

## Q1 2022 Earnings Call

### Company Participants

- Kim Watkins, Intuit's Vice President of Investor Relations
- Michelle Clatterbuck, Executive Vice President, Chief Financial Officer
- Sasan Goodarzi, Chief Executive Officer

### Other Participants

- Brad Sills
- Brad Zelnick
- Brent Thill
- Kartik Mehta
- Kash Rangan
- Keith Weiss
- Ken Wong
- Kirk Materne
- Michael Turrin
- Scott Schneeberger
- Siti Panigrahi
- Sterling Auty

### Presentation

#### Operator

Good afternoon. My name is Latif and I will be your conference facilitator. At this time, I would like to welcome everyone to Intuit's First Quarter Fiscal Year 2022 Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer period. (Operator Instructions)

With that, I'll now turn the call over to Kim Watkins, Intuit's Vice President of Investor Relations, Ms.Watkins.

#### Kim Watkins {BIO 19461042 <GO>}

Thanks, Latif. Good afternoon, and welcome to into Intu's first quarter fiscal 2022 conference call. I'm here with Intuit CEO, Sasan Goodarzi; and Michelle Clatterbuck, our CFO.

FINAL

Bloomberg Transcript

Before we start, I'd like to remind everyone that our remarks will include forward-looking statements. There are a number of factors that could cause Intuit's results to differ materially from our expectations. You can learn more about these risks in the press release we issued earlier this afternoon, our Form 10-K for fiscal 2021, and our other SEC filings. All of those documents are available on the investor relations page of Intuit's website at [intuit.com](https://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.

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

Great. Thanks, Kim, and thanks to all of you for joining us today. We're off to a strong start in fiscal year 2022 with continued momentum across the company, given our strategy of becoming a global AI driven expert platform, powering the prosperity of consumers and small businesses. We have nearly \$300 billion addressable market driven by digital tailwinds that include a shift to virtual solutions, acceleration to online and omni-channel capabilities, and digital money offerings.

First quarter revenue grew 52%, including 32 points from the addition of Credit Karma. Total revenue growth was fueled by small business and self-employed group revenue growth of 22%, and Credit Karma revenue of \$118 million, another record quarter. Consumer Group and ProConnect Group revenue was in line with our expectations in a seasonally small quarter. As a result, both of our strong start to the year and the close of MailChimp transaction, we are raising our revenue and non-GAAP operating income and earnings per share guidance for fiscal year 2022. Michelle will cover this in detail later.

Our AI driven expert platform strategy is accelerating innovation and our five Big Bets are solving the largest problems our customers face. We've continued to deliver strong proof points that demonstrate the success and are well positioned for durable growth in the future. As a reminder, these Big Bets are: revolutionize speed to benefit, connect people to experts, unlock smart money decisions, be the center of small business growth and disrupt the small business mid-market. Today, I'd like to highlight examples of our recent progress across three of these Big Bets.

Our third Big Bets is to unlock smart money decisions. I'm extremely proud of the momentum we are seeing with Credit Karma. Credit Karma is a data platform with powerful network effects solving a two-sided problem. We are focused on our goal of creating a personal financial assistant that helps consumers find the right financial products, put more money in their pockets and access financial experts and insights. Credit Karma achieved record high revenue again in Q1. We continue to deliver innovation across all verticals fueled by our proprietary Lightbox platform enabling personalized experiences for our members creating a network effect.

FINAL

Within the core, partners usage of Lightbox reached all-time highs across both credit cards and personal loans. Lightbox more than doubles the average approval rate for members who apply for credit cards on Credit Karma versus outside of Credit Karma. Within the growth protocols we were solving a larger set of financial challenges for consumers. Karma drive is giving U.S. members the opportunity to see if they can save money on auto insurance with usage-based pricing. We're actively exploring expansion opportunities with Lightbox and other verticals, including auto loans, building off of the successes we've seen in credit cards and personal loans. Within the emerging verticals, we remain focused on innovation with Credit Karma money. We integrate Credit Karma money into TurboTax last season and experimented with how we could best meet our customers needs and announcement integration with QuickBooks online payroll.

Given our learnings, we are excited about launching our improved experiences in the coming tax season. We believe Credit Karma money is the key to driving growth in frequency of visits over time. One of the many key drivers of average revenue per monthly active user.

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

Our fourth Big Bets is to become the center of small business growth by helping our customers get customers, get paid fast, managed capital, pay employees with confidence and grow in an omni-channel world. 60% of small businesses struggle with cash flow and we are continuing to innovate to create solutions for customers to overcome this challenge.

In fiscal year 2021, total payment volume on our platform grew 40% year-over-year to over \$90 billion. An online payment volume grew more than 60% driven by an increase in customers using our payments offering.

As we continue to innovate for our customers and payments, those using QuickBooks cash of nearly 3x higher engagement compared to customers we just use QuickBooks online. To accelerate engagement and usage of our platform, we recently introduced, get paid up front a game-changing innovation that will help qualify customers get paid soon after their invoices set.

Our fifth Big Bets is to disrupt the small business market with QuickBooks online advanced. We're seeing strong traction with QBO advanced with customers growing to 118,000 in fiscal year 2021, up 57% year-over-year. As we continue to move up market and serve these customers most critical need, we're seeing at services ecosystem ARPC that is 4x higher than the ARPC for QBO customers. We're pleased with our results and remain confident in our gain plan to win. Across all of our Big Bets we're building momentum and accelerating innovation, which we believe positions us well for durable growth in the future. This will be further fueled by MailChimp.

I'm delighted that we close MailChimp, the closed the acquisition earlier this month, which seeks to significantly accelerate two of our Big Bets: to be the center of small business growth and to disrupt the small business mid-market. Getting an engaging customers remain a significant pain point for small and mid-market businesses. We are well on our way to becoming the source of truth for our customers to help them grow and run their business. We have three acceleration priorities with MailChimp. First priority, is to deliver on our vision of an end-to-end customer growth platform to help customers get their business online, market their business, manage their customers relationships, get paid access capital, pay employees, manage cash flow and be compliant with virtual experts at their fingertips all in one place.

Second, disrupting the mid-market by developing a full marketing automation, CRM and e-commerce suite for mid-market customers at an attractive price point. Enabling mid-market customers to use the power of the platform to grow their business. And third, accelerating global growth with a holistic go to market approach. With MailChimp now part of the Intuit family, we are uniquely positioned to enable small and mid market businesses to combine their customer data from MailChimp and purchase data from QuickBooks to deliver actionable insights. They need to grow and run their businesses with confidence. This is where the real magic happens. Our combined platform technology enables us to move with speed and we've already seen strong interest from our customers. The teams are hard at work and we are excited about the opportunity ahead.

Foundational to our company's success is building a high performance culture. I want to take a moment to acknowledge our progress with our diversity, equity, and inclusion efforts. Last year, we declared our focus on increasing the percentages of women and technology roles and underrepresented minorities across our business. We achieved 30% and 13% respectfully, and we are inspired to accelerate our plans and push even harder as much work remains to be done.

Additionally, we've made meaningful progress supporting our communities. First, we recently announced the Intuit climate action marketplace, which will help 1 million U.S. small businesses find sustainable solutions to reduce carbon emissions. This is part of our decade-long climate positive goal to go beyond net carbon neutral and reduce global carbon emissions by 2 million metric tons by 2030 or 50x greater than our 2018 operational footprint.

We also recently announced 23 year partnership with the Los Angeles Clippers that includes economic benefits for the local community with Intuit Dome, the team's future home. And finally, we launched Intuit Ventures to invest in the startup community and accelerate fintech innovation for consumers and small businesses. All the work we do starts with our mission of powering prosperity around the world. And I'm proud of the momentum across the company and delivering on that mission for our customers and communities.

Now, let me hand it over to Michelle.

## Michelle Clatterbuck {BIO 20314804 <GO>}

Thanks, Sasan. Good afternoon, everyone, and I'd also like to welcome the Mailchimp team to Intuit. Now, let me turn to the results. For the first quarter of fiscal 2022, we delivered revenue of \$2 billion. GAAP operating income of \$195 million versus \$209 million last year. Non-GAAP operating income of \$555 million versus \$334 million last year. GAAP diluted earnings per share of \$0.82 versus \$0.75 a year ago. And non-GAAP diluted earnings per share of \$1.53 versus \$0.94 last year. Note that our GAAP results include \$39 million net gain on other long-term investments.

Turning to the business segments. In the small business and self-employed group, revenue grew 22% during the quarter with online ecosystem revenue up 36%. With the aim of being the source of truth for small businesses, our strategic focus within small business and self-employed is threefold: grow the core, connect the ecosystem and expand globally.

First, we continue to focus on growing the core. QuickBooks online accounting revenue grew 32% in fiscal Q1, driven mainly by customer growth higher, effective prices and mix shift.

Second, we continue to focus on connecting the ecosystem. Online services revenue, which includes payroll payments capital and time tracking grew 42% in fiscal Q1. Within payroll, we continue to see revenue tailwinds during the quarter from growth in payroll customers and a mix shift to our full service offering. Within payments, revenue growth reflects ongoing customer growth, along with an increase in charge volume per customer.

Third, our progress expanding globally added to the growth of online ecosystem revenue during fiscal Q1. Total international online revenue growth 39% on a constant currency basis. We believe the best measure of the health and success of our strategy is online ecosystem revenue growth, which we expect to grow better than 30% organically over time. This is driven by 10% to 20% expected growth in both customers and ARPC.

Desktop ecosystem revenue grew 7% in the first quarter. QuickBooks desktop enterprise revenue grew high single-digit driven by strong customer growth and price increases we put in place late last year. As a reminder this fall we transition to a subscription model for this year's desktop offering, which we expect to be a headwind to revenue growth in the second half of the year. We expect the desktop business to decline longer-term.

Moving on to Credit Karma. Revenue was \$418 million in Q1, another record revenue quarter driven by high levels of monthly active users and revenue per monthly active user. Within the core, we saw another record quarter driven by the combined strength and personal loans and credit cards. The growth verticals also achieved another strong quarter reflecting momentum in home loans and auto loans. And we're developing the emerging vertical by focusing on innovation with Credit Karma money part of our digital money offering. So, this is not a large revenue driver today. We continue to expect pent-up demand across the core verticals to taper sometime in the second half of fiscal 2022,

FINAL

Bloomberg Transcript

after a strong year of investment by our partners. We remain excited about the opportunities ahead.

Consumer Group revenue of \$120 million in Q1 was in line with our expectations, looking ahead to the upcoming tax season we continue to focus on our strategy to expand our lead in DIY and transform the assisted segment with TurboTax Live. As for the ProConnect Group revenue of \$26 million in the quarter was also in line with our expectations.

Turning to our financial principles. We remain committed to growing organic revenue double digits and growing operating income dollars faster than revenue. As I've shared before, as we lean into our platform strategy. We see the opportunity for margin expansion over time. We take a disciplined approach to capital management, investing the cash we generate in opportunities that yield an expected return on investment greater than 15%. We continue to reallocate resources to top priorities with an emphasis on becoming an AI driven expert platform. These principles guide our decisions and remain our long-term commitment.

Our first priority for the cash we generate is investing in the business to drive customer and revenue growth. We consider acquisitions to accelerate our growth and fill out our product roadmap. We return excess cash that we can't invest profitably in the business to shareholders via both share repurchases and dividends. We finished the quarter with approximately \$3.3 billion in cash and investments on our balance sheet. On November 1, we entered into a \$4.7 billion term loan under a new credit arrangement -- credit agreement to partially fund the MailChimp acquisition. We repurchased \$339 million of stock during the first quarter. Depending on market conditions and other factors, our aim is to be in the market each quarter. The Board approved a quarterly dividend of \$0.68 per share payable January 18, 2022. This represents 15% increase versus last year.

Moving on the guidance. We are raising our full year fiscal 2022 revenue, and non-GAAP operating income and earnings per share guidance to reflect both the acquisition of MailChimp and the stronger-than-expected start to the year in the small business and self-employed group and Credit Karma. Our updated fiscal 2022 guidance includes revenue of \$12.165 billion to \$12.3 billion, growth of 26% to 28% including MailChimp as of November 1, and a full year of Credit Karma. Excluding MailChimp, revenue growth of 18% to 20% up from our prior guidance of 15% to 16%.

GAAP earnings per share of \$7 to \$7.16, and non-GAAP earnings per share of \$11.48 to \$11.64. This updated fiscal 2022 guidance includes organic growth to the small business and self-employed segments of 16% to 17%, up from 12% to 14%. Expected MailChimp revenue of \$760 million to \$770 million. And Credit Karma revenue of \$1.54 billion to \$1.565 billion, up from \$1.345 billion to \$1.38 billion.

As I've shared before, we continue to see opportunities to leverage the platform and drive margin expansion over time. Excluding MailChimp, our non-GAAP operating income guidance continues to imply approximately 60 basis points of margin expansion in fiscal 2022. Our guidance assumes the MailChimp transaction is accretive to Intuit's non-GAAP earnings per share in full-year fiscal 2022.

However, we expect an approximately 80 basis point one time step down in non-GAAP operating margin reflecting the impact of MailChimp as we plan to invest aggressively in the business. We expect non-GAAP operating margin expansion to continue from this new level over time in line with our financial principles. Our fiscal 2022 GAAP operating income guidance, includes approximately \$165 million for stock-based compensation associated with the acquisition of MailChimp.

In addition, our GAAP operating income guidance, includes the impact of the Credit Karma acquisition along with investments we are making in stock compensation to attract and retain talent. We're confident these are the right decisions to drive long-term growth. We expect a GAAP tax rate of 18% in fiscal 2022. Our guidance for the second quarter of fiscal 2022, includes revenue growth of 73% to 74%, GAAP earnings per share of \$0.55 to \$0.59 and non-GAAP earnings per share of \$1.84 to \$1.88. You can find our full Q2 and updated fiscal 2022 guidance details in our press release and on our fact sheet.

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

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

Great. Thank you, Michelle. We are off to the strong start this year with continued momentum across the company, given our strategy of being an AI driven expert platform that's powering prosperity for consumers and small businesses. I'm proud of what our employees have accomplished this quarter and I'm excited about the opportunities ahead to find new innovative ways to serve our more than 100 million customers.

Now, let's open it up to your questions.

## Questions And Answers

### Operator

(Question And Answer)

Thank you. (Operator Instructions) Our first question comes from Ken Wong of Guggenheim. Your question please.

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

Great. Thank you so much. So Sasan the success of Lightbox has been very impressive. Just wondering, is there a way to quantify kind of where we are in terms of adoption of Lightbox within that your credit protocol? And kind of what that potential adoption could look like? And then you touched on expanding into other verticals. What verticals do you think are appropriate to integrate into Lightbox?

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

Yeah, Ken, thanks for the question. In terms of Lightbox, as we talked about at Investor Day, we've actually made significant progress year-over-year in terms of penetration. I think what we talked about at Investor Day is, we had 50% and 40% penetration in credit cards and personal loans compared to, I think 40%, 20% the year before. So one, we have significant penetration opportunity ahead of us.

I think equally as important if not more is what financial institutions are seeing which is really the payoff for their investments. And so more and more financial institutions are joining the platform and this gives us really an opportunity to significantly increase penetration. I think that's the where I would probably give you the punchline, I mean our penetration in credit cards as I think less than 5%, just as an example and personal loans and other verticals or even lower than that.

So, Lightbox the trust we build with our members that the trust we are building with our partners gives us an opportunity for significant penetration and I think are sort of best years are ahead of us when you think about Lightbox and particularly penetration.

In terms of your question around expansion, auto loans is just one example of where we can expand Lightbox and there are other areas that we've not talked about publicly. I won't do it today until we see our further proof points where we can further expand life box. So I think this is 13 years of investments that now positions us to really deliver for members partners and really create this network effect.

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

Got it. Fantastic, appreciate the color. And then, if I could sneak one in for you Michelle, when I look at that Mailchimp number 660, 670 anyway to help us understand what that growth might have looked like a non sort of a three quarter basis versus last year.

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

Hi, Ken. Yeah, we're really excited about MailChimp and we think that we're going to do some great things together. Their revenue and their new paying user growth was negatively impacted during the pandemic, I would let you know that.

And they did pull back on some of their marketing expense, they could preserve their profitability and we did see their churn decline from there too. We're going to be investing aggressively to drive their growth as we go forward, won't happen overnight, but we're really excited about the opportunities we cease to grow, as we look forward, we haven't really given any additional details on what their growth was previously.

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

Okay. Understood. Thank you very much, Michelle.

**Operator**



Thank you. Our next question comes from Keith Weiss of Morgan Stanley. Your line is open.

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

Excellent. Thank you guys for taking the question. And really impressive quarter across the board, there's really nothing to pick on in here. I want to dig into the QuickBooks online business a little bit both sort of the subscriptions in the online services, both seeing acceleration in the quarter.

Can you help us understand how much of that is kind of like be continued of reflation post the calendar '20 macro impacts? And how much comes from just fundamentally improving attached rates? I know guys are focusing on higher level customers with QBO Advanced. Is that starting to improve the overall attach rate picture in that business?

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

Yeah, Ken, thanks for the question. And I would say, the majority of not all compared to previous quarters in simply customer growth, its improved mix based on the traction of QuickBooks Advanced, QuickBooks Live to a lesser degree and things like full-service payroll and just all the innovation we've been doing in payments with instant deposit making it easier to use our payments offering.

And now our new launch with get paid up front. So, I would say, the majority of what we're starting to experience is the actual innovation on the platform and the portfolio that we have solving a broad range of needs for our customers. I would say bounce back from the pandemic of course happened and we started experiencing the pickup, but that was I would say four to six months ago. I think now we're seeing the actual true performance of the platform.

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

That's fair. And then may be follow-up for Michelle. You call that again the potential impacts on the desktop business from a shift towards subscription. Any way you can help us quantify what those impacts are going to be?

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

Hey Keith. What I can tell you about desktop is obviously we saw the 7% growth in the ecosystem and first quarter. And that was really driven by two different components. The majority of it was two components. First was we saw higher desktop enterprise customer growth and some price increases. Desktop enterprise revenue growth was high single digits in Q1.

The other half of that is really the desktop subscriber mix. Last year what we saw was desktops subs grew 48% and outright units declined by 47%. And so, that growth in the sub glass year because of the way we do revenue recognition you get like an extra pop-up revenue from subscribe growth in the in Q1, and so, that is what we saw. So, we do

expect to see some headwind for that growth as we go further out through the rest of the year, especially with all the subscriber growth instead of out right.

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

Got it. All right. Thank you guys.

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

Thank you.

**Operator**

Thank you. Our next question comes from Kirk Materne of Evercore ISI. your line is open.

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

Hi, this is Gerard on for Kirk. Thanks for taking the question and congratulations on the great quarter. I know it's still early days, but can you talk a little bit about the plan for the go to market with MailChimp. For example, do you planning to approach customers of the one-stop shop vendor or do you think both will be sold separately given potential different buying centers in companies.

Does MailChimp expedite your plan to potentially expand QuickBooks and two more geographies on a quick timeline and I guess, how do you expect this to evolve over time as you reach steady state? Thanks so much.

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

Yeah. Thanks for the question. I'll take you back to the three priorities that we've declared, because I think it goes after the great question that you've asked. First and foremost, our number one priority is really around creating one growth platform and its really a lot of the work behind the scenes in terms of building data pipelines and connecting the services.

So that the magical power of the data both Mailchimp data and QuickBooks data can come together for the customer to put the power of the insights in their hands. So, first and foremost is all about the product and creating one growth platform. The second is, we see a huge opportunity to serve mid-market. As you know, we're already doing that from the financial management solutions perspective with QuickBooks Advanced.

We're now going to in essence build out the capabilities on Mailchimp and I'm really disrupt the mid-market because this is a huge need for mid-market. And I would say third is actually having a global playbook and investing accelerating our investments in go-to-market, which I think will get it the last question that you asked that I didn't answer yet.

And that is, we want customers to have choice. So if customers first want to engage with MailChimp to be able to take their business online to market their business and use CRM tools, they can use MailChimp. And but, we'll make sure everything is payment enabled.

And then over time, if they want to use all of the invoicing capabilities, payroll capabilities, access to capital, ensure that they're compliant, all of that will be enabled with in MailChimp, and the vice-versa is true. If you're using QuickBooks and you want to start using capabilities to market your business and manager customers, all the capabilities of MailChimp will be available to you, MailChimp could end up being for instance a nab item on the left hand side.

So we will let customers make choice is I think the headline answer to your question. We will go to market separately, we will go to market together, we will raise awareness and ensure the customers know that there's one place where they can where they can run their business and more importantly, the power of all their data will be in one place to fuel their success. So that's the approach that we're taking.

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

Alright, thank you so much.

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

You're welcome.

**Operator**

Thank you. Our next question comes from Sterling Auty of JPMorgan. Your line is open.

**Q - Sterling Auty** {BIO 2070271 <GO>}

Great. Thanks. Hey it's Greg Jackson on for Sterling Auty. Thanks for taking our questions. The first one is actually on the better-than-expected performance for the remainder of the year from Credit Karma. And we're curious is this I mean, is it driven more by a stronger bounce back from an impact in 2020 in your traditional verticals, or is that more about having increased confidence Michelle and I think what you mentioned on the home and auto loan size?

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

Yeah, thank you for the question. A couple of things I would start with last year when you look at the full year of Credit Karma compared to the prior-year, we grew 37% and our new guidance for Credit Karma going forward is a range of 35% to 37%. And so I think what you see within that is there has been a macro bounce back, but really a lot of what we're really seeing is the innovation on the platform, the power of Lightbox.

The fact that members are getting better matches to things that they are looking for financial institutions are and insurance companies are seeing the power of the platform and it's really just creating that network effect. So, I think what we're what we're gaining confidence in is just the innovation, the technology investment in Lightbox and in context of the macro environment as we look ahead that gives us confidence around the performance of Credit Karma. And again, I would just remind us and this is more of a longer term comment.

Credit Karma is a platform and we're creating an ecosystem effect here. Credit Karma is part of the TurboTax experience and we're excited for all of you to see what we're going to be launching in the coming tax season, TurboTax is part of the Credit Karma experience, Credit Karma is part of the payroll experience, so really think about Intuit as one platform with many platforms that solve different problems. And that's really what fuels our confidence as we look ahead.

**Q - Sterling Auty** {BIO 2070271 <GO>}

Okay. Great. And then a follow-up actually on the tax business and by the end of this second quarter will kind of be into the tax season to this is we're coming up on marketing time on TurboTax advertisement spent. So any color that you can give us on kind of what plans are for the marketing budget as we ramp up into January?

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

Yeah. Well, I'm not going to talk about the marketing budget. But what I will share with you, that's very consistent and it's durable context of what you've seen in the last couple of years, we are very focused on really fundamentally changing how you get your taxes done if you need assistance, and you're going to continue to see us be assertive in terms of how we raise awareness with 88 million customers, that need assistance and how there's a better way to get your assistance.

And also the under penetrated segments that we've talked about, which is Latinx, the investment community and the self-employed. I think you can. What you should expect is our investments on a platform has continued in those areas. We're really excited about the season coming up and our marketing efforts will be really focused in those areas to continue to raise awareness.

**Q - Sterling Auty** {BIO 2070271 <GO>}

All right. Great. Thank you.

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

You're very welcome.

**Operator**

Thank you. Our next question comes from Siti Panigrahi of Mizuho. Your line is open.

**Q - Siti Panigrahi** {BIO 17888514 <GO>}

Congratulations on a great quarter. Sasan, I want to ask you about the new business, I'm a new customer acquisition trend that you are seeing. I remember you talked about lagging effect to it new business creation in the U.S. So wondering what sort of training you're seeing on the QuickBooks new customer acquisition side? And what sort of promotion or anything you are doing at this point?

FINAL

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

Yes. Thank you for your kind comments and the question. I would say that is very consistent with what we talked to you all about an Investor Day and that is that we're continuing to see the acquisition trends that we would expect in the U.S. across the Board, both and the low end of the market but also the trends that we're seeing in the mid-market.

So those trends continue and as we've shared before we're not overly reliance by any means on new business formation. So from a just a health perspective, I would say U.S. is consistent with what we talked about with all of you a few months ago. And I would say outside of the U.S. again very consistent with before, the recovery has not been like the U.S. Now if I were to double click on that I would say behind the U.S. has been Canada, and I think we're going to start seeing UK and France start to come back.

And then Australia is I would say behind UK the UK and France. So we do believe that in the next year or less that International will start to slowly bounce back. And the reason for just the slowness and international bouncing back is there's just been so many start and stops that no small businesses that just lost confidence, who I build up inventory. Do I go hire more employees.

Do I increase my own marketing budget that they've just been in slower and bouncing back, but we believe within the next year or so will see that strength. But not that the headline news is U.S. continues to be strong and match what we've expected and international will bounce back within a year.

## Q - Siti Panigrahi {BIO 17888514 <GO>}

That's great. And the full up to TurboTax question. This is probably the first year you are going to tap into the Credit Karma members, who are who are not using TurboTax. Do you see as the -- what sort of strategy do you have at this point to tap into certain massive member base in Credit Karma?

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

Yeah. We are really excited about just the possibilities of what we can do for members, Credit Karma members and TurboTax customers. And last year, really was a learning year and I think we're going to learn a lot more this year. Listen, our goal is we want every TurboTax customer to be using Credit Karma and all the benefits of Credit Karma and we want every Credit Karma member to be using TurboTax, whether they want to do it themselves or they need assistance.

And so, I think we're going to be one year better than we were last year in terms of all of our experiences in terms of just the investments that we've made in the experiences and we're excited about it. Just to put it in contacts that Investor Day we shared with you are our horizon framework. Horizon 1 being sort of revenue impact within zero to 18 months, Horizon 2 tubing 18 to 36 months and Horizon 3 being 36 months plus.

We actually put the impact of Credit Karma integrated as part of TurboTax and vice versa is almost three years out, because we really want to nail the experience. But nevertheless, we're leaning in and we're excited about the things we're going to be launching in the weeks to come.

**Q - Siti Panigrahi** {BIO 17888514 <GO>}

Thank you, Sasan.

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

Yes. Very welcome.

**Operator**

Thank you. Our next question comes from Michael Turrin of Wells Fargo. Your line is open.

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

Hey there, thank you, and congrats on the amazing results and start off with the fiscal year. We talked about it, I mean, you've got a few questions on tax. We see that on the live technology. We see your now offering expert setup for QuickBooks as well.

So wondering if you can just add any color on how far that expert led vision extends. Is that something you could take into consumer finance or potentially even something like email marketing with MailChimp it seems like a powerful addition to the product portfolio and clearly a Big Bets you've been focused on, so love to hear more? Thank you.

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

Yeah, Michael thank you for your kind words and great question. When we declared our bet around connecting people to experts and creating a virtual expert platform, we have been I think we're onto now, I don't know, five plus years really investing in this virtual expert platform.

There are so many underlying technologies services where AI is being used to ensure that the platform matches the right customer to the right expert to make the platform simple and easy to use for experts and we feel really confident relative to just the where we are with the virtual expert platform.

And our focus intentionally has been really about serving customers when it comes to tax time and helping small businesses with bookkeeping and eventually also with their taxes. But more importantly just helping them run their business. And we have so much opportunity ahead of us just in that space.

With that said, we do have a few what we call, small mission-based teams that are exploring other spaces, because we can leverage a lot of the capabilities of this virtual expert platform to serve spaces, like marketing potentially spaces like financial services. So we are doing experiments, but very intentionally to ensure that we can learn.

I think, I will just end with the opportunities of where we can take this virtual expo platform is endless. However, the biggest growth opportunity ahead of us right now is helping customers with taxes and helping small businesses run their business. And then as these other verticals become reality, we'll of course share our plans with all of you, but it is something that will extend over time horizontally into new verticals.

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

It's a great answer. Michelle, you've historically not updated guidance before tax season, and we've talked about some of the pockets of strength Credit Karma. But in terms of breaking that historical pattern, are we just seeing a more diversified Intuit come through or any comments you can provide just around the change there? Thank you.

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

Yes. Thanks, Michael. Yes. This is something that diverges from what we have done historically. Historically also the consumer group has spent such a large percentage of our business also. I'm now as we're adding other parts of the business are growing more.

We're adding Credit Karma and overall the composition of the business is just changing. And also this is one of the first times we've seen a real pandemic kit like this. And so the growth after the pandemic has also had some implications for recovery and so forth. So yes, it is a little bit different composition of the company is a little bit, but we feel really good about what we're seeing and are very excited about the accelerated growth. We're seeing in Credit Karma and in small business and ready to jump into that season.

**Operator**

Thank you. Our next question comes from Brad Zelnick of Deutsche Bank. Your line is open.

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

Excellent. Thank you so much for taking the question and congrats guys. My question, you had a price increase go into effect during the quarter in small business. Any discernible impact to retention across your various cues particular from those who have an attached payments or payroll?

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

Yeah, Brad. Thank you for your kind words and the question. I'll say two things. One, really the majority of our growth continues to come from customer growth and mix and a much lesser extent price that you should just be aware of that. And two, there's nothing that we've seen from the price increase that's outside of the bounce of what we expected. So, the short answer is no, it's within our control limit. As we expected it based on the testing that we had done.

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

Got it. And if I could just follow-up with one more Susan. There's no doubt a significant opportunity with Credit Karma money. And I believe you called out the opportunity for QuickBooks payroll customers to deposit up to \$232 billion of payroll funds into a CK money account. What traction have you seen on this so far, or what percentage of QuickBooks payroll payees do you think you can ultimately capture with something like this?

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

Yes. First of all, we've not divulged our traction other than I would tell you we generally are excited as part of many things that we are providing in our portfolio to customers giving them early access to wages. I think a lot of what we are learning and a lot of what we're excited about as we move forward, it depends on the customer and the cohort of customers.

There are certain customers that depending on their situation and how much they depend on living a weekly, connected to their weekly paycheck. If you live paycheck to paycheck, you are much more focused on can I get early I get early access to that versus if you don't lived a week to week. So we're learning about those cohorts within our payroll to your question and where we can get traction and where it's just not a need for customers.

I would just say more broadly. We are excited about early access to wages, both providing it across payroll standalone, providing it through Credit Karma. And frankly, I think over time this is just something that's going to be commodity. I think everybody's going to have a product feature that gives you early access to wages for us it's not just about the feature, it's about the ecosystem effect that it creates for our customers and our members.

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

Awesome. Thank you, Sasan.

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

Yeah, thank you.

**Operator**

Thank you. Our next question comes from Brent Thill of Jefferies. Your question please.

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

Just on your clear when the Mailchimp chit deal closed that this is not just a mail company that there was a broader platform play for marketing and setting up a website. And I'm just curious along that team, what you're seeing in terms of the most excitement? Where you can bring MailChimp in your clients and ultimately, kind of this platform play for the front office? And how that involves? If you could cover that, that'd be great.

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



Yeah. Absolutely, Brent. One of the things that we one of our mechanisms that we have as a company is called our Big Bets review, where we take our officers of the company through the experiences of each of the Big Bets. What we've learned? Where we are and where we're headed? And this last Big Bets review happened to be one where we brought in Ben into team from MailChimp.

And actually, walk through the experience in detail. What where we are, where we're going? And I would just tell you that we continue to continue to even get more excited as we close the deal. Because the needs of our customers are in all the areas that you mentioned. They are -- and every customers in a different place. But customers are really looking for ways to be able to engage getting new customers. It's their bread and butter. Almost 70% of our customers are looking for ways to get new customers.

We now have those capabilities and will integrate it into QuickBooks and vice versa QuickBooks into MailChimp. They want to be able to manage their existing customers in an automated way. In an insightful way, where everything is automated. They don't have to know when do I follow up with a customer? What additional products can I sell them all that can get automated through MailChimp.

And one of the things people don't realize is one of the largest ways that you still engage customers, we do we see it through, what we do in TurboTax is actually email. So now we have all those capabilities. We have abilities to put you on mega platforms with all of our digital assets. Manage all of your of your existing relationships, all the email capabilities.

But more importantly, it's the leveraging the power of the data. The customer data and the purchase data to help you understand. Who's the customer? Who bought what? What did they not buy? Who's leaving your shopping cart? And how do you pursue them? So it's consistent with what we've talked about before, that's the opportunity ahead. And that's about the work that we do now in the product to put the power of those capabilities in the hands of our customer. So we couldn't be more excited to help our customers with their success. So stay tuned.

## Operator

Thank you. Our next question comes from Karthik Kartik Mehta of Northcoast Research. Please go ahead.

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

Good afternoon or good evening, Sasan. I wanted to ask you a little bit about TurboTax Live maybe what the trends have been in terms of customers that are already TurboTax customers shifting to that product and new customers. And how you anticipate that trend evolving this tax season?

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

Yeah, it's a great question. It's one thing to just really excites us about the live platform. One, there's 88 million folks that use an assisted method today, within the assisted

FINAL

method you have 10 million folks every year where there's churn they go jump from one assistant methods to another. So from one account into another or from one store to an accountant. And then within the TurboTax base for do-it-yourselfers, we have 4 million people that's leave and they ultimately go to an assisted method.

So, I think that the answer to your question is it's all the above. We've seen conversion improvements, retention improvements, we've seen TurboTax customers that did it themselves they year before where they had a life change. Or they just weren't sure if they know did their home deductions the right way or if they had a kid and the kid went to college, how to ultimately account for those deductions where they're now using the live platform and vice versa.

You may use the live platform and have enough confidence with a year after you do it yourself. And then you may, they after that bounce back. And now we're seeing 3, 4 years of trend. So really, it's all the above with the largest I would say driver being folks that use a different assistant method coming onto a platform. And, of course, those that have life changes within TurboTax growing with TurboTax and using the live platform. And we just see that continuing as we view this opportunity with a 10-year lens.

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

And just a question on Credit Karma. Sasan, you've talked about Credit Karma money and that sounds like a very interesting opportunity. I'm wondering is there any concern that your customers say hey, you're competing with me now for deposit and that causes issues?

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

One of the sort of essential strategic principles that we have within Credit Karma is that it is an agnostic platform. And our financial institutions all our partners see the power of that how diligent and intentional we are about not creating our own products, but ensuring that we match members with a product that's right for them.

And a lot of the capabilities that we have within Credit Karma ultimately as an institution that's participating in it. So that is not a concern that we have, our state due is very high with financial institutions and we just believe that that's the beginning of it, especially with the fraction of Lightbox which actually delivers more success for members and more success for financial institutions. So it is not a concern of ours.

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

Perfect. Thank you so much. Appreciate it.

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

Yeah. You're welcome.

**Operator**

Thank you. Our next question comes from Kash Rangan of Goldman Sachs. Your line is open.

**Q - Kash Rangan** {BIO 22095432 <GO>}

Thank you very much. Fantastic quarter. This is one on Michelle. So just I'm curious to get your take on the issues that are facing that are being faced by the U.S. economy we've got unprecedented labor shortage got a supply chain issue, got an inflation issue.

A lot of these problems do pertain to small business ecosystem. When you think of Intuit and the traumatic transformation you've undertaken very successfully with betting on AI. What can Intuit do to solve these problems for small business customers as it pertains to these near-term headwinds that were facing from your proper perspective? Thank you so much.

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

Yeah, Kash. Thank you one for your kind comments and it's a wonderful question and all those areas, right? The labor shortage, some of the supply chain challenges, if you're a product-based business and certainly inflation is absolutely impacting small businesses.

I would make a broad comment that I would say, we are experiencing, when you couple what happened with the pandemic, it's starting in March of 2020 where it really I think forced everyone around the globe whether you're a small business or not, but let's stay focused on small businesses to reinvent yourself, and it really accelerated the shift to virtual solutions that accelerated the shifted to going online, whether it's how you invoice and get paid, how you do your payroll, how you do your time tracking?

And I think that movement which is just simply continuing. I don't think we're ever going to go back to the old way. I think this pandemic really has accelerated the shift in those areas that I mentioned and particularly of course the digital money offering. I think that coupled with this. Not only labor shortage, but also labor movement from job to job.

Some of the supply chain challenges that generally we believe as I talk to my peers will get start to get addressed by the second half of 2022, first half of 2023. And inflation is actually causing small businesses to leverage more platforms. And so, if I then bring that back to our platform, and the fact that if you use our platform, you can get paid up front, you can get instant deposit, you can do same-day payroll, you can use an expert in sure that you've got the best deduction as a small business and to ensure that you're running your business effectively.

And the fact that you can do more with less people, if you used one platform that's where the power of MailChimp comes into play, rather than having multiple tools where you're bouncing back and forth between tools, and you're not really sure what your customer profitability is? When you should follow up with a customer? How to acquire more customers?

FINAL

Bloomberg Transcript

All of those things are thrust to the use of our platform and our platform is actually built to help you grow your business with less focus on labor and to be able to embrace as much as possible the inflation now. Ultimately we have to address over time and I believe it will get addressed some of these supply chain issues and inflationary issues, but that's where our platform comes into play and why we're so well positioned for small businesses and the low we need to play to continue to educate them.

**Q - Kash Rangan** {BIO 22095432 <GO>}

Excellent. Thank you so much. If I could, very quick one from Michelle. How do you assist a long-term margin drivers? And generally the street thinks that margin growth is somewhat linear but generally these things tend to go up on an S curve. So we often underestimate the true prophet of companies in the long term. So in your case, one of the things that we should be looking for that could drive increased operating leverage in the future? Thank you so much and congrats.

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

Thank you, Kash. I appreciate that. Well in the current year, as I spoke about earlier, we will see on margin adjustment with the acquisition of MailChimp and so, we do though believe that over time we will continue to expand our margins as we've talked about from this new step down level going forward.

But as we become more and more of a platform, we see opportunities for us just across the company, whether it is in technology and being able to increase the velocity of development on our platform and driving more services, using things like money movement across the company and our fraud and risk capabilities not having to duplicate those across the company, or in customer success is another great example, where we're scaling a common customer success platform.

So that we can more efficiently and effectively serve customers. And then, also in the go-to-market area. Really leveraging a common infrastructure to be able to more effectively target customers, and manage our sales and marketing processes also. So we do see a number of opportunities all across the P&L that is we look forward there will be opportunities for us to leverage those.

**Q - Kash Rangan** {BIO 22095432 <GO>}

Brilliant. Thank you.

**Operator**

Thank you. Our next question comes from Brad Sills of Bank of America Securities. Your line is open.

**Q - Brad Sills** {BIO 15854296 <GO>}

Great. Thanks guys. I'll like to congratulations on a real nice quarter. I wanted to ask a question about TurboTax, if I might please. With this being the second year of your

targeting the full service opportunity. What were the learnings from the last year, your first year with this offering.

Historically you've seen this 1 to 2% share gained within do it yourself, do it yourself as gain to 2 to 4 points as a category. Could this potentially accelerate those trends as you gain more intelligence become more successful with this effort. And just generally, what are your expectations for this year with that offering?

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

Yeah, thank you, Brad. I would say two big things. One is full service absolutely has a Halo impact on confidence for the customer, which actually gets me to the second point. And really the approach, which is we're a platform for our customers. And so really, if you think customer Mac, we want our customers to know that they have the ability to do it themselves.

They can access an expert if they need the expert to answer any questions that they have, and or they can just have us do their taxes for them and do everything digitally. And by the way MailChimp if you choose an expert and you realize what I don't know if I just want to help, I just want Intuit to do it all for me, we'll do it all for you. So really our approach and now that we've had several years of experimenting and learning with full service.

Is that now we have a true end-to-end platform where we can meet the needs of any customer and the power is actually grow with customers over time if they just start out their career or if there are students who they have life changes, we have a platform that will meet all their needs. So that's really the I would say the headlines of the answers, plays a halo effect which has informed our platform approach as we look ahead.

**Q - Brad Sills** {BIO 15854296 <GO>}

Great to hear Sasan. One more if I may please, just on Credit please just on Credit Karma. Last year you saw a nice upside in the tax quarters at converting TurboTax filers to Credit Karma. Could you remind us kind of where you are there was that some low-hanging fruit initially? What drove that success that you saw that business and kind of what is your outlook for that this year and going forward? Thank you.

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

Yeah, sure. I would really put last year entirely in the bucket of just learning. And it doesn't mean that's going to change this year. We are a company that's all about moving fast experimenting pivoting and learning all in context of being stubborn around the vision that we have. And so really last year was a learning year, although there were some nice member growth impacts to Credit Karma from TurboTax.

We're really excited, I'm eager to see how our new innovations and experiences on the platform plays out this year and to see what we learn. I'll take you back to the reason at Investor Day, we put the opportunity of Credit Karma as part of TurboTax experience and TurboTax is part of the Credit Karma platform as a Horizon 3, as we're really focused on

the customer and member experience and nailing that, because we know over time we can monetize. So, we're excited about the year ahead.

What we have 11 months under our belt learning and adjusting and preparing for this tax season. And we're excited about these experiences being launched and seeing how they play out in the next couple of months.

**Q - Brad Sills** {BIO 15854296 <GO>}

Great to hear. Thanks Sasan.

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

You're welcome.

## Operator

Thank you. Our next question comes from Scott Schneeberger of Oppenheimer. Your line is open.

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

Thanks very much. Good afternoon. First question in international Sasan, 39% growth in small business. If it's very nice. Could you just give a little summary of what you saw and where in the quarter? And then kind of a part B to the question is, you mentioned MailChimp will should accelerate global growth? Just curious when and how will see it showing up in the category? Thanks.

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

Yeah, sure, Scott. Thank you. First one, international we saw some of the same trend given our not only our execution, but the macro environment as we've seen the last couple of quarters there's certain countries like Canada, that a bounce back a bit more strongly than there's places like Australia, that really have been very slow to bounce back based on the fact that the economy keeps opening and shutting down.

And again, our view is within the next year international should start to come back from a from a macro perspective. So net-net our trends and our performance. Although we're very pleased with it. We believe over time could paint a different picture as the macro environment comes back.

In terms of MailChimp, our focus is the three priorities that I mentioned. We want to create an amazing product and platform that brings QuickBooks and MailChimp together, we want to build the capabilities to go disrupt the mid-market. And then as Michelle mentioned, we're going to be investing heavily in our global go-to-market.

So I would say, I wouldn't overly anticipate a significant change in our trajectory International because of MailChimp with there's some fundamental things we want to get right, to ensure that we can truly be the platform that where you can grow your business

and run your business. And over time, it will certainly have an impact internationally and we're excited about that because it gives us another foot in the door outside of the U.S.

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

Great. Thanks, and just for last one now. Congratulations on the Intuit Dome. I'm just curious and maybe beating out crypto.com on that one. But just curious on the overriding big somatic marketing push of the company the last few years. It's how should we think about that on the big scale? Thank you.

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

Yeah, I would say and I've said this for years and I think you used to hear Brad talk about those. I think we're the world's biggest hidden secret and we don't want that secret to hold true anymore. We want to make sure the world knows who is Intuit is and what our brands are.

And we have data that shows that more customers learn that TurboTax, Credit Karma, MailChimp now and QuickBooks when they learn that they are part of the Intuit brand on that are the platforms are all connected.

It actually has a positive impact on our potential for growth. So the way, we think about Intuit Dome, it is not a for us a naming rights deal, we've had many opportunities where we've actually been pursued to be part of deals like this and we pass them up over the years. We did this because one, it's the very technology forward dome, we're going to be helping the community.

And two we're really going to be able to showcase our brands and it would be yet another way to demonstrate the benefit that we bring to the market as one Intuit platform and the impact that we can have in the lives of consumers in small businesses. So that's really how we think about it and why we're excited about it.

And by the way, over time, we expected the same return on investment as we do with our marketing investments and that's really what this is. It just goes beyond marketing to impacting the local communities in LA, which we're excited about.

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

Excellent. Thanks.

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

You're welcome.

**Operator**

Thank you. Ladies and gentlemen, would you like to close with any additional remarks?

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

Yes, sure, thank you. Well, first of all really appreciate all the questions. And once again, I want to just thank our employees for their incredible hard work. Our customers and our partners for the strong start to the year and the opportunity we have ahead of us.

We're very passionate about fundamentally powering the prosperity of our customers and communities, and we're proud of our accomplishments, and we continue to believe that we are just getting started. So thanks for your questions. Thanks for your time. And we will see you at our next earnings call. Bye everybody.

## Operator

Ladies and gentlemen, thank you for participating. And this concludes today's conference call.

---

*This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2021, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.*

FINAL

Bloomberg Transcript