third quarter, total revenue grew 12% overall, fueled by 10% revenue growth in the Consumer Group, and 19% revenue growth in the small business and self-employed group. With that context, let me start with the Consumer Group. We had a great tax season, we grew the DIY category and grew our share within the category driven by our innovation and significantly improved customer experiences. We produced our most robust free offering yet and made significant progress in our effort to transform the assisted category. As we've communicated, there are four primary drivers in our consumer business. The first, is the total number of returns filed with the IRS. The latest IRS data indicates total returns were up 0.2% through May 10, below historical trends and our own expectation of 1% to 2% growth. The second is the percentage of those returns filed using do-it-yourself software. Category share grew over a point, the fastest pace since 2016, once again outpacing the assisted tax prep category.

We are very pleased with this outcome, and as a reminder, DIY category growth is our largest revenue growth driver. The third driver is our share within DIY, we estimate TurboTax online share grew half a point. The fourth is our average revenue per return, which increased again this season. The growth reflects a stronger contribution by TurboTax Live, improved attach and tuned product lineup adjusted for the new tax legislation. These items were partly offset by deliberate decisions we made to improve the experience for customers with simple returns. Including, the year-over-year data transfer for no charge and extending free state filings for the entire season. This season, we had more customers than ever before paying nothing. We grew this customer group in the high-teens above total unit growth of 5%. We are confident these were the right strategic decisions to drive durable growth, especially as we look for ways to help customers make ends meet going beyond taxes.

Our commitment to provide a robust free offering has resulted in more than 55 million TurboTax customers, who paid nothing for their TurboTax experience over the last 5 years. As I've shared before, our Consumer Group strategy is to expand our lead, in the DIY

category, transform the assisted tax preparation category, and disrupt traditional consumer finance, by expanding beyond tax, to build a consumer platform. This is all in service of helping our customers make ends meet, and maximizing their tax refund. We made significant progress against these strategic objectives this season.

Within DIY we saw evidence, that the bold changes we made, to improve the experience for customers who file simple returns resonated. These changes drove a six-point improvement in product recommendation scores for the free offering and contributed to higher retention. We're transforming the assisted tax customer experience by connecting people to experts on our platform with TurboTax Live. We introduced a range of price points within the product line this season to offer access to an expert, for even the simplest returns. After just two years TurboTax Live is now a meaningful contributor to our business and this product line is among the fastest ever to reach this revenue level. The number of customers using TurboTax Live more than tripled year-over-year.

We estimate 70% of customers, who are new to Intuit this season and use TurboTax Live came from the assisted method the prior year. Higher than TurboTax Online. And for the approximately 2,000 pros on our platform, we improved the onboarding experience and technology tools, resulting in lower attrition and improved operating efficiencies through the season compared to last year.

TurboTax has now approximately 28% share of total individual returns, leading us with a large addressable market. Beyond tax, our consumer platform is aimed at helping customers unlock SMART money decisions by connecting them the financial products to help them make ends meet. As we learn about their financial life, we can notify them of benefits that can save them money. We now have over 14 million customers registered for Turbo, up from 5 million last season. We have approximately 70 offers this season focusing on four verticals, including credit cards, lending, investing, and mortgages. We continue to test benefits and monetization models. While we don't expect a significant contribution to revenue in the near term, we're making progress and continue to be excited about this opportunity.

In summary, I'm very proud of what the team delivered across the consumer offerings. Now, let me turn to small business. We delivered another strong quarter in our small business and Self-Employed group with online ecosystem revenue growth of 38%, again exceeding our target to grow better than 30%. We continue to place an increased emphasis on online services to deliver more value for our customers by solving their biggest pain points. We're working to achieve our vision of being the center of small business growth by helping our customers get paid fast, manage capital, and pay employees with confidence.

Earlier this year, we launched next business day payments, allowing our customers receive the funds much faster than previously experienced. QuickBooks capital is funded \$360 million cumulative loans since launching about a year and a half ago. Finally, we remain encouraged by our early progress with QuickBooks advanced online, designed to disrupt the mid-market by addressing the needs of big market small business customers with 10 to 100 employees. Within our strategic partner group, our professional tax

revenue is on track to grow 4% for fiscal year 2019. That's the high end of our initial range for this segment.

To wrap this section up, we are very pleased with our results. Now, let me shift to a different topic. You may have heard assertions, that Intuit engaged and practices designed to discourage consumers from filing their taxes for free. These assertions have come in several forms and I want to address them directly. We stand behind our marketing actions as both being appropriate and consistent with our core value, integrity without compromise.

In addition, any suggestion that Intuit does not support the IRS Free File program is wrong. In fact, we're proud that for nearly two decades, millions of Americans have used TurboTax Free File program to file their taxes without paying. Our commitment to free dates back to 1998 when we launched a program to offer free tax preparation software and e-filing services to lower income and active duty military taxpayers. In 2002, the entire tax software industry and the IRS form the IRS Free File program modeled after our initiative.

As a founding member, we're committed to IRS Free File shared goals of public service and providing free tax filing to those who need it most, as we have for nearly 20 years. As I mentioned earlier, we have more than 55 million TurboTax customers who paid nothing for their TurboTax experience over the last five years.

Thank you, and now let me hand it over to Michelle to walk you through the financial details.

### **Michelle Clatterbuck** {BIO 20314804 <GO>}

Thanks Sasan. Good afternoon everyone. For the third quarter of fiscal 2019, we delivered revenue of \$3.3 billion of 12% year-over-year. GAAP operating income of \$1.8 billion versus \$1.6 billion a year-ago an 11% increase. Non-GAAP operating income of \$1.9 billion versus \$1.7 billion last year an 11% increase. GAAP diluted earnings per share of \$5.22 versus \$4.53 a year-ago, a 15% increase. And non-GAAP diluted earnings per share of \$5.55 up from \$4.78 last year a 16% increase.

Turning to the business segments. Consumer Group revenue grew 10% in the fiscal third quarter. TurboTax Online units grew 7% this season while overall units increased 5%. We significantly improve the experience within TurboTax Live this season, not only for the customers who use this platform, but also for the tax pros providing tax advice. The improvements we put in place increase pro NPS by more than 50% versus a year ago and created operational efficiencies. These include a 30% reduction in pro attrition and improvements in the pro portal that drove a 30% increase in time spent serving customers this season versus last year. We're excited to continue scaling this business in the future.

We also offered TurboTax Self-Employed customers the opportunity to benefit from tracking their financials throughout the year in QuickBooks self-employed. TurboTax self-

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employed product recommendation scores tied TurboTax Live, for the highest score among our paid offerings.

Turning to the Strategic Partner Group. We reported \$235 million, of professional tax revenue for the third quarter, up 4% year-to-date. In small business, total small business and self-employed revenue grew 19% during the quarter. Online ecosystem revenue remains strong with growth of 38%. We believe the best measure of the health and success of our strategy going forward is online ecosystem revenue growth, which we continue to expect to grow better than 30%. Online services year-over-year growth slowed this quarter compared to the prior fourth quarters, this was primarily a function of lapping the TSheets acquisition a year ago.

QuickBooks Online subscribers grew 32%, ending the quarter with over 4.2 million subscribers. Growth remains strong across multiple geographies with U.S. Subscribers growing 25% to over 3.1 million, and international subscribers growing 55% to over 1.1 million. Within QuickBooks Online, self-employed subscribers grew to approximately 970,000, up from roughly 680,000 one year ago. TurboTax is a significant channel for QuickBooks self-employed and 440,000 subscribers have come to this channel up from 330,000 last year. We continue to expect total subscriber growth to moderate as we place a greater focus on additional services and penetrating a broader range of customers. Desktop ecosystem revenue was up 4% in the third quarter. Our desktop units were up 12% reflecting unusually strong renewals during the quarter. During fiscal 2019, we expect QuickBooks desktop units and desktop ecosystem revenue to be roughly flat. Within the desktop ecosystem, our QuickBooks enterprise customers and revenue continued to grow at a double-digit pace in the third quarter. This further reinforces our interest in addressing the needs of midmarket small business customers with our QBO Advanced offering.

Turning to our financial principles. We remain committed to growing organic revenue double-digits and growing operating income dollars faster than revenue. We take a disciplined approach to capital management investing the cash we generate in opportunities that yield a return on investment greater than 15%. 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 finish the quarter with \$3.3 billion in cash and investments on our balance sheet. We repurchased \$135 million of stock in the third quarter. Approximately \$2.8 billion remains on our authorization and we expect to be in the market each quarter this year. The board approved a quarterly dividend of \$0.47 per share, payable July 18, 2019. This represents a 21% increase versus last year.

Turning to guidance. Our fourth quarter fiscal 2019 guidance includes a revenue growth of 10% to 12%. GAAP loss per share of \$0.35 to \$0.33, and non-GAAP loss per share of \$0.16 to \$0.14. We are also raising our fiscal 2019 guidance, following strong performance the first three quarters of the year. Our new guidance includes revenue growth of 12% up from prior guidance of 8% to 10% growth. GAAP diluted earnings per share of \$5.72 to

\$5.74, and non-GAAP diluted earnings per share of \$6.67 to \$6.69. We now expect to GAAP tax rate of 18.5% for the fiscal 2019. You can find our Q4 and updated fiscal 2019 guidance details in our press release and on our fact sheet.

And with that, I'll turn it back over to Sasan.

## **Sasan Goodarzi** {BIO 15750219 <GO>}

Great, thanks Michelle. With that overview of the quarter I'd like to remind you of this strategic objectives I covered last quarter starting with what matters most to our customers. All of our customers have a common set of needs, they're all trying to make ends meet, maximize their tax refund, save money, and pay-off debt and those who've made the bold decision to become entrepreneurs and go into business for themselves have an additional set of needs. They want to find and keep customers, get paid, access capital to grow and ensure their books are right. That's why our mission is to power prosperity around the world and our strategy is the One Intuit ecosystem. Which focuses on unlocking the power of many for the prosperity of one. The evolution of our strategy is to become an AI driven expert platform. This is about becoming an open, trusted and easy to build on platform, where we and our partners solve the most pressing customer problems and deliver awesome experiences. It's about significantly accelerating our application of artificial intelligence, which progressively learns from the large data sets across the platform and accelerates speed to benefit to revolutionize the experience for our customers, and it's about solving the largest problem customers face, lack of confidence, by connecting them with experts on our platform, leading the digitization of the services industry.

Let me provide a few examples. When it comes to connecting people to experts, we're doing this today with TurboTax Live. Imagine the opportunity we have to expand live expertise across the platform to serve consumers, Self-Employed, and small businesses in the areas of tax, book keeping, and financial advice. For small business owners, we're focused on being the center of small business growth, using AI across our platform to accelerate faster funding and payments and to help our customers access capital.

Over time, we see an opportunity to better serve product based businesses as they find and sell to customers across channels, transforming omnichannel e-commerce. We're also focused on helping customers make smart decisions with their money, by connecting them the financial products that help put more money in their pockets. This is our vision for Turbo, where we are increasing active use and engagement, leveraging the tax refund moment, to connect customers on our platform to meaningful benefits.

Last but not least, we're focused on disrupting the midmarket with QBO Advanced. Our AI driven expert platform will help provide what mid-market customers need at a disruptive price. We are making great progress and we'll have more to share with you in the coming quarters and at our Investor Day. I want to thank our employees, our customers, and our partners for another strong quarter.

Now, let's open it up for questions.

## Questions And Answers

### Operator

(Question And Answer)

Thank you. (Operator Instructions). Your first question comes from the line of Keith Weiss from Morgan Stanley. Keith, you're now live.

### Q - Keith Weiss {BIO 6993337 <GO>}

Thank you guys for taking the question, and nice quarter. I want to touch on the sort of the tax business this quarter, and two kind of related questions. One, you talked about some of the actions I guess took during the quarter, the sort of free state for the entire period, as well as free data transfer, and push more people into the free category. Could you talk to like what was the rationale behind it? What was it like the business reason for making those moves? Number one.

And number two, we have heard kind of read the press reports, we've also seen some political sort of rhetoric on starting to rise we saw letter some senators sent to you today, is there any reaction needed from that type of kind of political pressure? Is there any behavioral changes or anything you plan on doing differently in the TurboTax business in response to senators pressure or through the pressure again from some state and local governments as well?

### A - Brad Smith {BIO 1721351 <GO>}

Great. Hi, Keith. Thank you for your question. Let me start with what matters most to our customers. And as you've heard us talk about there are two things that matter most to our customers. One is, helping them make ends meet. And the other is helping them get the largest tax refund. In that context, there are three areas that we're focused on. One is expanding our lead in the do-it-yourself category, it's about transforming the assisted category and it's actually disrupting consumer finance and going beyond tax.

In that context, our focus in essence expanding our lead in the do-it-yourself category has been to ensure that we have the best product experience, and so what we did this year was very much in line with our strategic approach very durable, which is to deliver the best free offering this year, through the year-over-year data transfer for free and also actually extending free for the whole year and including a state. And we did that, because it gives us the opportunity to really help those that are underserved and those that struggle with the income that they make. While at the same time, helping transform the assisted category, this gives us the opportunity as we grow our customers to ultimately find ways to help them make ends meet through the offerings that we have in Turbo. So those were the drivers behind the decision and we're actually quite excited about seeing the results that we got which is both customer growth and revenue growth, PRS is actually up over eight points Retention is up based on the decisions that we've made so all in all we feel very good about the decisions, and again it's in context of our durable game plan.

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I think the second thing that I would say is that we have been supporters of free and in fact as I shared earlier this dates back to 20 years ago, and with respect to would we see any behavioral changes from us? Our view is that -- our focus has been to actually grow the do-it-yourself a category and expand our lead in the category one element of it being through free. So we don't actually see our behaviors changing, we believe that we are focused on the right thing which is delivering for our customers, and we'll continue to work on with industry and the IRS to see if there are ways that we can continue to improve the Free File program but at the end of the day, our focus is our customers and we believe that everything that we've been doing is very durable and very much in line with what's most important to our customers and I actually have a lot of confidence in the actions that we're taking.

**Q - Keith Weiss** {BIO 6993337 <GO>}

Nice one. This will super helpful. Thank you.

## Operator

Your next question comes from the line of Brad Zelnick from Credit Suisse. Brad, your line is now open.

**Q - Brad Zelnick** {BIO 16211883 <GO>}

Great. Thank you so much and I echo the congrats on a great tax season. Sasan with TurboTax Live units more than tripling it seems like there was a lot of success there and I know you shared some data points but can you maybe just expand a bit more on the mix within TurboTax Live, in terms of net new versus customers coming over from the existing base? And as well if you can comment on the changes in the tax code and expectations around trade up, trade down, and new filers coming into the franchise? How did that play out versus expectations?

**A - Brad Smith** {BIO 1721351 <GO>}

Hi Brad, and thank for your question. I think I'll just go back to where I started, just a moment ago, which is every choice that we are making is very deliberate. And based on what we saw this season that was really within our expectations, and our singular focus is to serve our customers and we want to do that through expanding our lead in the do-it-yourself category and we want to also do that through transforming the assisted category. And helping all of those customers with benefits that goes beyond taxes. With that as context, we're very pleased with TurboTax Live performance this year. Given that we in essence gave our customers the ability to pick TurboTax Live to any of the SKUs, our customer growth tripled 70% of those customers that came in the new ones, were actually from the assisted category the prior year. For our Pros the net promoter was up 50%, they spent 30 more percent of their time serving customers this year compared to last year. So, we're very pleased with our progress this year and we know exactly the areas to improve to actually accelerate our growth in this area next year. As it relates to the tax code, as you well know we are big supporters of tax simplification. So, we believe that it enables consumers to take more control over their financial life, it actually the catalyst for the do-it-yourself category, and we needed to change our lineup this year to ensure that we delivered for customers given the tax flow changes. And in essence what we saw was all



really within our expectations and we're very pleased with the performance for our customers, our PRS scores and the team did a wonderful job.

**Q - Brad Zelnick** {BIO 16211883 <GO>}

Thanks, Sasan. If I could just squeeze one in there for Michelle with consumer margin ticking down from prior Q3. And I know you've been fairly disciplined and consistent with how you think about acquisition costs and metrics like LPZtax. But can you just remind us especially with TurboTax Live coming into the mix. How you're thinking about acquisition costs and how we should think about the cost of delivering TTL this season? And how we should really think about consumer margins going forward? Thank you.

**A - Brad Smith** {BIO 1721351 <GO>}

So Brad, I do this to Michelle all the time in our meeting. So, let me start and then I'm going to turn it over to Michelle. It's the great question and I know others have it on their mind. I want to go back to the evolution of our strategy, which is about being an AI driven expert platform, and this is about significantly accelerating our progress with a platform and an ecosystem.

And when you think about a platform and an ecosystem, we are actually building more and more of our services to be able to serve all of our segments. The examples would be the services that we build across our ecosystem for TurboTax live, for QuickBooks Live, for cybersecurity, the data scientists that we hire that ultimately fuels our machine learning engines that drives our AI benefits for our customers. Those are all at the company level, which is why we always talked about, we manage margins at the company level. And therefore that's really what's important for you all to pay attention to, specifically in the consumer group. Our year-to-date margins are actually pretty much flat with last year, so we're actually quite pleased with the progress. I don't know, if I left anything for you answer but --

**A - Michelle Clatterbuck** {BIO 20314804 <GO>}

The only thing I would add to that Brad is that, when we look at the consumer margin specifically, there have been a number of questions just around TurboTax Live and how we think about that. We were able to grow the customers 3x this year and yet we had pretty much the same number of pros that 2,000 pros that we had last year, so that just demonstrates some of the efficiencies, that I spoke about earlier, the operational efficiencies and being able to increase the customer serving time of our pros by 30%.

So, we actually like the incremental margins that we're seeing for this offering and we are looking at -- when we look forward, we're focused on opportunities here like automation and augmented intelligence, all of these things to look for ways to continue to make the agents as efficient as possible and also to continue to streamline the onboarding process.

**Q - Brad Zelnick** {BIO 16211883 <GO>}

Thank you so much.

## Operator

Your next question comes from the line of Kirk Materne from Evercore ISI Kirk, your line is now open.

### Q - Kirk Materne {BIO 5771115 <GO>}

Thanks very much. I wanted to just double-click a little bit on your commentary on the platform, the expert platform powered by AI I mean clearly we've seen some of the benefits of that with TurboTax Live. There's been some discussion on the website about QuickBooks live and you guys testing that out. And I was just kind of wondering how we should think about the evolution on certain small business side around that narrative, and I know you're not going to give us any data points now, possibly but what should we be expecting to you perhaps at the Analyst Day or just give us some idea about how we can kind of hold to you guys or what we should expect for you all around the development of this narrative?

### A - Brad Smith {BIO 1721351 <GO>}

Great question. Thank you, Kirk. Couple of things I would say, one is we think about this opportunity starting with what's most important to our customers. And the biggest challenge that our customers face, consumers self-employed and small businesses is confidence. In fact you've heard us talk over the years around the opportunity around non-consumption. One of the drivers as to why people don't switch is because they're looking to interact with a human being to help them, do their taxes, their bookkeeping and advice. On the other side we've got enrolled agents pros and accountants that only serve customers within maybe a 10 to 50 mile radius max, and they don't like marketing and they don't like pursuing customers. And we believe that this informs a huge strategic opportunity we have to connect people to experts, to really go after non-consumption, to help our customers make ends meet, to help them run their business and be successful. So, I wanted to start there, because not only are we in the very early innings of TurboTax Live and what the opportunity that we have to transform the assisted category, that same opportunity exists when it comes to helping small businesses, get started and run their business. And we've been one leveraging the same common services that we built over the years for TurboTax Live to significantly accelerate building out QuickBooks Live. And we've been testing a QuickBooks Live over the last many months, and what we learned is very consistent with what we learned from consumers that are trying to do their taxes. They're looking for ways to get started and get set up. Some were actually looking for advice, I have payroll due on Friday, am I going to be able to make my payroll? What advice do you have for me? Some actually want the bookkeeper to actually take all their information, all their documents and set QuickBooks up for them, and then give them advice. So, we're learning a variety of things, and we believe that the opportunity is significant for our customers and the ARPU is actually quite significant, because the benefit is there. I would say on the other side, as we've been talking to enrolled agents, accountants, and pros. Once they understand what we're trying to do, they are very excited about this opportunity, because they see it as an opportunity to be able to grow their business, but do it through focusing on what matters most to them versus marketing. And so, the way we want all of you to think about, this is a big opportunity for us to connect people to experts on our platform, to go after consumers, self-employed, and

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small businesses and fundamentally digitize the services industry and build advantage across the company.

**Q - Kirk Materne** {BIO 5771115 <GO>}

It's really helpful. If I could just sneak in one from Michelle, sort of related on that topic, as we think about sort of the need for you guys to build out more AI services below this platform, I assume there's advantages for you all to work with AWS on that where you can sort of leverage them as well as add people on your side, so that this the narrative around growing operating income tax and revenue holds even as this platform narrative unfolds over the next couple of years? Thanks.

**A - Michelle Clatterbuck** {BIO 20314804 <GO>}

Thanks Kirk. Thanks for the question. Yes I mean, when we talk about our financial principles. I would start there and those really are truly durable and we are committed to the growing organic revenue double digit and operating income dollars faster than revenue as you mentioned. When you think specifically about something like the expert platform AI services on that yes, we have employed and continue to employ as we talked about an Investor Day. A number of data scientists, who are coming in to really help us continue to develop this critical capability. AWS is absolutely a key partner with us, we've moved them all of our customer facing apps to it already, we're continuing to move some of the back-end stuff and we expect that to take maybe another 18 to 24 months. But, they are absolutely a critical partner for us and we don't see that having an impact when we look at growing operating income.

**Q - Kirk Materne** {BIO 5771115 <GO>}

All right. Thanks so much.

**Operator**

Your next question comes from the line of Scott Schneeberger from Oppenheimer. Scott, you are now live. Scott Schneeberger, your line is now live.

**Q - Scott Schneeberger** {BIO 5302695 <GO>}

Thank you. Can you hear me?

**A - Brad Smith** {BIO 1721351 <GO>}

Good. Yes.

**Q - Scott Schneeberger** {BIO 5302695 <GO>}

Thanks. Good afternoon, everyone. Congratulations on the quarter. I want to ask in the consumer segment, your margin, someone asked earlier it was a little lighter than expected in third, but Michelle you pointed out that year-to-date it was about on track with last year. So my question is somewhat to the extent you could speak to this year you marketed TurboTax live in the early season, but you hadn't in the early season, last year.

You also had the four tiers of pricing in TurboTax Live this year. So, is there anything unique or interesting about that, that had an impact? And if you could elaborate a little bit on what you saw introducing the fourth tiers year-over-year, versus last year? Thanks.

**A - Michelle Clatterbuck** {BIO 20314804 <GO>}

Okay. Thank you, Scott. Thanks for the question. Actually where I'm going to start is, if I step back and look at TurboTax live, Sasan did mention earlier that this year we made the very deliberate decision to offer it across our lineup, it really then enabled folks from simple returns all the way up to very complex returns, to be able to have access to experts to really get the confidence they need to go through their tax filing situation.

So with that, we believe that that's absolutely the right thing for us to do and the right strategic decision. We didn't see a lower ARPC in that, but we believe that long-term with the opportunity that we have at TurboTax Live, that's the right thing to do for our customers.

If I think back to just margins overall, and we did talk about the consumer margins earlier. When I think about just CG margins in total there, we have marketed TurboTax Live this year at the very beginning of the season and we didn't do that last year. But we are continually making decisions around -- marketing decisions and where we apply marketing dollars, and how we do that throughout the tax season. So, there really wasn't anything dramatically different this year that would have impacted our margin.

But once again, I would tell you, I wouldn't focus overly on Consumer Group margin. We really do manage the margins at the total company level on an annual basis and so I really wouldn't get too hung up on what happened at beginning of season or end of season or between and amongst the quarters, I really would look more from a company standpoint on the annual basis.

**Q - Scott Schneeberger** {BIO 5302695 <GO>}

Thanks. Understood. Yeah, and certainly small business margins were impressive on a year-over-year basis. My follow-up is on the fourth quarter guide, it's a down \$0.16 to \$0.14 year-over-year. What was guided in the fourth quarter or the last time we saw performance of that low was fiscal '10. I'm just curious is there -- what are the drivers, is it timing or is it something that's impacting that? Thanks.

**A - Brad Smith** {BIO 1721351 <GO>}

Thanks for your question. We actually feel great about the momentum of the company and the momentum of online revenue growth especially in small business, because that's the majority of our revenue in the fourth quarter. So, in fact as I look back to the years that you're comparing it to you, we have more momentum now than we did then. So I feel great about the momentum of the business, the innovation coming out of the company and what we've guided.

The last thing, I would say is this could be comparing 606 to 605 accounting, and we believe that's probably, why you are comparing a set of numbers that may look odd. But

in terms of what we're guiding to in the momentum, it's never been stronger.

**Q - Scott Schneeberger** {BIO 5302695 <GO>}

Great. Thanks very much.

**Operator**

Your next question comes from the line of Jennifer Lowe from UBS Jennifer, your line is now open.

**Q - Jennifer Lowe** {BIO 6926228 <GO>}

Great. Maybe just a couple quick ones for me. First, looking at the growth in online services. You mentioned that your anniversarying TSheets, acquisition, but even with that, that was a pretty impressive growth number and it certainly looks like you're going to exit that inorganic benefit or sort of a higher growth rate than you were before that. Can you just talk a little bit about, what are the levers that are really working within the by that segment, is it payroll, is it payments, is it everything, just any color there would be very helpful?

**A - Brad Smith** {BIO 1721351 <GO>}

Hi Jennifer, thank you for your question. We're also very pleased with our online services growth. In fact, if you look back to where we are today versus about 18 months ago, is the first quarter of our fiscal year '18, we've more than doubled the growth rate. And really, it's very focused on what's most important to our customers, which is helping them grow, helping them get paid, helping them get access to capital, helping them pay their employees. We really think about our customer problems and how we solve them in context of services, whether it's accounting services, whether it's payment services, whether it's payroll services, capital, time tracking, and now expert services that we're going to be launching with QuickBooks Live. And so, the direct answer to your question is, it's really all the services that we've been investing in and focusing on, because they matter a lot to our customers, that's contributing to the online services growth that you're seeing, it's not any one thing, it's all of them.

**Q - Jennifer Lowe** {BIO 6926228 <GO>}

Great. And then, just a quick one. I know last year there was a lot of discussion around the first year of learning on the renewal rate of the self-employed users that came in through TurboTax attached. Now that we've got another year of history on that obviously the aggregated numbers look very good. But, I'm curious as you sort of explore that cohort, just any additional insights on how the retention trended this year and how you think about that going forward? That's it for me.

**A - Brad Smith** {BIO 1721351 <GO>}

Sure. Very good question. Let me make two different statements. One is the reason we're excited about this whole notion of being an AI driven expert platform, in context of the customer problems that I articulated. It's also about solving the interactions between

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customers on our platform, 40% of those that our small businesses hire are actually self-employed. And so, what we're solving for is to ensure that we can get as many customers on our platform as possible, because we find we have solved a particular pain point for them and in solving the interactions between those customers on our platform seamlessly, so it becomes the place where they run their time, they run their business, they run their life and so strategically I wanted to make sure you knew why the self-employed segment is so important. And it's not, we don't just view it as a segment on its own. With that, said in terms of the renewal rates now that we're a couple of years and it's in line with what we have assumed and of course at Investor Day, we will share more but it's very much in line with what we had assumed.

## Operator

Your next question comes from the line of Josh Beck from KeyBanc. Josh, your line is now open.

### Q - Josh Beck {BIO 17868061 <GO>}

Great. Thanks for taking the question. Obviously a really good success with TurboTax Live, more than tripling. I'm wondering, if you look underneath it the growth a little bit. Could you talk about the retention in those Live filers from the prior season and if they renewed that product SKU?

### A - Brad Smith {BIO 1721351 <GO>}

Hi Josh. Thank you for your question. What I would share is one as you said, we look at this as a \$20 billion TAM opportunity, where there's a huge confidence problem to solve, which is why we expanded across all of our SKUs, and we see it as an opportunity to get quick income for our pros and help them with their life. With that, said we love what we saw this year. As you said three extra growth on customers, 70% of the new customers came from the assisted method the prior year. And our NPS and the net promoters that up and to the right. We of course, at this point are not sharing the exact numbers that maybe something, that we share at Investor Day. But I think the take away you should have is on every dimension, customer growth, retention, NPS, for both the customers that we serve and the experts that are on the platform, serving our customers, very proud of the improvements our team's made.

### Q - Josh Beck {BIO 17868061 <GO>}

Okay. That's very helpful. And then I also wanted to ask about the success you had in the free side. When you look maybe more midterm or long term, does that in some ways increase the opportunity for monetizing Turbo or is that maybe not the one of the opportunities you see down the road?

### A - Brad Smith {BIO 1721351 <GO>}

Yeah the way to think about it, is really around what's most important to our customers and which is really about helping our customers make ends meet, and helping them get the largest tax refund and just finding ways to help them reduce their debt and increase their savings. And so when we think about free one, it's focused on a segment of the

marketplace where we believe they deserve to do their taxes for free, and therefore why we significantly improve the experience this year to ensure that we deliver against the standards, we expect of ourselves and they expect of us.

It then gives us the opportunity through Turbo with the customer's consent to help connect them to benefits that matter most. Because we are an agnostic platform. What, we care most about is ensuring that they have an opportunity to get savings accounts at the highest rates that they if they're going to get a personal loan it's at the best rate possible versus pushing our product. And that for us gets our heartbeats going faster, because it's squarely focused on the customer and what matters most.

The opportunity is actually significant. Just in the United States, consumers overpay in fees well over \$60 billion plus. And we have an opportunity to match them with products, financial products that are right for them at the lowest rates. And so we do see that as an opportunity to deliver for our customers and eventually a business opportunity.

**Q - Josh Beck** {BIO 17868061 <GO>}

Okay. Thank you so much. Very helpful.

## Operator

Your next question comes from the line of Sterling Auty from JPMorgan. Sterling, your line is now open.

**Q - Jackson Ader** {BIO 19832434 <GO>}

Great. Thanks. This is Jackson Ader on for Sterling tonight. Thanks for taking our questions. The first one Sasan, if you can just help us reconcile something. The 55 million users over the last five years that you said have paid nothing, how do we square that with the roughly 1.1 million, 1.2 million free filing alliance users, that you report on the tax sheet?

**A - Sasan Goodarzi** {BIO 15750219 <GO>}

Yeah, Jackson, thank you for your question. As I mentioned earlier, we have for the last 20 years supported customers that had certain income level and to be able to file for free. We do that directly with customers and we also do that through the IRS Free File program, and that's something that the IRS has done a wonderful job setting up with the entire industry. And so the 55 million includes both the free offering directly to customers and the free file offering. That's all in one when you look at the 55 million over the last five years.

**Q - Jackson Ader** {BIO 19832434 <GO>}

Understood. Okay. Thank you. Then follow-up question, how many filers in the U.S. you believe qualify for free filing on an annual basis?

**A - Sasan Goodarzi** {BIO 15750219 <GO>}

Our estimates is probably about over 100 million-ish or so, and this is a figure that we've talked about for years, that ultimately are eligible for free. And our other estimate is probably 20 million to 25 million of them actually use free, because customers had choice and they decide, if they want added benefits that goes beyond free. But those are the estimates that we have.

**Q - Jackson Ader** {BIO 19832434 <GO>}

Understood. Thank you.

**A - Brad Smith** {BIO 1721351 <GO>}

You're welcome.

## Operator

Your next question comes from the line of Ken Wong from Guggenheim Securities. Ken you are now live.

**Q - Ken Wong** {BIO 20723645 <GO>}

Great. Thanks for taking my question guys. Michelle, you guys mentioned that you had 30% increase in your TurboTax Live agent engagements, but also saw kind of no essentially no increase in the number of agents to actually process those claims. How should we think about the capacity going forward? Is that something that you think you can still extract some incremental efficiencies or looking next year that's an area, where you guys will probably have to staff up a little more?

**A - Michelle Clatterbuck** {BIO 20314804 <GO>}

Hi. Ken, thanks for the question. As we think about TurboTax Live and we continue to be very excited about the opportunity there when we look at just the \$20 billion opportunity assisted market and really helping customers have the confidence to file their tax returns and we do think there is a great opportunity.

As you mentioned, we did see an improvement this year with 3 times the customers and yet. We had the same number of pros at 2,000. And so obviously, we did have a couple of the operational efficiencies, that we deliver this year. Going forward, we continue to look for ways to improve that experience. We want to make sure that we are helping pros get set up as easy as possible. So making that smooth as possible and continuing to look at the tools they use, how we made those more efficient, really looking for ways to automate work for the pros and use augmented intelligence in the best way possible to help them with their interactions with the consumers.

**Q - Ken Wong** {BIO 20723645 <GO>}

Got it. And then this on one of the goals of the --or, I guess a couple of goals at the beginning of the year were to improve conversion at the top of funnel and then obviously increase retention as well, sounds like retention improved to expectations any comments on, how you guys did in terms of conversion at the top of funnel?



**A - Brad Smith** {BIO 1721351 <GO>}

Well, we'll look at sharing some of this at Investor Day. But I would tell you overall, we're pleased on every market that matters.

**Q - Ken Wong** {BIO 20723645 <GO>}

Got it. Fantastic. Thanks a lot guys.

**Operator**

Your next question comes from the line of Brent Thill from Jeffries. Brent, your line is now open.

**Q - Brent Thill** {BIO 1556691 <GO>}

Thanks, just on QuickBooks. I think, Michelle, you said that strategic direction of how you're looking at the metrics is changing that? I think many have noticed the growth rate is materially decelerating, but we've also noted some price increases from the fall up to now, I think you've raised prices on essential and plus list prices. Can you just talk through this dynamic of the decel, but also looking at price rises and how you're thinking about that as a whole?

**A - Michelle Clatterbuck** {BIO 20314804 <GO>}

Hi. Brent. Yes, thanks for the question on QBO Sub. QBO Sub this quarter were at 32%, which is slightly down, but we still feel that is a very strong number. We have continued to say that we expect the QBO Sub growth to moderate and when really look at what is driving the health of Small Business, it is truly online ecosystem revenue, and that is continuing to be a strong growth rate of 38% this quarter. Just to pick up on your price comment. We always look at our price increases. We don't have price increases that on any specific basis. We really look to continue to deliver the value for customers, and we measure those very carefully, we never want to take a price increase that isn't going to dramatically impact our customer retention. So, we look at those as we deliver more benefits to the customer and then we continue to watch on the retention side.

**Q - Brent Thill** {BIO 1556691 <GO>}

Thanks.

**Operator**

Your next question comes from the line of Raimo Lenschow from Barclays. Raimo, your line is now open.

**Q - Raimo Lenschow** {BIO 4664646 <GO>}

Hey, thanks for squeezing me in. Sasan, can I ask about Turbo, please? You mentioned 14 million users there and the 70 offerings. Can you talk and kind of what they do? Can you talk a little bit about what you're seeing there? Obviously, there's other guys that kind of

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have that same business model. Is it more like -- is it more on the mortgage side, more on the credit card side, like what are you seeing in terms of early trends there?

**A - Brad Smith** {BIO 1721351 <GO>}

Alright. Well, thanks for your question. So our singular focus is to help our customers make ends meet, when it comes to our vision with Turbo. And with the customer's consent, what we try to do is to learn what's most important to them and based on understanding their behaviors. We will connect them to financial products that are right for them. And remember we're in the very early innings of really understanding and learning what's most important to them. What's very differentiated for us is the customer is engaging with us at a very important moments, which is the tax refund moment. And it's an opportunity for us to learn from them, what do you want to do is your money? Do you want to actually save more money, well we will make offers such as hey you look like you have four credit cards, would you like to consolidate it, so one personal loan that can save you X amount of dollars. And here's by the way what you can afford.

So it's really focused on helping them make ends meet, reduce their debt and ultimately save more money. And our advantage is the fact that we know the customer we understand their behaviors and we are an agnostic platform to connect them to those products that matter most. And so we're very early, but we love what we're seeing and what we're learning and that is informing our game plan as we look ahead.

**Q - Raimo Lenschow** {BIO 4664646 <GO>}

Perfect. And if I might squeeze in one follow-up. This tax season I mean -- with this, keep in mind, is this -- was this the first one you have fully on AWS. And what was the pros and cons you saw from that one or just did you have some duplications? So, thank you.

**A - Brad Smith** {BIO 1721351 <GO>}

Sure. It's our second year on AWS and we had a, what I would call and our teams would call an epic finish with the number of concurrent users at the end of the season, the performance, the availability was the best we have ever seen. And one elements of it is that our teams did an increamental job, making sure the experience was an awesome experience, but two, we credit being on AWS, the fact that we can handle those kinds of volumes, but it was our second year and it was a great outcome.

**Q - Raimo Lenschow** {BIO 4664646 <GO>}

Perfect. Thank you. Well done.

**Operator**

Your next question comes from the line of Chris Merwin from Goldman Sachs. Chris, you are now live.

**Q - Gross Mervin**

Okay. Thanks a lot. Yeah, just a couple of from me if I could. I guess, the first is on the TurboTax Live marketing campaign. And I was wondering, if you could just comment on how that performed relative to your expectations? I know the growth you saw year-on-year was very strong. So, just any detail you could share there. And I guess, also how you're thinking about continuing to invest in marketing behind TurboTax Live to continue to disrupt that assisted tax category? And then I have a quick follow-up.

**A - Brad Smith** {BIO 1721351 <GO>}

Hi, Chris. Thanks for your question. In terms of raising awareness, we take a very strategic approach to our campaigns and really the focus right now has been to raise awareness to help consumers understand that there is a different way, that there could be a better way, given their tax situation. And given the campaign this year, it actually worked very well. We look at mix modeling, marketing modeling and to understand how -- what the returns were for the dollars that we spent, and the effectiveness of the campaign.

And we really like the metrics that we have seen, and we'll be doing more deep dives to understand what that will inform for next year. But the way you should be thinking about it, is just this is the beginning of a multi-year and decade campaign to raise awareness, delivering awesome experiences to more customers tell one another and then shifting the elements of the campaign from just simple awareness to effectiveness. But thus far we've enjoyed what we've seen.

**Q - Gross Mervin**

Okay, great. And then the follow-up was just on revenue per return I think it was a low double-digits in the 2Q, but more like low singles in the 3Q and you talked about the decision obviously to optimize the user experience which resulted in more Free Filers in Q3, but were those changes live in Q2 as well and just curious, why there is I guess such a big Delta between the growth in revenue per return between 2Q and 3Q? Thanks.

**A - Brad Smith** {BIO 1721351 <GO>}

Sure, is this is your question around TurboTax Live versus TurboTax?

**Q - Gross Mervin**

Just the overall kind of changes you made to promote more free filing, across the total platform.

**A - Brad Smith** {BIO 1721351 <GO>}

Got it, thank you for the question. So two things -- two things that I would say. One is based on the decisions that we made to accelerate free and the decisions that we made to have TurboTax Live across the lineup, in essence of our ARPC would have been several points higher if we chose not to make that decision but we don't solve for ARPC, what we're solving for is accelerated customer growth and making sure that we grow the revenue double digits and ensuring that operating income grows faster than revenue. So, I would just focus on those principles, but I would just end with again saying ARPC would have been several points higher, if we have not made those decisions on free.

## Q - Gross Mervin

Okay, understood. Thanks very much.

## Operator

Your next question comes from the line of Kartik Mehta from Northcoast Research. Kartik, your line is now open.

## Q - Kartik Mehta {BIO 2038331 <GO>}

Hey, good evening Sasan. Just a couple of questions on TurboTax Live. As you watch the progression of that product and tested price points. Well, what is your thoughts on price elasticity for the product? Do you think there's an opportunity that it's providing value that you can raise prices or do you think this is a product where you might have to lower prices and you'll get a lot more quantity or users?

## A - Brad Smith {BIO 1721351 <GO>}

Hi Kartik, thanks for your question. This is a \$20 billion TAM, 90 million customers. Our number one focus is facing the experience for our customers to help them build confidence, acing the experience for our pros that they do a spectacular job delivering for our customers and there is so much more room for growth here. The least of our focus is pricing, although we think about that. It's about solving the problem well, because we believe that there's so much headroom for growth. We do believe there is certainly headroom for price increases, but we're just so early and it's such a huge TAM that we just believe the opportunity is to nail the experience and get as many customers to use the platform as possible, so it goes viral and they tell others.

## Q - Kartik Mehta {BIO 2038331 <GO>}

Okay. And Michelle. Just one more question on margin, as it relates to TurboTax Live. You talked a lot about automating the process, AI I'm wondering, how close you think TurboTax Live margins can get to just traditional TurboTax, since there is human intervention obviously in the TurboTax Live, I'm just wondering how close you can get by using AI and automation?

## A - Michelle Clatterbuck {BIO 20314804 <GO>}

Thanks Kartik, I appreciate the question on TurboTax Live. One of the things that has really helped us, when we think about TurboTax Live. Number one, I mean, last year was the first year, this year as we said a number of times we've driven a ton of efficiencies with 3x a customers and yet the same number of pros. But, we really continue to look at how do we use automation and how do we use augmented intelligence to drive it. Another thing I would say is we have focused a lot on using technology here and really focusing on technology first, then bringing in the expert to help, which has enabled us to be in potentially a different margin range than most people may with this type of an offering. So, we're very pleased with the margins we're seeing, and as Sasan just mentioned, there's just so much opportunity here right now. We are really focused on how do we continue to bring customers and continue to just deliver that great experience.

**Q - Kartik Mehta** {BIO 2038331 <GO>}

Alright. Hey, thanks, Michelle and Sasan. I appreciate it.

**A - Sasan Goodarzi** {BIO 15750219 <GO>}

Thank you.

**Operator**

Your next question comes from the line of Michael Turrin from Deutsche Bank. Michael, your line is now open.

**Q - Michael Turrin** {BIO 20079094 <GO>}

Hey, there. Thanks and good afternoon. Just one from me. Following up on the QBO subs question earlier. I appreciate you've been signaling that growth rate is expected to moderate, but looks like it's happening a bit more on the US side. Is there anything you can add in terms of expectations following that split between US And international could stack up in terms of a more normalized growth profile going forward? And then on the international side, any specific goes to call out there in terms of contribution? Thanks.

**A - Brad Smith** {BIO 1721351 <GO>}

Hi, Michael. Thanks for the question. First of all, the reason we've talked about watching online ecosystem revenue growth of 30% plus, is, it gets to a place where how do you count sub? Because we have SE subs, we have QBO subs, we're now looking at TSheets subs, we have payment subs. So there is one element that is how do you count sub and so we want to make sure that we actually provide you all a very clear flagpole of what to watch for.

The second is we're actually very pleased with our progress in the US., because while we've been focused on self-employed which has seen very good growth, we're really focused on accelerating our focus into midmarket. And so when we look at the growth rate in the US of 25%, given the mix of customers that we're actually focused on going after and specifically the services that we're focused on going after, we're very pleased with it. And I think ultimately the bang box to your question is I would focus on online ecosystem revenue growth, because that is the best indication for the health of the franchise.

And the second part of your question, I apologize I did not answer yet, which is the geographies. We are very pleased with our progress in UK, Canada, and Australia and we are making very good progress in getting to product-market fit in France and in Brazil.

**Q - Michael Turrin** {BIO 20079094 <GO>}

Helpful. Thank you.

**Operator**

Your next question comes from the line of Walter Pritchard from Citi. Walter, you are now live.

**Q - Walter Pritchard** {BIO 4672133 <GO>}

Hi. Thanks. Just -- most questions have been answered here. But two quick ones. One on, I think there's a fear to begin the season possibly that you see more trade down from customers, who had simplified filings and go into the standardized deduction, moving to free, you did have a strong performance on free. Could you help us understand in the context of which you ended up seeing in tax season, how the trade down effects either impacted did impact the numbers?

**A - Brad Smith** {BIO 1721351 <GO>}

Hi, Walter. The trade down effect did not affect our expectations. It was within our expectations. It was the deliberate decision that we made, which was again in context of our durable strategy of delivering the best free offering ever, which was around including year-over-year data transfer for free and extending free for the entire season, that really impacted our ARPC, but the -- and again that was all very deliberate and we're pleased with what we saw, but really trade down was not a driver relative to our expectations. It was within our expectations.

**Q - Walter Pritchard** {BIO 4672133 <GO>}

Got it. Great. And then on advance, I'm curious how much of -- I know it's early, what percentage of those customers are you seeing to sort of a direct conversion of QuickBooks, QuickBooks online and QuickBooks desktop? And how much of it sorted out, planned had a displacement with other kind of mid-market financial accounting packages and other sources?

**A - Brad Smith** {BIO 1721351 <GO>}

Yes. Thank you for the question. First of all, I'll start with is around 70/30, 70% existing, 30% new, only because we really haven't yet aggressively pursued new, because we've actually been focused on building out the platform. The reason the mix is so much existing is, we have about 180,000 or so QBO customers that are actually kind of in that mid-market range, they're looking to be able to do a batch invoicing, they're looking to be able to have roles and permissions. And we've been aggressively build out -- building out the platform. So we can ultimately migrate those customers a platform that they are happier with and then we will shift more aggressively to go after new customers. Desktop is not really playing a role just yet because those desktop customers are really looking for inventory capability, which we will build out as we over time begin to more aggressively focus on product based businesses.

**Q - Walter Pritchard** {BIO 4672133 <GO>}

Got it. Great, thanks, Sasan.

**A - Sasan Goodarzi** {BIO 15750219 <GO>}

Thanks, Walter.

## Operator

Your next question comes from comes from the line of Yao Chew from RBC. Your line is now open.

### Q - Yao Chew {BIO 3406868 <GO>}

Hi everyone, thanks for taking my question. And squeeze me in at the end here. Two quick ones would picked up a late season TurboTax Live pro SKU. Just any comment on that was the meaningful impact and how to think about that, like in terms of attach or build out and the other one, I guess is lots of discussion around TurboTax Live, but we view this very much as a multi-year phenomenon. Is there a way to think about an upper bound of the attached on a three-year basis of five-year basis. And the nature of investment needed to get there in broad strokes would be helpful. Thank you.

### A - Brad Smith {BIO 1721351 <GO>}

Hi, thank you for your question. I'll start with your first one which is we're always experimenting as I mentioned earlier with a \$20 billion market opportunity, 90 million customers most of which use the assisted category because of a lack of confidence, really our initial focus was helping those that may just want to use TurboTax but are looking for help on demand. We are also testing in essence full service, which is will do it for you if that's what you want us to do and that's the test it sounds like you fell into and we're early and our insights and learnings to see what's the future brings based on what's most important to our customers.

In terms of TurboTax Live, we don't think about it in terms of attach, we think about it, in terms of what's most important to our customers because there are some customers that come in and right off the bat they want to ensure that they have help along the way. Over time, it could be those that also come in, and are look for a full service offering. So, we don't think about it in context of attach, we think about it in context of the segment of customers that have higher doubt fear and uncertainty and are looking for an essence expertise and help. In terms of how to think about, how to model it Michelle, I think did a really nice job earlier around the way you all would-- I mean the way we would want you all to be thinking about this opportunity for us. We are putting our best and brightest engineers on solving this problem through an AI driven expert platform. It's all about applying technology to solve this problem very-very well. Not only for the customer but for the expert. So we should not think about this opportunity as a typical human capital business. We should think about this as completely digitizing services and experts having AI driven power tools at their fingertips to be able to serve customers very-very easily and in fact the more we learn by solving this two-sided problem, we actually make the platform better. So that the customer gets the answers, to the questions much-much more rapidly, so I think the way to think about this is just a huge opportunity for us to drive revenue growth and think about our margins in the way to model at the company level, which is the guidance that we provided.

### Q - Yao Chew {BIO 3406868 <GO>}

Thank you, that's very helpful.

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**A - Brad Smith** {BIO 1721351 <GO>}

Well. with that being.

## Operator

Ladies and gentlemen, I am not showing any further questions. Would you like to close with any additional remark.

**A - Brad Smith** {BIO 1721351 <GO>}

Yes. Thank you, and I apologize for interrupting you, first of all I want to thank everyone for the great discussion and the great questions. I just want to leave you with the notion of we are very excited about our strategy of an AI driven expert platform. We have incredible confidence in our segments, incredible confidence in the progress of the company and we look forward to sharing more in the upcoming quarters at Investor Day and we hope everybody has a wonderful rest of the day and week. Thank you.

## Operator

Ladies and gentlemen, thank you for participating. This concludes today's conference call. You may now disconnect.

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