

Q2 2019 Earnings Call

Company Participants

- Jerry Natoli, Vice President-Corporate Finance & Treasurer
- Michelle Clatterbuck, Executive Vice President & Chief Financial Officer
- Sasan K. Goodarzi, Chief Executive Officer & Director

Other Participants

- Brad Alan Zelnick, Analyst
- Brad Robert Reback, Analyst
- Brent Thill, Analyst
- Christopher Merwin, Analyst
- James Macdonald, Analyst
- Jennifer Swanson Lowe, Analyst
- Josh Beck, Analyst
- Kash Rangan, Analyst
- Keith Eric Weiss, Analyst
- Ken Wong, Analyst
- Kirk Materne, Analyst
- Michael Millman, Analyst
- Michael Turrin, Analyst
- Raimo Lenschow, Analyst
- Ross MacMillan, Analyst
- Scott Schneeberger, Analyst
- Sterling Auty, Analyst
- Walter H. Pritchard, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good afternoon. My name is Lateef, and I will be your conference facilitator. At this time, I would like to welcome everyone to Intuit's Second Quarter Fiscal Year 2019 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.

With that, I will now turn the call over to Jerry Natoli, Intuit's Vice President of Finance and Treasurer. Mr. Natoli?

Jerry Natoli {BIO 4692239 <GO>}

Thanks, Lateef. Good afternoon, and welcome to Intuit's Second Quarter Fiscal 2019 Conference Call. I'm here with Intuit's CEO, Sasan Goodarzi; and Michelle Clatterbuck, our CFO.

Before we start, I'd like to remind everyone that our remarks will include forward-looking statements. There are a number of factors that could cause Intuit's results to differ materially from our expectations. You can learn more about these risks in the press release we issued earlier this afternoon, our Form 10-K for fiscal 2018, and our other SEC filings. All of those documents are available on the Investor Relations page of Intuit's website at intuit.com. We assume no obligation to update any forward-looking statement.

Some of the numbers in these remarks are presented on a non-GAAP basis. We reconciled the comparable GAAP to 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 K. Goodarzi {BIO 15750219 <GO>}

Thanks, Jerry, and thanks to all of you for joining us. I will start by reviewing our results for the quarter and outlook for the year. I will then spend a few minutes sharing my thoughts about the future.

Starting with the results, we're halfway through the fiscal year, and continue to see good momentum across the company. Second quarter revenue grew 12% overall, fueled by 17% revenue growth in the Small Business and Self-Employed Group and 11% revenue growth in the Consumer Group. Revenue for the Strategic Partner Group was in line with our expectations. With this strong performance, we remain on pace to deliver against our full year revenue and operating income outlook.

With that context, let me start with tax. Every tax season is different, and this one is no exception. We believe the new tax legislation and the extended partial government closure impacted consumer behavior, resulting in a slower forming season.

As a reminder, there are four key drivers for our Consumer business. The first is total number of returns filed with the IRS. The second is the percentage of those returns filed using Do-It-Yourself software. The third is our share within DIY software category. And the fourth is the average revenue per return. Our Consumer Group strategy is to expand our lead in the Do-It-Yourself category, transform the assisted tax preparation category, and

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expand beyond tax to build a Consumer platform. This is all in service of helping our customers make ends meet and get their largest tax refund.

Based on the latest IRS data, the Do-It-Yourself category is performing better than the assisted. Through February 8, IRS data shows self-prepared e-files declined 3.2%. In comparison, TurboTax e-files in the same period declined 3.5%. We are confident in our strategy, and I'm very proud of our team.

Let me share a few specific examples of how we are delivering for our customers this season. Within Do-It-Yourself, we've invested in delivering the best experience for our customers who file simple returns by including year-over-year data transfer for no charge in our free edition. We're already seeing an improvement in product recommendation scores. TurboTax Self-Employed is again part of our lineup this season and comes with 12-month subscription to QuickBooks Self-Employed, enabling customers to benefit by tracking their financials throughout the year. This product was one of our fastest growing offerings last season.

In the assisted tax category, we are transforming the customer experience with TurboTax Live. We introduced a range of price points within the product lineup this season to offer access to an expert for even the simplest filers. For the first time, we're offering mobile access to these experts. We also improved the on-boarding experience and tools for the approximately 2,000 pros on our platform, the majority of whom returning from last season. We are excited to see significant increases in Net Promoter Scores from the pros.

Beyond tax, our Consumer platform is aimed at helping customers make ends meet. With their consent, Turbo provides customers a view of their overall financial health by combining a credit score, verified income data and debt-to-income ratio showing customers where they truly stand. This platform gives us the ability to connect our customers with the best financial products to save them money.

Turning to Small Business. We've delivered another strong quarter in our Small Business and Self-Employed Group with Online Ecosystem revenue growth of 38%, again exceeding our target to grow better than 30%. We continue to place an increased emphasis on Online services to deliver more value for our Small Business and Self-Employed customers. I would like to share a few proof points that demonstrates our progress.

We are focused on solving the most important problems for our customers by helping them get paid fast, manage capital, and pay employees with confidence. Within payments, last fall we launched next business-day payments, allowing our customers to receive their funds much faster than previously experienced. We've seen around 8 point higher product recommendation score for those customers who have access to this product.

Within payroll, we introduced next-day and same-day direct deposit to enable customers to hold onto their money longer and better manage their cash flow. We have already seen over one-third of our online payroll customers benefit from this feature.

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QuickBooks Capital has funded \$277 million in cumulative loans since launching publicly a little over a year ago. QuickBooks Capital leverages QuickBooks Online customers' data to provides loans to small businesses, nearly 60% of which not qualify for loans elsewhere. Our QuickBooks Capital business has a default rate half the industry average, and we remain excited about this opportunity.

Finally, we are encouraged by initial results for QuickBooks Online Advanced as we take our game to the mid-market to serve those businesses with 10 to 100 employees. We continue to roll out new features, including custom user permissions and batch invoices. The team is using customer feedback to iterate fast and add functionality.

Within our Strategic Partner Group, our professional tax revenue was down 1% year-over-year. We continue to focus on multi-service accounting firms that do both books and taxes, enabling us to drive our accountants' success while growing our Small Business Ecosystem.

To wrap up, we are pleased with the continued momentum of our Small Business and Self-Employed Group, and remain laser focused on executing as we head toward the tax filing deadline.

With that overview, let me hand it over to Michelle to walk you through the financial details.

Michelle Clatterbuck {BIO 20314804 <GO>}

Thanks, Sasan. Good afternoon, everyone.

For the second quarter of fiscal 2019, we delivered revenue of \$1.5 billion, up 12% year-over-year; GAAP operating income of \$233 million versus \$194 million a year ago, a 20% increase; non-GAAP operating income of \$339 million versus \$294 million last year, a 15% increase; GAAP diluted earnings per share of \$0.72 versus \$0.70 a year ago; and non-GAAP diluted earnings per share of \$1.00, up from \$0.84 last year.

Turning to the business segments, Consumer Group revenue was \$461 million for the second quarter. While the season got off to a slow start, we remain confident in our overall plans for the year and for Consumer revenue to grow 9% to 10% in fiscal 2019.

IRS total e-files through February 8 are down 7.1%. Assisted e-files are down 12.5%, and DIY e-files declined 3.2%. In comparison, TurboTax e-files declined 3.5% through the same period. As a reminder, we'll provide a final tax update in late April after the tax season ends. Strategic Partner Group reported \$208 million of professional tax revenue for the second quarter. We continue to expect revenue in this business to grow 2% to 4% in fiscal 2019.

Total Small Business and Self-Employed revenue grew 17% during the quarter. Online Ecosystem revenue remains strong with growth of 38%. We believe the best measure of

the health and success of our strategy going forward is Online Ecosystem revenue growth, which we continue to expect to grow better than 30%.

QuickBooks Online subscribers grew 38%, ending the quarter with nearly 3.9 million subscribers. Growth remains strong across multiple geographies, with U.S. subscribers growing 32% to approximately 2.9 million, and international subscribers growing 56% to over 980,000.

Within QuickBooks Online, Self-Employed subscribers grew to approximately 845,000, up from roughly 489,000 one year ago. We continue to expect total subscriber growth to moderate as we place a greater focus on additional services and penetrating a broader range of customers.

Desktop Ecosystem revenue was up 3% in the second quarter. Within the Desktop Ecosystem, our QuickBooks Enterprise customers continued to grow at a double-digit pace in the second quarter. This further reinforces our interest in the mid-market customer with our QBO Advanced offering. During fiscal 2019, we continue to expect QuickBooks Desktop units to decline single digits and Desktop Ecosystem revenue to be roughly flat.

Turning to our financial principles, we remain committed to growing organic revenue double digits and growing operating income dollars faster than revenue. We take a disciplined approach to capital management, investing the cash we generate in opportunities that yield a return on investment greater than 15%.

Our first priority for the cash we generate is investing in the business to drive customer and revenue growth. Next, 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 \$1.3 billion in cash and investments on our balance sheet. We repurchased \$177 million of stock in the second quarter and approximately \$3 billion remains on our authorization. We expect to be in the market each quarter this year.

The board approved a quarterly dividend of \$0.47 per share payable April 18, 2019. This represents a 21% increase versus last year.

We've gotten a lot of questions about the impact of a potential downturn. At this time, we're not seeing any evidence of a macro-inspired slowdown in our business. Charge volume trends remain strong, and the number of employees being paid in our ecosystem remains on trend.

Now let me turn to our guidance. Our third quarter guidance for fiscal 2019 includes revenue growth of 10% to 12%, GAAP diluted earnings per share of \$5.03 to \$5.08, and non-GAAP diluted earnings per share of \$5.35 to \$5.40. You can find our Q3 and our reiterated fiscal 2019 guidance details in our press release and on our fact sheet.

With that, I'll turn it back to Sasan.

Sasan K. Goodarzi {BIO 15750219 <GO>}

Thanks, Michelle. With that overview of the quarter, let me take a step back and share my perspective on Intuit's future. I will start with what matters most to our customers.

All of our customers have a common set of needs, and those who've made the bold decision to become entrepreneurs and go into business for themselves have an additional set of needs. All of our customers are trying to make ends meet, maximize their tax refund, save money, and pay off debt.

For those who are small businesses, they have additional needs. They want to find and keep customers, get paid, access capital to grow, and ensure their books are right.

That's why our mission is to Power Prosperity Around the World and our strategy is the One Intuit Ecosystem, which focuses on unlocking the power of many for the prosperity of one.

This strategy is a continuation of Intuit's 10-year transformation led by Brad [Smith] from a North American desktop company to a global cloud company. As we advance our strategy, we're taking steps towards becoming an AI-driven expert platform.

Let me unpack what I mean by an AI-driven expert platform. It's a platform where we and others solve the most pressing customer problems and deliver awesome experiences. It's about significantly accelerating our application of artificial intelligence, which progressively learns from the large data sets across the platform, and delivers the benefits customers seek with speed. And it's about solving the largest problem customers face, confidence, by connecting them with experts on our platform.

With that context, let me provide a few examples to bring this to life. When it comes to connecting people to experts, we are doing this today with TurboTax Live. Imagine the opportunity we have to expand live expertise across the platform to serve consumers, self-employed and small businesses. It's our chance to digitize the service industry.

For small business owners, we are focused on being the center of small business growth, using artificial intelligence across our platform to accelerate faster funding in payments and to help our customers access capital. Over time, we see an opportunity to better serve product-based businesses as they find and sell to customers across channels.

We're also focused on helping customers make smart decisions with their money by connecting our customers to financial products to make ends meet. This is our vision for Turbo, where we are increasing active use and engagement, so we can offer value beyond tax with our consumer platform.

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Last but not least, we are focused on disrupting the mid-market with QBO Advanced. Our AI-driven expert platform will help provide what mid-market customers need at a disruptive price. We are excited about the opportunity in front of us, and we are off to a running start on this journey.

Before I close, I would like to thank our Co-Founder, Scott Cook, for creating such an extraordinary company 35 years ago, and Brad for the incredible foundation he has left behind. It is a true honor and privilege to lead Intuit. I want to thank our employees, customers, and partners for another strong quarter. We're pleased with our results through the first half and look forward to the future.

Now let's open it up for questions.

Q&A

Operator

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

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

Excellent. Very nice quarter, guys, and thank you for taking the question. I want to dig into some of the early returns you guys are seeing on the tax season and maybe focus the question on two parts. One, in terms of sort of what the impacts of the tax law changes have been. Is it - any early indications on whether it's actually sort of - the simplification is drawing more people to DIY? Is there enough numbers in that you get any confidence in that?

And then two, more specifically to TurboTax, how has the uptake of TurboTax Live been compared to your expectations? I'm a TurboTax user and I know you guys are promoting it very heavily. It's all over that landing page. Has the uptake been in line with your expectations?

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Great. Hi, Keith. Thank you for your question. Two-part answer. First one is, as the category champions for Do-It-Yourself, we're actually quite pleased with the growth that we've seen in the category. And we believe that, with our actions, with our lineup, and with the tax simplification, that it has potentially drawn more folks to the category. So we feel good about what we see thus far.

In terms of the uptake with TurboTax Live, as you know, there's multiple experience improvements that we made this year, one of them being that we've made it available across all of our SKUs, and thus far, we like what we see. Our PRS scores are up both for the consumer and for pros, and we like where we are.

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

Got it. And if I can maybe sneak in a follow-up for Michelle. When we're thinking about TurboTax Live, are you guys still comfortable that there won't be any like real gross margin impact from TurboTax Live? Because, I mean, there is a real person on the other side of that Live offering.

A - Michelle Clatterbuck {BIO 20314804 <GO>}

Hi, Keith. Thanks for the question on TurboTax Live. And you're right, we continue to be pretty excited about Live and the opportunity we have there which - and the opportunity is pretty big when you think about the assisted segment and what it gives us access to bringing those customers in.

As for our gross margin, we've continued to look at that and we feel pretty good that that will stay around the 84% mark over time. One of the things that's great about TurboTax Live is the price range for that, the ARPC for that is quite a bit higher than what we have with our normal TurboTax core product. And so even though we do have people involved in it, we're continuing to drive the efficiency there. Last year was our first year, and so, as you know, we said before we weren't as efficient as we could be and so we continue to work on that. But we feel good about it. We feel good about where we are from a margin standpoint.

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

Excellent. Thanks so much.

Operator

Thank you. Our next question comes from Brad Zelnick of Credit Suisse. Your line is open.

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

Thanks so much, and congrats on a nice quarter. Sasan, if we look at the spread between Consumer revenue growth and tax unit growth, it looks like you're seeing a nice increase in average revenue per return. What are the puts and takes on the mix that's driving it? And can you give us a sense of ASP or mix across the spectrum of TurboTax Live SKUs that you're now offering?

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Hi, Brad. Thank you for the question. As you know, we've got multiple levers, price, mix and volume, and we actually like what we're seeing on mix. Our customers are seeing benefits in two areas. One is our Self-Employed offering, and two, the fact that we have TurboTax Live available across multiple SKUs, and we're seeing higher uptake in both of those areas, which is great because it means that we're delivering more confidence for our customers and they'll have confidence in their maximum tax refund. So we feel good about it, and those are the drivers of it.

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

Okay. And if I could just add a follow-up either for yourself or for Michelle, it's great to hear of the early success this season with TurboTax Live and the strong product recommendation scores that's go along with that. How should we think about your ability to meet demand as we get later into the season and avoid customers sitting in long queues and doing that profitably?

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Yeah, it's a great question and it's something that our teams prepare for throughout the year and we have multiple different scenario plans as we're in season. I think the first thing I would start with is, last year, our assessment of ourselves was that we were - we delivered for our customers but we were inefficient on the platform for our pros.

And this year, we did multiple things. One, in terms of onboarding the pros, this ability we gave them for scheduling case management, and so they are far more efficient and effective to deliver for our customers. So we feel good about the capacity that we have, the usage rate that we have, and we have multiple different scenarios to ensure that we're prepared for the rest of the season.

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

Excellent. Thanks again, Sasan.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Thank you, Brad.

Operator

Thank you. Our next question comes from the line of Ross MacMillan of RBC. Your line is open.

Q - Ross MacMillan {BIO 1994797 <GO>}

Thanks so much, and my congratulations as well. I have two questions. Just first on tax, one of the things, Sasan, we've noticed is it appears that the way that the forms changed and the way your product offerings change might mean that more prior year free filers may actually become paid filers. And I was wondering if - I guess, two things on that. One is, is that a fair assumption or a fair assertion? And then secondly, what are the implications for unit share given that part of the DIY category is free as opposed to paid? And is there potentially some sort of mix shift towards paid and away from free as you think about the mix this year?

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Yeah, thank you, Ross. Great question. Just one, as a reminder, the four levers in the business are number of IRS returns and it's driving growth in the DIY category, and then we want to be able to take share in the category. And then last, but not least, it's about revenue per customer. And this year, we lined up our free offering. We want to deliver the

best free offering, so we lined it up with the IRS 1040 and included a number of things to make it really an awesome offering, inclusive of year-over-year data transfer.

But by the way we defined our offerings, there are a number of customers that would look to our paid offerings for the benefit, and we are actually seeing some of that uptake and feel good about what we are seeing. At the end of the day, what matters for us is, as the champions of the category, is growing the category and ultimately putting customers in the right products, and we feel good about what we're seeing early in the season.

Q - Ross MacMillan {BIO 1994797 <GO>}

Great. And maybe one other one, just to follow up, there was some commentary around, I guess, the test product like bookkeeping that was out there, and I know it's not a product that's in market yet, but I was just curious as kind of your thoughts around that and maybe if there's anything to talk about on a potential product in the future.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Yes, I think you're asking about QuickBooks Live. Let me just take a step back and set some context. When you think about what I shared earlier around an AI-driven expert platform, there are common needs across all of our customers that we serve, consumer, self-employed, and small businesses. And one of the biggest problems that customers face is confidence. And so one of the most important area that we are focused on is connecting people with experts on our platform, and we've been doing some testing to learn what's important to small businesses, what's important to bookkeepers, enrolled agents and accountants, and running a test to make that connection.

And so far, we like what we see in the tests, so ultimately, it's a two-sided platform. It's about serving small businesses but it's also helping enrolled agents, CPAs and bookkeepers grow, and we're seeing - we like what we see so far in our early reads.

Q - Ross MacMillan {BIO 1994797 <GO>}

Great. Thank you. Congrats again.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Thank you.

Operator

Thank you. Our next question comes from Kirk Materne of Evercore ISI. Your question, please.

Q - Kirk Materne {BIO 5771115 <GO>}

Yes, thanks very much. So, Sasan, I want to maybe shift over to QuickBooks Online really quick and just talk about QBO Advanced. You mentioned you feel good about the progress there thus far. Can you just talk about sort of who you expect to be sort of the initial customers for that, meaning, I'd expect that there's an opportunity to maybe keep

customers that were sort of turning up to a product that's more for midsize customers as well as obviously bring on new customers onto the platform. I guess, is there a balance you're expecting in the near term on that? And then I just have one follow-up for Michelle. Thanks.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Hi, Kirk. Thank you for your question. Let me just start with some context in the way we think about this space. First of all, the way we draw the line is small businesses with employees between 10 to 100. And the generally - the challenge in this space is that these customers are over-served and they overpay. And there's an opportunity for us to really serve these customers.

Now, the good news is we do this today with Desktop Enterprise. We have well over 140,000 customers. It's over a \$440 million business that's growing double digits. And we've made the decision now because we are ready to ultimately build out the platform in the cloud, and we believe that there's a big opportunity to serve these customers first, it's ensuring that we can be there for our existing customers.

When we look at Desktop Enterprise, it's been 70% stretchers and 30% new. But as we look at QBO Advanced and really disrupting mid-market, we want to be hunters and nurturers, and so we want to make sure that we not only deliver for our existing customers as they grow, but we also want to make sure that we begin to go after new acquisitions.

I would just remind us that we are very early. We know how to play in this space, but now we're building the platform in the cloud, and it's not just about the platform but also the services that we need to deliver. And so very early, but we're pleased with the early results.

Q - Kirk Materne {BIO 5771115 <GO>}

Okay. That's helpful. And then, Michelle, obviously, you have really nice beat on operating margins that seem to flow through just from the top line beat. But given that tax season's sort of evolved a little bit slower, was there any spend that shifted into the third quarter maybe from the second quarter as a result of that, or is that just sort of the natural leverage of the model showing up in terms of the operating margin earnings outside this quarter? Thanks.

A - Michelle Clatterbuck {BIO 20314804 <GO>}

Thanks, Kirk, for the question. Yes, with a slow forming tax season and just our normal operations of the business, we do see expenses that tend to shift from one quarter to the other. We tend not to get overly focused on that. We really do focus on the total year when we think about margins. And so I would stay focused on the guide we've given for the year and not get too caught up in the quarterly movements.

Q - Kirk Materne {BIO 5771115 <GO>}

Fair enough. Thanks very much, and congrats on the quarter.

A - Michelle Clatterbuck {BIO 20314804 <GO>}

Thank you.

Operator

Thank you. Our next question comes from Scott Schneeberger of Oppenheimer. Your question, please.

Q - Scott Schneeberger {BIO 5302695 <GO>}

Thanks very much. Good afternoon, and nice work. My first one, it's similar to Ross's earlier about the tiers in TurboTax. But specifically to the changes in tax reform, I'm just curious if - obviously, with the tiered categories, there's changes in robustness on your end, but are you seeing a lot of change from, we'll call it, trade down from itemized to standard deduction and how are you handling that? Thanks.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Hi, Scott, and thank you for your question. I think back to what I - the context that I set earlier, tax simplification is really good for consumers, and in fact, with us being the category champions and the way we are promoting how easy it is to do taxes yourselves, we're seeing a growth in the category.

Now, with respect to where customers fit across the different lineup, it's playing out exactly within kind of the realm that we assumed in terms of, one, those that may trade up because of TurboTax Live and the confidence that they're looking for, but also those that potentially used to pay but now need to be free. So what we're seeing is very much in line with what we expected.

Q - Scott Schneeberger {BIO 5302695 <GO>}

All right. Thanks for that, Sasan. And then, as far as competitive behavior, a lot of rate changes and tier complexity changes from everyone this year, I'm just curious if you're seeing - obviously, we don't have IRS through middle of February, you had to go back a week on that, so how do you think you compare? I know it's a handicap not having seen that yet, but through midyear, do you think that anyone is stepping out ahead or behind or falling back in any of the categories in the tax space just through competitive behavior? Thanks.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Yeah, thank you. Great question. Having lived in TurboTax land myself for three years, this season is like all other seasons. Everybody - we respect our competitors. They're putting their best foot forward, really good products, really good marketing, and I would just say we like what we see so far. And just as a reminder, for every point the IRS grows, our revenue's up about 1 point. For every point this category grows, our revenue is up 3 points and we are very focused on growing the category, and we like what we see so far.

Q - Scott Schneeberger {BIO 5302695 <GO>}

Okay. Thanks very much.

Operator

Thank you. Our next question comes from Brent Thill of Jefferies. Your line is open.

Q - Brent Thill {BIO 1556691 <GO>}

Good afternoon. 12% growth in the first half of the year, yet you're guiding for a decel to get to 8% to 10% for the back half. I'm just curious how you think about the back half and the differences that you faced. Obviously a big comp from last year, but any other factors that you're paying attention to that we should be cognizant of?

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Hi, Brent. It's a very legit and deserved question. Our principle is we guide to the year and we guide to the quarter. And of course, as you just articulated, both in Q1 and Q2, we delivered 12% top line growth, and of course, you know our guidance for Q3. And we're very focused on delivering for our customers in Q3 and delivering the guidance that we've given you all. And then we'll step back and look at guidance for the rest of the year.

And as you can imagine, our third quarter is more than double the revenue we just delivered, and we want to make sure that we're laser-focused executing that. So nothing - there's no new dynamic other than we guide for the year and then we guide for the quarter.

Q - Brent Thill {BIO 1556691 <GO>}

Okay. And, Michelle, the buyback's down 49% in the first half of the year, and I know that you still have \$3 billion now authorized. But can you just give us a sense, any change in capital allocation here in terms of how you're thinking about the balance of where you're going?

A - Michelle Clatterbuck {BIO 20314804 <GO>}

Hi, Brent. Thanks. Thanks for the question. In Q2, as I mentioned, we bought back \$177 million worth of stock, which was up from \$101 million in Q1. And we really - there has not been any change in our capital planning decisions. We apply our financial principles. And so we look at investing in the business to drive growth, and then we look - as I mentioned at acquisitions, and then we look at buying back shares and paying dividends.

And so I would say we're pretty happy with where we are. Over the last four years, we've returned about \$6 billion to shareholders. And so we feel pretty good about where we are right now.

Q - Brent Thill {BIO 1556691 <GO>}

Great. Thanks.

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Operator

Thank you. Our next question comes from the line of Kash Rangan of Bank of America Merrill Lynch. Your line is open.

Q - Kash Rangan {BIO 22095432 <GO>}

Hi. Thank you very much. Congrats, Sasan, on taking over as CEO of Intuit. I had a question with respect to the tools that are available to Intuit to improve retention in the TurboTax business and also the QBO business. Thank you very much. That's it for me.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

And, Kash, thank you for your question and your kind words. Do you mind just repeating your question? Because you cut in and out, I didn't hear the whole question.

Q - Kash Rangan {BIO 22095432 <GO>}

Absolutely. Absolutely. I'm going into a tunnel. I'm happy to do that. The tools that are available to Intuit, tools and strategies that are available to Intuit to improve the retention rates in TurboTax and the QBO businesses.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Got it. Got it. Very helpful. Thank you for repeating it. I would just start with our approach is that all of our products are instrumented, so we look at the data across all of our products. We look at what customers are using. We look at voice of the customer. We look at product recommendation scores. And that really helps us hone in on where we are delivering for customers, where we need to improve the experience. And that actually is what informs in the very near term our roadmap, while separately we have longer-term strategic roadmaps.

So I would say the - really the uber tool is that our products are instrumented. We look at the data. We look at voice of the customer. We look at product recommendation scores, and those, combined with how we observe customers, is what informs what we do to ensure that we improve retention across our platform.

Q - Kash Rangan {BIO 22095432 <GO>}

But particularly on TurboTax, is there any merit to how we use the Live product and for retention and potentially upsell, as well as it's, make it a better, more holistic experience. So the issue that we've had in the past of people dropping out because there's complication, whatnot, how do you think about that lever? That's it. Thanks.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Yes, got it. Very helpful. That's actually one of the reasons why we are so excited about TurboTax Live, because it really goes after the heart of what matters most to our customers, which is that one nagging question that they had. They just bought a house or

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they sold a house or they just got married or they just had a child or they made a new investment, and how does - what are the implications of that to my tax return?

And that is what's so exciting about Live because now customers can ask the question. We've improved the experience so they can get real-time answers or they can get asynchronous answers. And that proved last year to be not only a conversion but a retention tool, and we're seeing the same this year.

Q - Kash Rangan {BIO 22095432 <GO>}

Wonderful. Thank you so much.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Thank you, Kash. And I apologize I didn't hear your question the first time.

Operator

Thank you. Our next question comes from Jennifer Lowe of UBS. Your line is open.

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

Great. Thank you. I think we've all seen the press talking about, don't expect as big a refund this year or people who have got refunds in the past are now owing money, and that may be one of the reasons we're seeing a slower start to tax season, because the people getting a big refund file first.

But I'm just curious, to the extent the trend is shaping up where people are getting smaller refunds or potentially owing more money than they have in the past, how's that impacting behavior? Does that change price sensitivity? Do they want a second opinion and maybe do things like TurboTax Live? I'm just curious to get sort of your takes on that phenomena.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Yeah, hi, Jennifer. Thank you for the question. What we've learned through the years, and this is all through data, is that ultimately customers will pick the right product that's right for them. If the refund surprises them, it becomes a confidence question, and that's where they need help. Did I do my taxes right? Did I answer the questions the right way? Which is by the way another reason why TurboTax Live is so important for our customers, so they can get that nagging question answered inclusive of, hey, I expected more on my refund. Why is it different?

With that context, we don't share our year-over-year refunds for our customers. But IRS shared it through February 8, and it was down 8.7% per customer. And we'll just have to see how the rest of the season plays out.

But it does not impact, back to your question, which product customers pick and their sensitivity. Because once they pick a product, they have confidence in the product.

They're just more focused on, do I have confidence in my refund?

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

Great. And just sort of a second question in a similar vein. The same press reports talk about the increased complexity, even for the professionals this year. And if we sort of look at the relative delta between the self-prepared e-files and the professional e-files, certainly, that seems to indicate share gains for the DIY category.

But I guess, how do you think about the potential durability of that gap? Is there any sense of whether pros are just taking a little longer this season to get those filings in, because they're grappling with new legislation, or do you think that's something that could persist as we move through the next couple of months? Thanks.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

I think there are two big levers. One is we have digital tailwinds, more and more customers want to do things themselves versus have somebody else do it for them. However, when they need the help, they want to make sure that that expert is there, so, one, there are tailwinds.

I think the second thing I would say is, in addition to the tailwinds, is we view ourselves as the category champions to drive the category growth, which is why we are focused on not only expanding our lead in the Do-It-Yourself category but transforming the assisted category which in essence gives folks more confidence to do it themselves because they know there's going to be a human there on the other side to help answer their question. So I would say those are the two drivers. And so we believe that over time that will persist.

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

Great. Thank you.

Operator

Thank you. Our next question comes from Josh Beck of KeyBanc. Please go ahead.

Q - Josh Beck {BIO 17868061 <GO>}

Yeah, thank you for taking the question. I wanted to ask, in the Consumer segment, I know at your Investor Day you highlighted 25 million registered users across Mint and Turbo, and I know it's early in the season but can you give us a sense of how those initiatives are tracking thus far?

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Yes, hi, Josh. Thank you for your question. First of all, go back to - our focus is to make - to help our customers make ends meet. And really the vision for Turbo is to ensure that we are matching our customers with the best financial products, and we've got four verticals that we are focused on; investing, lending and mortgage just being three of the four, and we have 25 offers where we match our customers with their consent of data to the

financial products. And we, in fact, this year introduced 20 new features, all in service of helping our customers make ends meet and ultimately helping our partners thrive.

So, so far with the early data, again, we like what we see. We'll share those results at Investor Day this year, coming up, but we like what we're seeing and what we're learning.

Q - Josh Beck {BIO 17868061 <GO>}

Great. And I had a follow-up around Online services. That's been, I think, a nice positive upside surprise. You had some nice updates on capital and payments and payroll. I'm just wondering if you unpack, are there certain areas that are maybe coming in ahead of your expectation or you're becoming more excited about as you make more inroads on the services front?

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Yeah, we're very proud of the team because they're very laser- focused on what matters most to our customers, which in this case it's about helping them get paid fast, helping them get access to capital, helping them pay employees but actually hold onto as much money - as much of their money as they can before they have to pay their employees; and ultimately when it comes to time tracking, which drives more accuracy in how you pay your employees.

I would just share with you that our teams have been very focused on those customer problems and improving the experience, looking for ways to get the money into our customers' pockets faster or helping them hold onto their money longer, and I think some of the innovation that we launched and we talked about earlier, whether it's fast refunding in payments or same-day and next-day payroll where customers get to hold onto their money a little bit longer, is all in service of our team's being very focused on what matters to customers and just accelerating both the innovation and our marketing efforts. And that's something that we would foresee continuing.

Q - Josh Beck {BIO 17868061 <GO>}

Great. Thank you for the color.

Operator

Thank you. Our next question comes from Chris Merwin of Goldman Sachs. Your line is open.

Q - Christopher Merwin {BIO 17528635 <GO>}

Okay. Thanks for taking my questions. So, just in terms of international sub-growth for QBO Online (sic) [QuickBooks Online] (43:04), I think it was another really strong quarter, up over 50% year-on-year, and I know that UK has been an area of strength more recently for you all. And I guess with the MTD legislation coming into effect in April, should we expect this tailwind to continue or is that sort of something that might taper off? How

should we think about that continuing as we move throughout the year? And I've got a follow-up. Thanks.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Hi, Chris. Thank you for your question. We're very pleased with the team's performance on international, and it grew about 56% this quarter, driven by several countries, UK, Australia and Canada. And Making Tax Digital, we believe, will actually be a contributor to continued growth; and the reason is, it will create a digital tailwind for Small Businesses to have to change their behaviors in essence for things like invoicing. So we view that as a potential catalyst to maintain the growth.

Q - Christopher Merwin {BIO 17528635 <GO>}

Okay. Great. And the follow-up was just on TurboTax e-filers, looks like they were down a little bit more than the category, obviously very early in the tax season. But just curious how you're thinking about share gains in the 3Q and maybe what you've contemplated in the guidance.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Yes, yes. Again, just as a quick refresher, we look at IRS growth growing the category and then growing share; and as we plan out our game plan for the season, we do it in season parts. So, thus far, we are where we expected to be, and we have a game plan for the rest of the season that we're excited about.

Q - Christopher Merwin {BIO 17528635 <GO>}

Okay. Perfect. Thank you.

Operator

Thank you. Our next question comes from Ken Wong of Guggenheim. Your line is open.

Q - Ken Wong {BIO 20723645 <GO>}

Great. Sasan, at Analyst Day, one of the big goals you guys laid out was to improve conversion at the top of funnel in terms of customer traffic. I'm wondering if you guys have any early trends that you could share there in terms of success on that front?

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Yes, hi, Ken. Thank you for your question. And that is really a big focus for us as a company because we get the customers coming to us. The opportunity we have is to improve it. And we are running multiple different experiments. We continue to run experiments in TurboTax to actually improve traffic to log-in and we're also doing the same thing in QuickBooks.

I'll use an example for QuickBooks. As a reminder, people come to us for many different reasons in QuickBooks. They may come to us for invoicing, they may come to us for

payroll, they may come to us just to get organized, and we've been shifting from really a QuickBooks.com that is just genericized to having landing pages that asks a couple of questions from customers, understands their intent, and takes them right to what they're looking for, because they come to us for many different reasons. We, in fact, have multiple tests running right now, and we've been - we will continue to roll out the winners. So, we like our progress here, and I would tell you that we will never be satisfied because we have so much room for improvement and we see a lot of opportunity in this area.

Q - Ken Wong {BIO 20723645 <GO>}

Got it. Got it. And then a follow-up for Michelle. You guys mentioned that the plan was to start spending marketing dollars at the start of tax season. It's a little earlier than last year. Can you maybe comment on how effective that's been and then whether or not you guys might consider putting a little more gas on the fire if it has been effective?

A - Michelle Clatterbuck {BIO 20314804 <GO>}

Sure. First, thanks for the question, Ken. First of all, have you seen our advertising?

Q - Ken Wong {BIO 20723645 <GO>}

I have seen your advertising. That's why I'm a QuickBooks customer and a TurboTax customer.

A - Michelle Clatterbuck {BIO 20314804 <GO>}

You like it?

Q - Ken Wong {BIO 20723645 <GO>}

Well, I saw the - let's see, which one was it. Well, I can't remember at this moment. But, yes, I think it's effective. It drew me to the website just to double check.

A - Michelle Clatterbuck {BIO 20314804 <GO>}

Well, good. Good, good, good. Well, you know what? We're seeing the same thing. So, our big push there with our marketing dollars is really we want to be where our customers are. So that's important to us. And when we look at marketing and whether we should spend more or not, it really is around, is the marketing spend driving the outcomes we want? And so, on the QuickBooks side, we tend to focus on LTV to cap. On the TurboTax side, we tend to focus on a one-year payback.

And so, that enables to us be able to make different resource allocation decisions because, as you guys know, we manage margins at the company level, and so we're always looking at how to best deploy the funds to deliver better outcomes. And so, right now, with the metrics we've seen so far, we are pleased with how it's going on both sides of the house, with QuickBooks and with our TurboTax ads.

Q - Ken Wong {BIO 20723645 <GO>}

Got it. Thanks, Michelle.

Operator

Thank you. Our next question comes from the line of Raimo Lenschow of Barclays. Your line is open.

Q - Raimo Lenschow {BIO 4664646 <GO>}

Hey, thanks for taking my questions. I had two quick questions. First, in QuickBooks, on the international front, you mentioned about the success you had there. Can you talk a little about the Brazil and France and maybe India situation where you were working on markets' readiness. And I'm aware of the UK strength, but just wanted to see how those kind of regions are doing. And I had one follow-up.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Hi, Raimo. Thank you for your question. Just for context, there's six countries that we're in outside of the U.S. It's UK, Canada, Australia and, of course, the other three that you asked about, France, Brazil and India. I'll hit on each of them very quickly.

On Brazil, we've really focused the teams on the compliance market. It's actually a large-enough market, it's almost two UKs. And we like the progress that we see. Both our active use and PRS is going up. In France, it's important to remind ourselves that it is extremely early in the shift to the cloud. We are very focused on a few key problems, one of them being document exchange between accountants and Small Businesses, think receipt capture. We like the progress that we're seeing there and the product market fits, and we're seeing increased active use and PRS. But it's very early in the shift to the cloud. Again, France is where the United States was 25 years ago in terms of just where it is in moving to the cloud.

And then last, but not least, India is just going through a significant digital transformation with the government getting involved, and we are very focused on tech-savvy businesses. We are making progress in India, but it is not of the same rate as what we're seeing in Brazil and France.

Q - Raimo Lenschow {BIO 4664646 <GO>}

Okay. And then one follow-up. Can you just remind us - a lot of your business moved over to AWS and especially in the tax season now, kind of meet the scale and it is scaling. Can you remind us like where you are and where you still have duplications versus where you're kind of nakedly fully on AWS already. Thank you.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Yes, we're very excited about the shift to AWS. It helps with better tools, better automation for our developers so they can be far more productive and drive much more innovation. We expect by - well, first of all, let's me start with, most of our large apps are already on AWS and we expect by FY 2019, middle of FY 2020 for most of the other services to be on AWS. There's always going to be the periphery (50:34) services that will take more time. But, for the most part, we'll be over the bridge.

Q - Raimo Lenschow {BIO 4664646 <GO>}

Perfect. Congratulations. Thank you.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Thank you.

Operator

Thank you. Our next question comes from the line of Michael Turrin of Deutsche Bank. Your line is open.

Q - Michael Turrin {BIO 20079094 <GO>}

Hey, good afternoon. Thanks. Following up on some of the Online services commentary, that number continues to accelerate. Just hoping you could expand a bit more around what attach those additional products can do for ARPU and retention rates in the Small Business segment over time.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Yes, Michael. Thank you for your question. Maybe just a quick repeat of what I mentioned earlier. We are very focused on what matters most to our customers, which is around getting paid, around capital, paying employees and time tracking; and we like what we see and the progress that we see.

I think what's most important for you all to remain focused on is our Online revenue being north of 30%. We don't manage the business or set goals around ARPU, but ultimately what's most important to our customers and ensuring that we deliver what we've committed to you all. And so I would focus on the 30% revenue growth, Online revenue growth.

Q - Michael Turrin {BIO 20079094 <GO>}

Great. And then on Self-Employed, you added 100,000 subs there during the quarter. Can you just help us parse through a bit more how much of that was driven by synergies with TurboTax early in the season and whether there are some additional factors that might be helping drive those synergies? Thanks.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Yes, absolutely. Well, first of all, we're excited about almost adding 100,000 compared to this time last year and really helping the needs of the Self-Employed. We will break out where it came from at Investor Day, but right now it's not something that we will break out, but we like the progress that we're making, both going directly to Self-Employed and what we're seeing across the ecosystem, across the TurboTax channel.

Q - Michael Turrin {BIO 20079094 <GO>}

Got it. Thanks for taking the questions.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Thank you.

Operator

Thank you. Our next question comes from Walter Pritchard of Citi. Your line is open.

Q - Walter H. Pritchard {BIO 4672133 <GO>}

Just, Sasan, for you on traffic. I know at the Analyst Day you talked about how traffic to TurboTax.com had been flat last year. And you were hopeful that you could see some increase there and then drive some conversion. Could you help us understand what you're seeing in terms of traffic early in the season at this point? And then had a follow-up.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Yes, hi, Walter. Absolutely. Our focus is actually less about growing more traffic, but actually bringing customers back, where they realize that we have an opportunity to help them with confidence with TurboTax Live. So it's really about the mix of folks that we're focused on bringing back, and improving the conversion of those that are already there, versus looking to improve traffic even more so year-over-year. And we like so far what we see.

Q - Walter H. Pritchard {BIO 4672133 <GO>}

Great. And then just on the Small Business side, you highlighted ARPU as a focus there and you've had, I think, some good success with TSheets. Can you maybe update us on what you're thinking in terms of M&A around the Small Business Group and bringing in some businesses that might look like TSheets to help drive the breadth of the product, selling to the base?

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Sure, sure, Walter. First of all, everything that we do is driven by what's most important to our customers. And anything that allows us to help accelerate payments for our customers, put more money in their pocket through capital, innovate in payroll, so not only make it easy but ultimately allow them to hold onto their money the longest in their bank before they have to push a button and the money goes out to their employee, or things like time tracking, are all important areas that we will continue to innovate because we're still at the early stages.

I did not talk about ARPU earlier. In fact, what I reiterated is we focus more on Online revenue growth and we want you to focus on that being above 30%, because that allows our teams to focus on innovation that matters the most.

I think as we look ahead, one of the areas that will accelerate our focus will be, how do we help product-based businesses manage across multiple different channels. And that would be an area where we'll look to accelerate our build internally and look externally if we need to.

Q - Walter H. Pritchard {BIO 4672133 <GO>}

Great. Thank you.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Thank you, Walter.

Operator

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

Q - Sterling Auty {BIO 2070271 <GO>}

Yeah, thanks. Hi, guys. I'm curious, of the TurboTax Live users so far this season, how would you characterize the uptake of those users coming out of first time TurboTax users versus returning TurboTax users?

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Hi, Sterling. These are some data points we'll release later. But I would tell you that we like the mix that we're seeing.

Just as a reminder, we – as we've shared at Investor Day, we lose 3 million TurboTax customers, because ultimately they didn't have confidence and they go elsewhere. We're seeing less drop-off, because those that may have a question can now ultimately ask for help, and they will get it.

And we're seeing an accelerated migration from assisted segment, now that they see that there's a way to get expertise on a digital platform. So we like the mix that we are seeing. And it's also important to remind ourselves, we're early in the journey of TurboTax Live. And so we are learning and adjusting literally on a weekly basis, but we like what we see.

Q - Sterling Auty {BIO 2070271 <GO>}

Great. And then one follow-up. How would you characterize the pricing and promotional activity in the tax side so far through this season?

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Well, as I mentioned earlier, we have a ton of respect for all of those that we compete with. And everybody has upped their game, as they do every year, both in terms of product innovation and their pricing strategy.

I would just say that everyone's being aggressive, but we've not seen anything that's surprised us. And we're being extremely choiceful and deliberate what we do with pricing, because we want to truly go after where we can create value for customers and be able to keep those customers in the long term.

Q - Sterling Auty {BIO 2070271 <GO>}

Great. Thank you.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Thank you, Sterling.

Operator

Thank you. Our next question comes from the line of Brad Reback of Stifel. Your line is open.

Q - Brad Robert Reback {BIO 3441314 <GO>}

Great. Thanks very much. So, Michelle, I'll start with a quick comment. I'm a big fan of the coffee house ads.

A - Michelle Clatterbuck {BIO 20314804 <GO>}

Awesome. Love to hear that.

Q - Brad Robert Reback {BIO 3441314 <GO>}

Now onto the work. Sasan, I believe last quarter Brad talked about smarter promotional activity, and I took that to mean more on the QBO side. Can you tell us maybe where we are in that process? And is that more of a tailwind going forward? Or are we already beginning to see a big part of that? Thanks.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Yes, Brad was exactly right in what he shared. And we believe we really have a big opportunity as we think about very strategic pricing. And it looks and feels different by country, depends on which country it is and where we are in the cycle of that country.

But let me just use U.S. as an example. We are running a number of tests right now, because we now have – across our product line, we have Self-Employed all the way to QBO Advanced, which is about serving the mid-market. And now we're doing tests with connecting people to experts, which is QuickBooks Live, very similar to TurboTax Live.

And that really is giving us an opportunity to really think about and test different price points. And we believe, over time, that will be a tailwind for us.

Q - Brad Robert Reback {BIO 3441314 <GO>}

Great. Thanks very much.

Operator

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Thank you. Our next question comes from Jim Macdonald of First Analysis. Your line is open.

Q - James Macdonald {BIO 1542627 <GO>}

Yeah. Thanks. I have a couple quick questions. I'll try another mix TurboTax Live question. Last year, you were surprised that the low end had any interest in TurboTax Live. Any thoughts on what you're seeing on the low end this season?

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Yes, hi, Jim. Greg and the team had some great insight last year, which you just articulated. And that is, every customer, no matter what their tax situation is, they will at some point have a question. And we're really focused on going after confidence and being able to answer their questions.

And so, therefore, that's why we made TurboTax Live available across all the SKUs. And we are seeing uptake across all the SKUs, which confirmed the learning that we had last year and the hypothesis we went into this season which is, let's make it available for everyone because everybody ultimately has a nagging question and this gives them the chance to complete their taxes with confidence, and we are seeing uptake across every SKU.

Q - James Macdonald {BIO 1542627 <GO>}

Okay. Great. And, Michelle, maybe you guys have been really efficient on R&D and G&A this year. Any - is some of that due to the AWS conversion, any thoughts on very low increases this year, which is pretty amazing?

A - Michelle Clatterbuck {BIO 20314804 <GO>}

Thanks, Jim. Appreciate the question. What I would actually take it back to is, it's not so much - I mean, we're always looking to drive efficiency, but we also want to make sure that we are investing at the appropriate levels. And so, what I would say, specifically around R&D, when we look at that spend, it may vary quarter-to-quarter. We really look on an annual basis to stay at about - in the range of 19% to 20% of revenue, and so that's really what we focus on.

On G&A, we tend to be - at the end of last year, we were 11% of revenue, and we look to see ways to get that to decline over time. But we do look at that also on an annual basis. So I would continue to think about it holistically and not get overly caught up in the quarter-to-quarter movement.

Q - James Macdonald {BIO 1542627 <GO>}

Thanks a lot.

Operator

Thank you. Our next question comes from Michael Millman of Millman Research. Your line is open.

Q - Michael Millman {BIO 1494618 <GO>}

Thank you. Question is on RAs. To what extent did you promote them this year? Was it promoted to all SKUs that you have varying amounts? And that it brought in new clients or was it more for existing clients? And to what extent do you expect to (01:01:40) increase it in coming years?

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Hi, Michael. Thank you for your questions. I think you're referring to refund anticipation loans and if that's what you're referring to, first of all, remind us that this was a business that we got out of 10 years ago because just the level of interest rates were not consumer-friendly. What we are testing with now is no interest anticipation loans so that ultimately we can serve consumers in the areas that are most important to them and ultimately do it in a very consumer-friendly way, which is what the company stands for. So we're doing some of those tests now and getting the results, and we'll make decisions and inform what we do next year.

Q - Michael Millman {BIO 1494618 <GO>}

Are you competing in the market which is going up to, on one case \$3,500, another case \$7,000? Last year, I think you limited it to \$1,000.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Yeah, that - we're in a similar ballpark now. We're testing between \$250 to \$1,000. And the main reason is we've done a lot of testing in the previous years. It is not a reason to switch from one method to another. And so, therefore, we're very focused on ensuring that we're delivering against what really matters to our customers because it is not a category grower and it's not a conversion driver, which is why we're testing different limits.

Q - Michael Millman {BIO 1494618 <GO>}

Are you promoting it at all?

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

No, we're just testing it right now.

Q - Michael Millman {BIO 1494618 <GO>}

Okay. Thank you.

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Thank you very much.

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Operator

Thank you. Ladies and gentlemen, I'm showing - I'm not showing any further questions. Would you like to close with any additional remarks?

A - Sasan K. Goodarzi {BIO 15750219 <GO>}

Yes. Thank you very much. First of all, I really appreciate everybody's very thoughtful questions. We're very proud of our results and the momentum that the teams have, and we are very inspired by continuing the Power Prosperity Around the World, and we look forward to connecting with you next quarter. Thank you.

Operator

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

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