Bloomberg Transcript

Company Name: Intuit Company Ticker: INTU US

Date: 2018-08-23

Event Description: Q4 2018 Earnings Call

Market Cap: 54,512.18 Current PX: 212.45 YTD Change(\$): +54.67

YTD Change(%): +34.650

Bloomberg Estimates - EPS
Current Quarter: 0.157
Current Year: 6.484
Bloomberg Estimates - Sales
Current Quarter: 987.400

Current Year: 6548.267

Q4 2018 Earnings Call

Company Participants

- Jerry Natoli
- · Brad D. Smith
- Michelle Clatterbuck
- · Sasan K. Goodarzi

Other Participants

- · Sanjit K. Singh
- · Matthew Charles Pfau
- · Jennifer Swanson Lowe
- Brent Thill
- Ross MacMillan
- · Jesse Hulsing
- Kartik Mehta
- Walter H. Pritchard
- Sterling Auty
- · Siti Panigrahi
- James Macdonald
- Ken Wong
- Brad Robert Reback
- Michael Millman

MANAGEMENT DISCUSSION SECTION

Jerry Natoli

Adoption of Revenue Recognition Standard

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

We are reporting FY2018 results today, under the historical revenue recognition standard ASC 605

We adopted the new revenue recognition standard ASC 606 in FY2019 which began August 1, 2018

We elected to adopt ASC 606 under the full retrospective model for comparability and we have provided restated financials for FYs 2017 and 2018 in the press release issued today and on our fact sheet

We also posted a slide deck to the Investor Relations section of Intuit's website at intuit.com highlighting the significant changes under ASC 606

Michelle will discuss the impact of this change during her prepared remarks

Unless otherwise noted, all growth rates refer to the current period vs. the comparable prior-year period and the business metrics and associated growth rates refer to worldwide business metrics



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Brad D. Smith

Opening Comments

As you read in our press release today, I'll be stepping down as the CEO of Intuit at the end of 2018 and will continue to serve as our Executive Chairman

I'm happy to announce that Sasan Goodarzi will become Intuit's next CEO on January 1, 2019

· Sasan is also with us on the call today

I'll share more thoughts about Sasan and why I feel it's the right time to pass the baton to him in January at the end of this call

• But first, let's talk about our results in FY2018 and our outlook for FY2019

Q4 FY2018 Results

Revenue Growth Drivers

- We had an excellent fourth quarter, capping off a very strong FY2018
- Fourth quarter revenue grew 17% and full year revenue grew 15%
- We are one year into a multi-year change journey and our results affirm that our refresh One Intuit Ecosystem strategy is positioning the company for durable growth as we look ahead
- Revenue growth accelerated across our businesses in FY2018
- This growth was fueled by:
 - 18% growth in the Small Business and Self-Employed Group
 - And 14% growth in the Consumer Group
- As you can see reflected in our guidance for FY2019, we expect to deliver another year of strong revenue growth in the coming year

Segment Group Results

With that overview, let me share some observations on our business performance

We delivered another successful quarter in our Small Business and Self-Employed Group

Online Ecosystem

Revenue Drivers

- Online Ecosystem revenue grew 43% in Q4 and 40% for the FY, exceeding our target to grow better than 30%
- We added over one million QuickBooks Online subscribers in FY2018, exiting with more than 3.4mm subscribers, a 43% increase y-over-y
- Growth remained strong across multiple geographies, with:



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- U.S. subscribers growing 38% to approximately 2.6mm
- And international subscribers growing 62% to over 800,000
- Within QuickBooks Online, Self-Employed subscribers grew to nearly 720,000, up from roughly 390,000 just one year ago
- As we move into FY2019, we're placing a greater focus on additional services and penetrating a broader range of customers
- Online Ecosystem revenue growth has emerged as the best gauge of health and success of this business, and it now represents more than \$1B

Outlook

- Even at this scale, we continue to expect Online Ecosystem revenue to exceed 30% growth y-over-y, with subscriber growth beginning to moderate some as we shift our emphasis in the next chapter of the business model evolution
- With the focus on Online Ecosystem revenue growth, we will no longer be providing forward-looking guidance for subscriber growth, but we will continue to share our actual QuickBooks Online subscriber count on our fact sheet

Consumer Group

- · Turning to the Consumer Group
- As we shared last quarter, we had a successful tax season
- · Consumer revenue grew 14% in FY2018 as innovation drove customer and revenue growth
 - And we made encouraging progress behind each of our strategic priorities
- · Our team is actively developing the next wave of innovation to better serve our customers next season
- We're excited about the opportunities ahead for TurboTax Live to further transform the Assisted category and for our Turbo and Mint offerings to expand our business beyond tax

Tax Legislation Changes

- With regards to the external environment, I want to share our thoughts on the tax legislation changes that go into effect next season
- We have long advocated for tax simplification
- We think anything that makes taxes easier to understand is good for consumers
- As you know, the new legislation increased the standard deduction, so a larger number of people won't be required to itemize their deductions
- This change does introduce some trade down risk from our paid to our free offering, but in aggregate, we believe tax simplification will be an overall catalyst for DIY category and TurboTax growth as more assisted customers choose to adopt digital solutions
 - In addition, the Internal Revenue Service has been working on developing a streamlined tax filing form, consisting of one summary form and six supporting schedules



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- We're working closely with the IRS to fully understand the changes to the 1040 forms and we'll ensure that all of our forms and our products are up-to-date as we do every year
- We'll share more information later this year when we introduce our offerings for next season

Strategic Partner Group

- In the Strategic Partner Group, our professional tax revenue was slightly ahead of our expectations as revenue grew 4% in FY2018
- · We continue to focus on multi-service accounting firms that do both books and taxes
 - This enables us to drive our accountant's success, while growing our Small Business ecosystem at the same time
- Putting a bow around FY2018, we're one year into our refreshed One Intuit Ecosystem strategy with our business
 gaining momentum and significant opportunity ahead
- We're activating our ecosystem by connecting our customers, our partners, and our products across product lines, through value-creating solutions
- · This includes offerings such as our:
 - ProAdvisor matchmaking platform
 - · TurboTax Live
 - And our TurboTax Self-Employed bundle
- We see many more opportunities to connect our ecosystem with newer offerings, such as QuickBooks Capital and Turbo as well as others on the horizon
- · We'll share our progress on each of these offerings at our upcoming Investor Day

Michelle Clatterbuck

Financial Results

As Jerry mentioned at the beginning of the call, I'll review our fourth quarter and FY2018 results under ASC 605

 I'll also provide guidance under both the new revenue recognition standard, ASC 606, and historical standard ASC 605 for comparability

Q4 FY2018 Earnings Summary

- · Let's start with results for Q4 FY2018
- · We delivered:
 - Revenue of \$988mm, up 17% y-over-y
 - A GAAP operating loss of \$81mm vs. \$10mm loss a year ago
 - Non-GAAP operating income of \$104mm vs. \$78mm last year
 - GAAP diluted EPS of \$0.18 vs. \$0.09 a year ago



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And non-GAAP diluted EPS of \$0.32, up 60% vs. \$0.20 last year

FY2018 Earnings Summary

- For full FY2018: we delivered:
 - Revenue of \$6B, up 15% y-over-y
 - GAAP operating income of \$1.5B, vs. \$1.4B a year ago
 - Non-GAAP operating income of \$2B, up 14% vs. last year
 - GAAP diluted EPS of \$4.64, up 25% vs. \$3.72 last year
 - And non-GAAP diluted EPS of \$5.61, up 27% vs. \$4.41 last year
- As previously announced, our GAAP EPS for Q4 and FY2018 include \$79mm charge from the sale of our data center in Quincy, Washington
 - · The impact of this charge on net income and EPS was offset by tax benefits that we recognized in the quarter

Segment Business Performance

Small Business and Self-Employed Group

- Turning to the business segments, total Small Business and Self-Employed revenue grew 20% for the quarter and 18% for the year
 - This compared to 14% growth in FY2017

Online Ecosystem

- Online Ecosystem revenue growth remained strong and grew 43% in Q4, up from 41% in Q3
- For FY2018, Online Ecosystem revenue grew 40%, up from 30% in FY2017
- QuickBooks Online subscribers grew 43%, ending the quarter with over 3.4mm subscribers
- As Brad mentioned, 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%

Desktop Ecosystem

- Desktop Ecosystem revenue grew 7% in Q4 and in the FY2018
- Desktop units fell 7% in Q4 and 15% in FY2018, which was in line with our expectations
- For FY2019, we expect QuickBooks Desktop units to decline single-digits, and Desktop Ecosystem revenue to be roughly flat
- Including both Online and Desktop customers, our total QuickBooks paying customers grew 26% in FY2018
- Total QuickBooks paying customers includes QuickBooks Online customers, QuickBooks Desktop units and QuickBooks Desktop subscribers



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Consumer Group

- The Consumer Group had a strong year with revenue up 14%, compared to 8% revenue growth in FY2017
- TurboTax units grew 4% and TurboTax Online units were up 6%

Strategic Partner Group

- The Strategic Partner Group posted \$453mm of professional tax revenue for FY2018, up 4%
- Turning to our financial principles, we continue to take a disciplined approach to capital management, investing the cash we generate and opportunities that yield a return on investment greater than 15%

Business Priorities

- During FY2018, we focused on reallocating resources to strengthen our investments in several key priorities, including:
 - Increasing our capability in artificial intelligence and machine learning
 - Accelerating our transition to Amazon Web Services
 - Enhancing our brand and marketing effectiveness globally
 - And enabling our engineering organization to increase effectiveness and efficiency
- At the beginning of FY2018, we told you that we expect these initiatives to set us up to deliver strong growth in the coming years
- We saw this momentum begin in FY2018

Revenue and Operating Income

- Revenue growth accelerated approximately 5 points to 15%
- GAAP operating income grew 7%, including the \$79mm charge from the sale of our data center
 - Non-GAAP operating income growth accelerated approximately 2 points to 14%

Balance Sheet Summary

We finished the year with \$1.7B in cash and investments on our balance sheet

Our first priority for that cash remains investing in the business to drive customer and revenue growth

· Next, we use acquisitions to accelerate our growth and fill out our product road map

We return excess cash that we can't invest profitably in the business to shareholders via both share repurchases and dividends

We repurchased over \$270mm of stock during FY2018

The board approved a new \$2B repurchase authorization, giving us a total authorization of \$3.2B to repurchase shares, including the remaining amount on our prior authorization

The board approved a quarterly dividend of \$0.47 per share, payable October 18, 2018



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• This represents a 21% increase vs. last year

Impact of Adoption of ASC 606

As I mentioned, we are adopting ASC 606, the new accounting standard for revenue recognition in FY2019

We will be reporting our results under this standard going forward and will be restating the financial statements of previous years to provide comparability

The new standard will result in an increase in revenue for FY2018 of \$61mm, and a decrease in expected revenue of \$30mm in FY2019

While we're changing how we account for revenue under ASC 606, this is an accounting change only and has no impact on customer billings or cash flow

• In addition, how we recognize revenue for all online offerings, supplies and desktop payroll and payments will not change

What will change under the new rules is how we account for revenue associated with QuickBooks Desktop units, QuickBooks desktop subscription offerings, and consumer and professional tax desktop offerings

I'll highlight the changes briefly, but please review the materials in the Investor section of our website for more detail

The primary change for our QuickBooks Desktop unit and subscription offerings under ASC 606 is that more revenue will be recorded in earlier periods

• The primary change for our consumer and professional tax desktop offerings is that more revenue will be recognized at the beginning of the tax season under ASC 606

We expect the net impact of adopting ASC 606 to be approximately a 2 point reduction in our revenue growth in FY2019 vs. the prior standard

Guidance

Q1 FY2019

- Under ASC 606, Q1 FY2019 guidance includes: revenue growth of 5% to 7%; a GAAP loss per share of \$0.17 to \$0.19; and non-GAAP EPS of \$0.09 to \$0.11
- While we're not providing quarterly guidance under ASC 606, our Q1 FY2019 revenue guidance would have been approximately \$30mm higher than it is under ASC 606
- You can find additional Q1 and FY2019 guidance details under ASC 606 in our press release and on our fact sheet
- And just one more comment on Q1
- We expect Desktop Ecosystem revenue to decline single-digits in Q1 of FY2019
 - This reflects a change we made in FY2018, moving our QuickBooks Enterprise subscription offering from a perpetual license to a term license to better serve our customers

FY2019

 Under ASC 606, our full year FY2019 guidance includes total company revenue growth of 8% to 10%, GAAP EPS of \$5.25 to \$5.35, and non-GAAP EPS of \$6.40 to \$6.50



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- We expect a GAAP tax rate of 21%, and a non-GAAP tax rate of 23% for FY2019
- To help you compare with the forecasts you have in your models, we're also providing guidance under ASC 605
- Our full year FY2019 guidance under the historical ASC 605 standard includes total company revenue growth of 10% to 12%, GAAP EPS of \$5.35 to \$5.45, and non-GAAP EPS of \$6.50 to \$6.60

Brad D. Smith

Business Summary

In summary, we delivered a strong year in FY2018, posting a faster pace of revenue growth than we have seen in several years, as our One Intuit Ecosystem strategy takes shape

We continue to have our sight set on next year and beyond, as we pursue our mission of powering prosperity around the world

Management Transition Update

New CEO

- With that overview, let's now shift to the other news we announced today
- · Sasan is the right executive to lead Intuit in our next chapter
- During his 13 years with the company, he has successfully led each of our major businesses and served as our Chief Information Officer
- He's been instrumental in the transformation of our company and a key architect of our One Intuit Ecosystem strategy
- · He leads with intellectual curiosity and humility, as well as strategic and operational rigor
- · At every stop, Sasan has built high-performing and highly engaged teams who deliver amazing results
 - I am confident in his ability to lead the company to new heights, and I'm looking forward to working with him in his new role

New GM of Small Business and Self-Employed Group

- When Sasan steps into the role of CEO on January 1, he will be succeeded by Alex Chriss as the General Manager of the Small Business and Self-Employed Group
- Alex is another Intuit veteran with a stellar track record of success over the past 14 years
- We also announced today that Tayloe Stansbury will be stepping down as our Chief Technology Officer on January 1, 2019
 - This move is another thoughtful transition in a multiyear succession planning process that has been in the works for some time
- I want to thank Tayloe for his many contributions over the past nine years, having led our evolution to a platform company, advanced our leadership in artificial intelligence and machine learning, and accelerated our journey to the cloud



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 Tayloe has built an amazing leadership bench, which successfully prepared Marianna Tessel, our current Chief Product Development Officer for the Small Business and Self-Employed Group, to be his successor as CTO in January

Closing Remarks

And on a personal note, it has been a privilege to serve as Intuit's CEO since 2008

Together we've built on the strong foundation that those before us had put in place

We've transformed the company from a North American desktop software company to a global cloud-driven products and platform company

We delivered consistent top line and bottom line growth, and we've cultivated a strong and enduring culture of innovation and self-disruption

QUESTION AND ANSWER SECTION

- <**Q Sanjit K. Singh>**: Brad, maybe you could start with the tax. This year was a very strong year, and you guys saw a lot of uptake with TurboTax Live. As you think about the tax changes going into next year, with maybe a little more of the demand coming from simpler tax filings, what do you think the implications are for the TurboTax Live portion in terms of the benefit that you could see from that portion of Consumer tax?
- < A Brad D. Smith>: I would tell you, we're very encouraged by this year's performance in TurboTax Live, and we're optimistic about the opportunities as we look ahead. As you know, just to put context around this, today, there are more people who file using an assisted tax prep method than those who use do-it-yourself. And we discovered tens of millions who have been willing to actually use a do-it-yourself solution if they had the access to an expert to answer some question that they may have in the back of their minds.

So it opens up \$20B TAM, and when we introduced TurboTax Live this year, we had two hypotheses. The first is, could we actually retain more of those 3mm customers who leave us each year when they have a life event change like they had a baby or they sold stock, and I'm proud to tell you that we improved our retention very strongly in this past tax season, we'll talk more about that at Investor Day.

The second hypothesis was, could we start to attract more people out of tax stores and assisted methods into TurboTax or TurboTax Live, and this year, TurboTax Live did indeed increase a 10% acquisition of customers out of an assisted method vs. the standard TurboTax Online offering. So both hypotheses proved to be true, but there was one other surprise that occurred in tax season.

Each year, three to five million people enter the tax filing process for the first time. We have always gotten our fair share with digital solutions, but with TurboTax Live, we've actually pulled a disproportionate share of first-time filers into the franchise, so we're seeing an improvement in retention, we're seeing an acquisition increase from those who were using assisted methods, and we're seeing a disproportionate share of first-time filers. That gives us a lot of confidence that next year and beyond, TurboTax Live could potentially be a game changer if we continue to execute well.

- <Q Sanjit K. Singh>: That's really interesting. And maybe just if I can sneak in one more on the QBO side, you mentioned in your script that growth might slow a little bit next year vs. the strong growth you saw last year. How does that relate to your overall expansion efforts, particularly on the international side and also with QuickBooks Self-Employed? Are those international markets slower to ramp, or are you starting to see some slowdown on all the Self-Employed side as well?
- < A Brad D. Smith>: Yeah. I appreciate the question, and let me set some context around why we've made this decision. We're at the next chapter of the business model evolution in QuickBooks Online, and we do fundamentally believe that the Online Ecosystem revenue growth is the appropriate measure for health going forward, and let me

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explain why.

First and foremost, we're now starting to serve an expanded group of customers from the Self-Employed to the core QBO, both U.S. and international, and now we're expanding into what we used to call the mid-market or enterprise space with QuickBooks Online Advanced. We're going to be talking more about that in the fall, and so you're going to have an expanded group of customers, each coming in with a different revenue stream.

On the other side, we have our Online services, which you probably saw accelerate in this quarter, very strong growth, 34% growth. That's not only Payroll and Payments attached, we're also beginning to introduce those services as their own standalone front doors that can ultimately unlock the QuickBooks Online, so think of things like GoPayment or Online Payroll.

When you start to put that together, it starts to muddy what's the definition of a subscriber, and so at the end of the day, what we know matters most is that we are delighting customers and we measure Net Promoter that we are taking market share in every geography, which we measure very intently, and that we are indeed accelerating revenue growth, and it's those three measures that we think are the best indicator of whether we're growing our franchise.

I'll give you this as a little sort of mindset that we're thinking about. I personally will be disappointed if we do not at least meet or exceed the number of net new subscribers we add in QuickBooks Online next year, and this year as I mentioned in my opening comments, we added one million net new subscribers, so that ought to give you some ballpark of what we mean when we say moderating growth. This is still very strong growth with a business that's accelerating.

<Q - Matthew Charles Pfau>: Wanted to hit a few on the tax side. So I guess just in terms of – and Brad, you mentioned that part of the guidance for the Consumer Group is more of a shift from the assisted category to do-it-yourself, so I guess, what drives – even though the tax code has become simpler now, what sort of drives those assisted customers into the do-it-yourself channel? And then I guess, in terms of the way you guys thought about the upcoming tax season, every time they make the tax code simpler, it creates more confusion sometimes, so how did you sort of factor in, I guess, consumer response to maybe being a bit more confused, even though the tax code has become simpler? Thanks.

<A - Brad D. Smith>: Yeah, I appreciate it, Matt. So first of all, we've seen a secular shift to do-it-yourself over the past decade plus, if you just look at the numbers the IRS publishes each year. That do-it-yourself category has outpaced the assisted category, whether it's tax stores or CPAs pretty significantly, and then with TurboTax Live, we think we've untapped a whole new source of growth, because we've always discovered there were tens of millions of people going to an assisted tax prep method, who had a simple unanswered question. Hey, my kid just turned 26, can I still claim them as a deduction? And we found that with the touch of a screen, to have the opportunity to have an expert come in to that experience, answer that question, allowed us to start to get more of those customers into the category.

So as we look ahead, we think a combination of two things. The government's simplification of the tax process now has more people saying, I qualify for a standard deduction, why am I paying someone I could actually be doing taxes on my own? I should consider a do-it-yourself solution. And then for those who say, hey, I think I can do this, but I may have a question, we're going to make it very apparent with a lot of delighted customers who are willing to go out there on our behalf and talk about how great the service is to say you no longer have to choose. You can use TurboTax and get the access to an expert, but you don't have to drive to a store. You can do it from the convenience of your home in your pajamas if you want to. And so it's those two things that fundamentally give us confidence, and we have reasons to believe coming out of this tax season.

And you're correct, any time there is a change, there is always a desire for people to say, gosh, do I have enough here to get this done on my own? And we're going to have competitors who are going to try to stir up fear, uncertainty, and doubt, but as you saw with the Affordable Care Act several years ago, a lot of people said, well, this caused people to lose confidence and that was actually one of the greatest accelerators of growth we've had in our franchise. Our team is poised to sort through that fear, uncertainty, and doubt and let people know that we have an answer for them, whether they want to do it themselves or access an expert.

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<**Q - Jennifer Swanson Lowe>**: Thank you. And first, I'd like to say, Brad, we're going to miss you. I know you're still around for a couple more quarters, but you've been a big presence for a lot of us for a while, but I look forward to working with you, Sasan, going forward, so just want to say that first.

And maybe digging into – maybe following up on Sanjit's question a little bit and around the strength that you're seeing in the Online services revenue line, I know few years ago, the message with the QuickBooks Online transition was the opportunity to get higher attach rates with Payments, higher attach rates with Payroll, since in the disclosures have been collapsed a bit, and it hasn't been as much of a discussion point at least on the earnings calls.

So maybe just circling back on your comments there, if you'd think about the acceleration there, is that it? Is that sort of the original vision of QuickBooks Online of having greater attach rates around today's services starting to play out a little later than maybe we thought it would, or is there something beyond that that's happening in that line segment? I know you mentioned some of their own front doors commentary, but I'm just trying to contextualize that vs. that being a similar ambition a few years ago that maybe didn't play out as we had hoped originally.

< A - Brad D. Smith>: Thank you, Jennifer, and first of all, thank you for your kind comments, and you're right. I'll be here for a couple more quarters, and then the junior varsity will exit, and the varsity will take the field, and I'm excited to have Sasan stepping in. If you go back and think about our model over the years, it's been a razor and blade model, and the first thing is to get the razors, and then after that, attach the blades, and we played that out very well over a desktop era.

As we've moved into online, we are still aggressively getting razors. We're opening new markets. We're going into the Self-Employed, and now we're moving up into the mid-market with QuickBooks Online Advanced, but at the same time, we've gotten wiser in how to really capitalize on services. This past quarter, Online Payroll attached to QuickBooks Online grew faster than 30%, and Payments grew faster than 40%. Now you introduce these new opportunities to have those services be the first experience for a customer, whether it's GoPayments for payments or it's Payroll, and then unlock the QBO, and we think that's really going to give us an opportunity to accelerate our services business.

So we are in a razor and blade business. We feel like there is a lot of game left in the razors, but we have gotten smarter and now we're entering that chapter where the blades are going to become more important. And we do expect that you're going to see Online services continue to grow and accelerate.

- <Q Jennifer Swanson Lowe>: And maybe just quickly to follow up on that, because if you look at how the landscape's evolved over the last few years, it feels like there's a growing number of payroll providers in particular that target the SMB space. So I'm just curious to get an update on how you feel about the landscape there. Obviously, it makes a lot of sense for a QuickBooks customer to use Payroll, but in situations where you're leading with Payroll, what's sort of the competitive dynamic there given players like Gusto have gotten more visible over that time horizon?
- < A Brad D. Smith>: Yes, Josh and the team at Gusto, great partners, good friends. We've worked with them for years, but all of us see the same opportunity. 4 out of 10 small businesses still do their payroll with a spreadsheet and a calculator, so it is not a zero-sum game. There is so much opportunity to help these small businesses get their payroll done much more efficiently and avoid the penalties and interests that come with a mistake.

And then as you know, as we moved into this One Intuit Ecosystem strategy, we opened up our platform so customers can use our Payroll, they can use Gusto, they can use ADP, any of those services will work with QuickBooks Online. And two things happen in that regard. One is the customer is able to make the choice they want, and the second is that data flows into QuickBooks Online, and the retention of QuickBooks Online then goes up exponentially, up over 10 points when they attach a second service, whether we built it or one of our competitors built it.

So we actually view this as a real win. And, yes, the market is competitive, but right now we're all trying to get the customers out of spreadsheets and into a digital solution that makes sense. And then from there, it's always going to be up to us to make sure we have the best alternative in the market, but if they choose a partner, we're happy with that as well, because that increases the retention of QuickBooks Online.

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<Q - Brent Thill>: I guess, Brad, just a question around why now. You've had three of your top corporate positions turn over recently. Obviously, great athletes in those positions, but can you maybe just address, I think there are some investors that are maybe a little unsettled by what happened, just with the number of changes that have happened. Can you maybe walk through your perspective?

< A - Brad D. Smith>: I can, Brent. Let me start first with the broader perspective. As you know, and you've seen us, we've rotated leaders between positions over the years. I had the opportunity to run three businesses before I became the CEO 11 years ago, and that is by design. We fundamentally believe we grow and develop our bench by giving them opportunities to run different parts of the company, and then that prepares them for greater things.

These decisions that have been announced have actually been a multiyear process. We have a very regular set of discussions with both the leaders as well as the board to say what's the individual's personal true north and what are the business needs as we look ahead? And then we make decisions to basically get those all lined up. And so, we have been sequencing these moves and they've all been based upon a multiyear succession planning process.

When it comes to me personally, we all know that these jobs, it's inevitable at some point you're going to have to say goodbye. The real art is being a part of that decision. And so, for me, when I set out 11 years ago, there were three mile-markers that I wanted to put in place. The first is, is the company ready? The second is do we have an internal leader ready to take the seat? And the third is, am I ready?

And I feel like with this year being a capstone that our company successfully has transitioned to the next chapter of growth in terms of the next leader, not only is Sasan ready, having run every one of the businesses more than I ran and also serves as the Chief Information Officer, he is primed.

And finally with me, I always hoped that I would leave when I was more of an asset than a liability, and I think many people may argue that point that I may have already crossed that line. But I really never wanted to be that athlete that lost a step or couldn't complete the pass, and I feel like now is the right time.

I just feel like the company is in a good place. We've got a great leadership team in place. Sasan has everyone's confidence, and I learn from him every day. And I think this next chapter is really set out. So that's really why. And I would encourage anyone who may be unsettled to simply look at those who've assumed the seats because you know them all. They're 14-year veterans, they're 8-year veterans, they've been at Investor Day, you've seen them do demos, and they have been a part of these decisions from day one. We run this company as a team, and I really feel like this next chapter is going to be a strong chapter.

- <Q Brent Thill>: Thanks. Just a quick follow-up for Michelle. Just as it relates to your guide, I think you're guiding under the old rule a pretty modest margin improvement. It's almost been four years now you've been hovering right around 33%. So one of the questions we get is, top line is accelerating, that's great, but what about the bottom line? When do we get to see the bottom line come through?
- <A Michelle Clatterbuck>: Thanks for your question, Brent. We feel really good about the growth that we have in our guide. You're right, when you go back to our financial principles, we talk about double-digit revenue growth and op income growing in the mid-teens. We want revenue growing faster than expense. This year, we came in strong with 15% revenue growth and 14% op income growth. You'd see for next year for our guide, we are expanding margins. Revenue is continuing to be in the double-digit range, and we have operating margin expanding by 10 to 50BPS. So we feel very good about the guide. The business is really strong and, as Brad said, there's lots of opportunity for us.
- <Q Ross MacMillan>: Thanks so much. And, Brad, it's been a real pleasure over the last 10 years or so, but I look forward to working more closely with Sasan going forward. Maybe I can start, Brad, just as you think about tax for next year, two things struck me. One was your guidance range was actually for Consumer was narrower than normal, and I would have thought that given the moving pieces in next year's season, you may have actually gone the other way. So I'd love just to get your sense of how you're thinking about the different inputs into that.

And then second, just on as we think about ancillary revenues on Small Business Online Ecosystem, there's a big gap obviously relative to QBO revenue today. And if you compared it to the Desktop business, I think ancillary actually got



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up to almost 2x QuickBooks Desktop revenue. So just curious, do you think there is that same type of opportunity as a multiplier, if you will, over time for the Online Ecosystem? Thanks.

<A - Brad D. Smith>: Great. Thank you, Ross. And it's been a pleasure to work with you over this past decade as well. I've learned a ton from you, and you've always helped us think about the business in different ways. So appreciate that. So let me start with the Consumer Group guide. Actually the range is in the same ZIP code. If you look at it under ASC 605, it's 9% to 11%. I know under ASC 606, it looks 9% to 10%, but that's really just wooden nickels. It's basically the same shift, and it's just a rounding thing.

But also if you look back, there have been years where we've had a slightly bigger band, because we were in the early days with the hypothesis. Hey, will TurboTax Live actually do what we think it will? Or the Affordable Care Act is coming out and even though we have confidence, do we have enough of a range to give us some wiggle room? What you should read into this range right now is 9% to 11% is a little more typical. It's kind of like what we do if you look under ASC 605 with the other businesses,. But the second is because our confidence level is high coming out of this tax season, we don't feel we need the wiggle room to broaden that range. We actually feel good about our momentum as we head into FY2019.

On the second one around Online Ecosystem revenue and services, you're correct. We went through a period of time where we had razors with QuickBooks Desktop, and then that number kind of stalled out at about 4mm on the fact sheet for a lot of years, and then we made a lot of growth happen by simply selling blades into that installed base, and that drove two big businesses, our Payroll and our Payments business, to your point, got to be about 2x what the Accounting business was. We're not near that chapter yet. We still have a lot of growth in QuickBooks Online. We're just now entering the mid-market space, which comes with a much higher ARPU, and we are still opening new markets internationally, and we've got a lot of room to still grow in the U.S. with both Self-Employed and core QBO.

At the same time however, we don't have to sequence it like we did back in the day. We can also start to capitalize on the Online services, and so yes, I believe over the long term, you're going to see those services continue to accelerate and grow and become very meaningful, but I don't think you're going to see them get to the point where they're 2x over Accounting any time soon because we've got a lot of greenfield with Accounting, and we're going to continue to go out there and capture that opportunity as well.

- <Q Jesse Hulsing>: Brad, it's been a pleasure, and Sasan, good luck. I'm sure you're listening in. First, on the Consumer guide, I guess stripping that apart, what are you thinking units vs. ARPU, and I'm assuming that ARPU is going to be a big part of the story again next year with Live, what do you think the different components that'll drive the ARPU growth are? Is it mostly mix shift you see potential to take more price again this year? It'd be helpful if you could break that down.
- < A Brad D. Smith>: Yeah. Appreciate it, Jesse, and also the kind words, and Sasan is sitting here with us, and he's anxious and excited to continue to deliver strong results in Small Business and Self-Employed for another few months and then sit in the seat.

So back to your question around Consumer Group, we're going to unpack for this group at Investor Day what we see as the long-term outlook for the Consumer Group at Investor Day. Ultimately that includes four levers. What do we expect total IRS returns to grow, what do we think do-it-yourself category growth will be over the next five-plus years, what do we think unit growth will start to look like, and then how much can you expect from ARPU.

I don't want to get ahead of that at this point, but what I can tell you is our outlook on the growth of this business is higher than it was just the last couple years, and we'll talk more about how much of that will come from category growth units and ARPU when we actually get to Investor Day here in another 60 days or so.

<Q - Jesse Hulsing>: Yeah. That's helpful. And Michelle, I understand ASC 606 can distort the income statement. We've seen that with a lot of other software companies. I'm wondering on the cash flow side, what are your expectations for operating cash flow growth in FY2019? Thanks.

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<A - Michelle Clatterbuck>: Yeah, in FY2018, we had operating cash flow was quite a bit higher. It was 32%, but as you look – and that was because of some of the benefits we got from our tax benefits this year. We had an abnormally lower tax rate, but going forward, we would expect operating cash flow to more closely track non-GAAP operating income on a go-forward basis.

- <Q Kartik Mehta>: Thanks. Brad, looking at the tax season this year, as you look at TurboTax Live, I don't think last year, you really marketed TurboTax Live. As you go into this year, do you think that changes, or do you think you'll use a similar strategy to what you did last year?
- < A Brad D. Smith>: Kartik, you're correct. As we entered this last year, we treated it as a v1, and our campaign was more around there's nothing to be afraid of. It wasn't that explicit about TurboTax Live. As we get closer to season, we'll start to unveil more of what we plan to do, but I will share at this point three major learnings that we know we have an opportunity to capitalize on as we go into next year.

One is much more effective in targeted marketing about what TurboTax Live is, which is the point you're making. The second is a better understanding of seasonality. We entered the year thinking that those that would want TurboTax Live would be towards the backend of season when there are more complex filers. We were wrong. There are just as many people upfront in the early part of season who have questions as well, and the third is, while we had a really good version one, we had an opportunity to improve the pro experience, who actually answers the questions for the consumers.

So we spent a lot of time over the summer improving that pro experience, so those were the three big areas we're focused on, but we will absolutely be looking at our marketing messaging and helping create category awareness if there's a new way to do taxes with TurboTax Live.

- <Q Kartik Mehta>: And then Brad, just your thoughts on with the new tax law changes, do you think there is risk in customers maybe trading down to a lower priced SKU for TurboTax, and maybe how you might have taken that into account for your guidance?
- <A Brad D. Smith>: Kartik, we do. In fact, we have incorporated that into the guidance that we've shared with you. We shared that with the standard deduction more people qualify. We've always had a category of customers that when they know that there's an opportunity to move down they will. There's a group in the middle that we call aspirational buyers. We've all learned this in our marketing days if you have a good, better, best product lineup, many people buy the middle and so there is going to be an aspirational buyer that may qualify for standard deductions that may actually get confidence knowing they can get access to something else. But at the end of the day, we factored that in and we leave the bigger opportunity or the tens of millions of people who sit in the Assisted category, they're going to discover the same thing and they're going to downshift into the digital solutions. And so we think when you net it all out, it leads to the guidance we've provided for you for FY2019.
- <Q Walter H. Pritchard>: Congrats from me all around on the promotion. On the I just want to stick to the ASC 606 numbers and look ASC 605 numbers and look at the Small Business side. You talked about the acceleration you saw in FY2018 on Small Business and it seems like you're basically guiding for the high end of the range to be back down to the kind of growth rate you saw in the year prior. It feels like you saw acceleration, you've got the momentum and there's some underlying drivers here. Why would the Small Business growth be held back to where it was before you put in place these measures?
- < A Brad D. Smith>: I'm sorry. Could you just repeat the second part of the question there?
- <**Q Walter H. Pritchard>**: I was just wondering why so you guided on ASC 605, the high end of your Small Business guide is 14% which is the rate...
- <A Brad D. Smith>: Yeah.
- <Q Walter H. Pritchard>: ...at which you grew in FY2017 and you saw some acceleration this year. It feels like you put in place some things that would make that durable and yet you're calling for de-cel of Small Business back down to at or below the levels you saw in 2017.



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< A - Brad D. Smith>: Yeah. I appreciate the question. A couple of things going on there. Obviously, we're in the process of opening new markets, moving up into the QuickBooks Online Advanced SKU and then building on the momentum and growing over some pretty healthy numbers. And so, I often say internally the best way to have a good year is to lap a bad one and we don't have that luxury in this case.

At the same time, I wouldn't over-read too much into that. There's nothing in the leading indicators that has us concerned about the growth rate. If anything, you might want to read in there a word that I've used in the past which is we tend to be prudent when we provide our guidance because we want to make sure that we have the opportunity to learn and to adjust as we get into season. But when we get to Investor Day, I have a feeling what you'll get the chance to see is strong momentum in Self-Employed, QBO in the U.S. and international and a real excitement around QuickBooks Online Advanced which is the enterprise

Version. And at the end of the day, we feel really good as we enter FY2019. We've got the right growth drivers to drive growth.

The rest of it in terms of the high end or the low end of guidance is really a combination of us being prudent and the fact we're growing over some pretty big numbers, and we want to give ourselves the opportunity to get over those numbers.

- <Q Walter H. Pritchard>: And then, Brad, on the international side, I guess we don't have a great sense as to how fast that is growing here with the subs but can you give us a sense are some of those markets starting to mature and are other markets starting to open up to keep that international growing well ahead of domestic? Or any color there around Small Business international would be great into 2019.
- < A Brad D. Smith>: Yeah. So, yeah, thank you for the question. The UK has really hit a new stride. We'll be talking even more in the fall but that business and that country has been performing at levels that exceeded our expectations and they're only picking up steam. At the same time, Canada and Australia remain strong. And we're very encouraged by the results we're seeing in Brazil, as well as in France.

We are still in the early days of trying to get the product market fit in India. We have a powerful team of 1,100 engineers who live there and work on the rest of our products and so they're committed to helping us find that product market fit. So net-net, there's not a lot of change in terms of countries other than momentum forward in terms of how close they are to being able to get to the green light on product market fit for us and then turn on the marketing. But right now, the results are strong and I would call out the United Kingdom as being the real superstar right now and they're just continuing to build momentum.

- <Q Sterling Auty>: Let me add my congratulations, Brad, on a wonderful tenure as CEO. And Sasan, congratulations on your appointment. Two questions. One back to TurboTax Live. Can you kind of review for us how you felt the pricing on TurboTax Live was received by the market and maybe thoughts on the pricing of it moving into the new tax season?
- <A Brad D. Smith>: Sure, Sterling, and thank you for the kind words. This past year, we ran a lot of experiments in TurboTax Live but if you netted out what it tended to be on average, it was about \$150, which was a premium to core TurboTax, but a discount to what you would have to pay if you went to an assisted store or a pro. What you may see if you go to turbotax.com right now as we enter what we call third peak, which is October extension season, you're going to see one of the lessons we learned this year is TurboTax Live in and of itself does not have to be a single SKU. It can actually be a service that can be attached to the rest of the TurboTax lineup.

So what you're now going to see right now out in there, and it's one of many tests we're running, is you can now have TurboTax Live Assistance with TurboTax Basic at around \$80. You can take it all the way up to Premier and it makes that SKU about \$170 and then of course you can even do it with Self-Employed which goes up to about \$200, so think of TurboTax Live now being an add-on service or bundled in with the core TurboTax whether you're at the simple end of our tax filing SKU, up to the more complex. So you're going to see us take a different pricing approach this year.



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<Q - Sterling Auty>: That makes sense. And then one real high-level question around Small Business. We're at the highest levels on the NFIB kind of optimism index that it's ever seen. Should we be thinking that we're actually at peak growth rates within that Small Business because of the environment is so positive?

< A - Brad D. Smith>: Yeah. We are seeing very high optimism and confidence growth rates in the NFIB. And as you know having followed us for years, we don't put a lot of credence in those numbers because we've come to appreciate and celebrate that small businesses and entrepreneurs are optimistic by design.

One out of two fell in the first five years. They're always sure it's going to be the other person and we love that about small businesses. The other thing I would tell you is while we certainly are at a cycle right now where small business formations and confidence are high, we also know that in most downturns, that actually tends to be a catalyst or a boom for small business formation. We did have one counter cycle which was the latest downturn, 2008, because that was a Consumer-driven downturn and the credit cards were maxed out. They couldn't get any loans because the financial sector had melted but that really was the anomaly.

If you look back at all other recessions, small business formations tend to accelerate a downturn. So while we absolutely think that right now we're seeing a lot of robust confidence, I don't think that gives us any reason to say we're going to have a drought coming up because small businesses tend to be confident by nature. And even if things get tough, more people tend to get laid off from their big jobs and they go start their own small business.

- <**Q Siti Panigrahi>**: Brad, we're going to miss you. And Sasan, congratulation, I look forward to working with you. When you think about Consumer, you're leading a DIY category and getting share from assisted but when you think of the long-term opportunity on the Consumer, you talked about transitioning from a Consumer app to more of a Consumer platform, where do you stand on that vision and once we think about some of those initiatives like Turbo started to contribute meaningfully?
- <A Brad D. Smith>: We are excited as we talk about our Consumer strategy. The first is of course to continue to extend our lead in the do-it-yourself software tax category. The second is to begin to transform assisted tax, and those two have a lot of juice in them. That third part of the strategy is to begin to expand from a tax business to beyond tax and become a Consumer platform. And Turbo this past year was in its first year, and Turbo had when you look at TurboTax's customers, 23mm people consented to share their data in an effort to get access to lower mortgage rates, better credit card financing, refinance their student loans; and that was a significant indicator of confidence for us.

And we really liked the Version 1 Turbo experience not only for the Consumer, but also for the partners. The partners who worked with Turbo got an 8x to 10x lift on their conversion because the leads are so much more qualified and the data is so much deeper and richer. So the consumers are winning, and the partners are getting a better lift. So we really think there's gain here and it's early days.

In terms of when we're going to see meaningful revenue, we haven't really baked anything into the guidance for next year's Consumer business. When it comes to this, it's a very small amount. But we do think as we look three to five years out, this could be a real growth catalyst for us if we continue to execute well.

- <Q Siti Panigrahi>: And then on the QBO side, last quarter, you talked about doing some kind of experiment in terms of promotion and discounting. I was wondering if you could give some color on like what you found there and how much of that baked into your guidance.
- < A Brad D. Smith>: Yes. So we're always running pricing and promotion tests. We run

multi-cell tests, A/B tests, and we look for where we can get the greatest conversion, the greatest lift and obviously the greatest optimization of our revenue growth. We have learned some things. We've learned some important things about the bundles that we offer accountants, and we've also learned some important things about how long and how deep we need to make the core QuickBooks Online discount for the Small Business.

A lot of that's reflected on our website now. But you should also know we're running other tests as we speak and we may continue to adjust as we get closer to the fall. But I would just say that every day our team gets smarter in both testing and pricing scenarios and discounting and what bundles make the most sense, and that's what continues to drive

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acceleration in the business.

- <**Q James Macdonald>**: Brad, great working with you and congratulations, Sasan. Brad, on Small Business, could you tell us how you're thinking about price especially with the services side?
- < A Brad D. Smith>: Hi, Jim. It's been great working with you as well, and you and I go back chapters even before this company. So I don't want to date either one of us, but it's been a good run. We look at services and, in some cases, we choose to bundle them in to the subscription. For example, when you get to different countries, we may not be charging for payroll in the UK because that may be what the market dictates or what we think is the right thing to get adoption of the customers.

So really the answer varies by the market we're in. But today, I would tell you that we see a real interest in customers attaching these services, and it gives us a chance to get them in with a pretty low friction point. They can come in and they can try it for free. They can begin to use it for 90 days, and then if they like it, they can go ahead and activate the service and pay going forward. But it really is a case-by-case basis. Each one of the countries and each one of the services depends upon what the market will support.

- <**Q James Macdonald>**: Okay. Then I had a follow-up for Michelle. I mean, under ASC 606, we've seen a lot of cases where the expenses get spread out. Can you talk a little bit about the impact of ASC 606 on expenses?
- < A Michelle Clatterbuck>: Thanks for the question. Yes, that may be the situation with some other folks when you look at ASC 606. For us, the only real impact that exists for us has to do with sales commissions, and it just had a completely immaterial impact for us. So if you take a look at that, you'll see that our expenses are basically the exact same under either accounting standard.
- <Q>: I was curious about if you could talk about ARPU for Small Business and Self-Employed. Our math shows that it's been kind of constant, but there are some moving parts maybe in international growth and Self-Employed vs. Small Business. Can you talk about ARPU at more of the cohort level if it's been increasing or decreasing?
- < A Brad D. Smith>: I can and I'll share with you that at Investor Day we provide a pretty deep dive into what does ARPU look like by cohort. In other words, what's the Self-Employed ARPU look like, what's it look like for core QBO in the U.S. what's it look like internationally, and what Desktop look like and then you throw it all into the stew and blend it.

If I had to cut to the chase, each one of the cohorts, the ARPU continues to get stronger and improve. At the same time, when you put them all in and do an average, ARPU looks flat and in some cases could be slightly down because of faster growing parts of the mix or the Self-Employed customers which tend to have a lower ARPU and the international units which tend to have less attach right now, and so they have lower ARPU as well.

But net-net, when you put it together, each cohort is getting stronger. When you think about QuickBooks Online Advanced, which is the enterprise version of QBO that we'll be introducing here in the next couple of weeks in a stronger fashion, it's in the market now, you're going to see us continue to move up this line and get even higher ARPU. But net-net, because of mix, it's going to be a very false lead. That's why we ask everybody to stay focused on Online Ecosystem revenue. We say we'll keep that growing north of 30%. This quarter, it grew 43%.

- <**Q**>: Great. Thank you. And, Michelle, just curious about the data centers that you guys sold recently. Has everything shifted to the public cloud now or are you still getting kind of double taxed for AWS payment and maintaining some of your data centers?
- <A Michelle Clatterbuck>: Thank you for the question. Right now, we did sell our data center as part of our cloud strategy, the data center that is in Quincy, Washington. However, we do still have some of our offerings that are in that data center. We are just leasing it back. We've made some great progress over the last couple years in FY2018. That was one of the areas that we reallocated resources to, so that we could accelerate the move. We are not all the way there. But, for instance, this year, TurboTax was completely in AWS for second peak, and we're now focusing a lot more on moving the QuickBooks fast.

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<Q - Ken Wong>: And my best to both Brad and Sasan as well. So you guys have talked about the 3mm followers that churn off annually, kind of rough calculations would be kind of give or take 8% churn there. How do you guys think that number can improve over time?

< A - Brad D. Smith>: Yeah. We will look forward to sharing the actual retention results at Investor Day, but we have seen the opportunity to continue to turn that dial up and keep more of those customers. And with the TurboTax Live, we think we have the chance to really advance that even further.

When you look at the total opportunity, there is an aspirational goal which is we would like to retain 100%. Because when you get underneath the hood of why customers leave us, short of those who are no longer filing taxes, the number one reason is a life event change. Has something changed in their life that causes them to lose confidence? We think TurboTax Live is our biggest advance forward and really starting to say you no longer have to leave. You can talk to a CPA, a tax attorney and enrolled agent right here on the screen and get that question answered.

So we'll see how high is that. But right now, our aspirational goal is to keep every customer that we get, with the exception of those who no longer have to file taxes with the government.

- <**Q Ken Wong>**: Got it. Got it. And then Michelle, as we think about the impact of Live going forward, to the extent you guys have upside on what you guys plan to execute there, what would the impact be on margins, if any?
- <A Michelle Clatterbuck>: Well, I would tell you, Ken, that as we look at margins, we really do look at that at a total business level. We're not looking at it at the total company level, not looking at it at the business level. We may have some opportunities with TurboTax Live that has been factored into our guidance for the upcoming year.

As Brad said, we're really pleased with how it's performed. We think there's a big opportunity there and I would say to consider what we've given with our guidance.

- <Q Ken Wong>: Got it. Sounds great.
- < A Brad D. Smith>: We'll tell you, this year, we had yeah. I was going to say we had a rock and roll year in TurboTax Live and the margins in the Consumer Group were fantastic so we do not see this as a dilutive business model.
- <Q Brad Robert Reback>: Brad, best of luck. Michelle, maybe just a quick question on the Desktop business. I think you talked about unit decline moderating to the single digits from 15% this year. Can you just sort of go over what's going on at the coverage there? Thanks.
- <A Brad D. Smith>: Yeah. So the Desktop business, as you know, we've had customers who are ready and able to move to the cloud move over. In fact, we had about 184,000 migrate this year. It's about 500,000 in total over the last few years. The ones that have stayed behind tend to be the more complex customers and they also tend to be QuickBooks Enterprise. Now, that we're moving QBO to QBO Advanced and starting our early journey to get an enterprise version in the cloud, we may open up opportunities for customers to move over there but that business on the Desktop continues to grow well. So what you heard in the forecast that Michelle provided is that we really are down to the point now where the customers on the Desktop that is the best solution for them. And so we don't expect that decline to continue to be the mid-teens like we have. We've moved most of those customers over to the cloud and the ones that are staying are staying for a reason. Once we get QBO Advanced built then we may have an opportunity to get them over into the cloud as well.
- <Q Brad Robert Reback>: Great.
- < A Sasan K. Goodarzi>: If I could add one thing, the new customers are all coming in on QBO, and so we've got a little bit of migration. And those good customers staying, we aren't really restocking the pond on the Desktop side. The new guys are coming over to QBO and so you're just seeing some natural attrition in there as well.
- <**Q Michael Millman>**: So the IRS seems to be very concerned at least publicly about under withholding and I assume that they're very concerned about taxpayer shock. Do you agree with this? And if so, will this suggest that there



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might be some more movement to assisted and TurboTax Live? Or do you see this also creating much more walking out of – particularly out of assisted and to some extent generally less filing while people try to figure it out?

< A - Brad D. Smith>: Yeah. Michael, that's a pretty deep philosophical question that the IRS has put out there, which is are people basically paying the appropriate taxes. I can tell you that the entire industry and certainly TurboTax and our Pro products works very hard to make sure two things happen that people get qualified and access to the deductions they've earned but then they pay the taxes that they owe. And we spend a lot of time making sure that those two things happen.

I do think that with any tax change you're going to have people who are going to want to talk about it. Sometimes, they talk about it to a friend or family member, and we have that with our Live Community in TurboTax. Sometimes they want to talk to a pro which is why TurboTax Live is so important. I can't see any major catalysts or shifts that I think are going to cause people to run back to assisted because of this question the IRS has put out there, but I do think it's the right question for industry to continue to solve is how do we make sure people pay the amount they owe but at the same time get access to the deductions and the things that should stay in their pocket. That's what our job is and we have to make it very clear and very simple for people to understand.

<Q - Michael Millman>: Is part of it political and it's a one-year impact?

<A - Brad D. Smith>: For me, Michael, I have to avoid those political questions because we serve all administrations and anyone who's in there. We have to make sure we're helping the country execute the tax laws the way they're written and at the same time make sure the taxpayers get the just deductions they deserve. So I don't know what the motivation is. I know the IRS, as a partner, is a great partner. They've been very objective. They worked very hard with the industry to make sure that we're doing the right thing and I'm not sure what the motivation was for some of the comments that you're referring to.

Brad D. Smith

Concluding Comments

I know we're about 15 minutes over the allotted time, but your kind words along the way and over the many years are also deeply appreciated

I can say this, we are one year into the next chapter of growth

We really feel like we found a new gear

We've got some exciting new services that are coming up with TurboTax Live, QuickBooks Online Advanced and a whole host of others

We really see evidence that our ecosystem is coming to life

We're unlocking new value for customers, for partners, and for Intuit

 And I firmly believe our best days are ahead of us and we're looking forward to demonstrating that to you and everyone else as we enter FY2019 and beyond

Today's announcement is a continuation of a long history of leadership development that has built a deep bench of leaders who will take their place as the next generation of Intuit's management team

As I look ahead, I have never felt better about Intuit's future

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Date: 2018-08-23

Event Description: Q4 2018 Earnings Call

Market Cap: 54,512.18 Current PX: 212.45 YTD Change(\$): +54.67 YTD Change(%): +34.650

Current Year: 6.484
Bloomberg Estimates - Sales
Current Quarter: 987.400
Current Year: 6548.267

Bloomberg Estimates - EPS

Current Quarter: 0.157

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