
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended October 31, 2021

OR

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____.

Commission File Number 0-21180

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INTUIT INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

77-0034661

(IRS Employer Identification No.)

2700 Coast Avenue, Mountain View, CA 94043

(Address of principal executive offices, including zip code)

(650) 944-6000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, \$0.01 par value

Trading Symbol
INTU

Name of each exchange on which registered
Nasdaq Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 283,168,410 shares of Common Stock, \$0.01 par value, were outstanding at November 12, 2021.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. These risks and uncertainties may be amplified by the coronavirus ("COVID-19") pandemic, which has caused significant global economic instability and uncertainty. The extent to which the COVID-19 pandemic impacts Intuit's business, operations, financial results, and financial condition, including the duration and magnitude of such effects, will depend on numerous evolving factors, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the pandemic, its severity, the actions to contain the virus or respond to its impact, and how quickly and to what extent normal economic and operating conditions can resume. Please also see the section entitled "Risk Factors" in Item 1A of Part II of this Report for important information to consider when evaluating these statements. All statements in this report, other than statements that are purely historical, are forward-looking statements. Words such as "expect," "anticipate," "intend," "plan," "believe," "forecast," "estimate," "seek," and similar expressions also identify forward-looking statements. In this report, forward-looking statements include, without limitation, the following:

- our expectations and beliefs regarding future conduct and growth of the business;
- statements regarding the impact of the COVID-19 pandemic on our business;
- our beliefs and expectations regarding seasonality, competition and other trends that affect our business;
- our expectation that we will continue to invest significant resources in our product development, marketing and sales capabilities;
- our expectation that we will continue to invest significant management attention and resources in our information technology infrastructure and in our privacy and security capabilities;
- our expectation that we will work with the broader industry and government to protect our customers from fraud;
- our expectation that we will generate significant cash from operations;
- our expectation that total service and other revenue as a percentage of our total revenue will continue to grow;
- our expectations regarding the development of future products, services, business models and technology platforms and our research and development efforts;
- our assumptions underlying our critical accounting policies and estimates, including our judgments and estimates regarding revenue recognition; the fair value of goodwill; and expected future amortization of acquired intangible assets;
- our intention not to sell our investments and our belief that it is more likely than not that we will not be required to sell them before recovery at par;
- our belief that the investments we hold are not other-than-temporarily impaired;
- our belief that we take prudent measures to mitigate investment related risks;
- our belief that our exposure to currency exchange fluctuation risk will not be significant in the future;
- our assessments and estimates that determine our effective tax rate;
- our belief that our income tax valuation allowance is sufficient;
- our belief that it is not reasonably possible that there will be a significant increase or decrease in our unrecognized tax benefits over the next 12 months;
- our belief that our cash and cash equivalents, investments and cash generated from operations will be sufficient to meet our seasonal working capital needs, capital expenditure requirements, contractual obligations, debt service requirements and other liquidity requirements associated with our operations for at least the next 12 months;
- our expectation that we will return excess cash generated by operations to our stockholders through repurchases of our common stock and the payment of cash dividends, after taking into account our operating and strategic cash needs;
- our judgments and assumptions relating to our loan portfolio;
- our belief that the credit facilities will be available to us should we choose to borrow under them
- our expectations regarding acquisitions and their impact on business and strategic priorities; and
- our assessments and beliefs regarding the future developments and outcomes of pending legal proceedings and inquiries by regulatory authorities, the liability, if any, that Intuit may incur as a result of those proceedings and inquiries, and the impact of any potential losses or expenses associated with such proceedings or inquiries on our financial statements.

We caution investors that forward-looking statements are only predictions based on our current expectations about future events and are not guarantees of future performance. We encourage you to read carefully all information provided in this report and in our other filings with the Securities and Exchange Commission before deciding to invest in our stock or to maintain or change your investment. These forward-looking statements are based on information as of the filing date of this Quarterly Report, and we undertake no obligation to revise or update any forward-looking statement for any reason.

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

INTUIT INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS *(unaudited)*

(In millions, except per share amounts)

| | Three Months Ended | |
|--|--------------------|------------------|
| | October 31, 2021 | October 31, 2020 |
| Net revenue: | | |
| Product | \$ 397 | \$ 367 |
| Service and other | 1,610 | 956 |
| Total net revenue | 2,007 | 1,323 |
| Costs and expenses: | | |
| Cost of revenue: | | |
| Cost of product revenue | 15 | 15 |
| Cost of service and other revenue | 387 | 234 |
| Amortization of acquired technology | 15 | 7 |
| Selling and marketing | 550 | 362 |
| Research and development | 530 | 325 |
| General and administrative | 262 | 169 |
| Amortization of other acquired intangible assets | 53 | 2 |
| Total costs and expenses | 1,812 | 1,114 |
| Operating income | 195 | 209 |
| Interest expense | (7) | (8) |
| Interest and other income, net | 50 | 9 |
| Income before income taxes | 238 | 210 |
| Income tax provision | 10 | 12 |
| Net income | \$ 228 | \$ 198 |
| Basic net income per share | \$ 0.84 | \$ 0.75 |
| Shares used in basic per share calculations | 273 | 263 |
| Diluted net income per share | \$ 0.82 | \$ 0.75 |
| Shares used in diluted per share calculations | 277 | 265 |
| Cash dividends declared per common share | \$ 0.68 | \$ 0.59 |

See accompanying notes.

INTUIT INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)**(In millions)*

| | Three Months Ended | |
|---|--------------------|------------------|
| | October 31, 2021 | October 31, 2020 |
| Net income | \$ 228 | \$ 198 |
| Other comprehensive income (loss), net of income taxes: | | |
| Unrealized loss on available-for-sale debt securities | (4) | (1) |
| Foreign currency translation loss | (1) | (2) |
| Total other comprehensive loss, net | (5) | (3) |
| Comprehensive income | <u>\$ 223</u> | <u>\$ 195</u> |

See accompanying notes.

INTUIT INC.
CONDENSED CONSOLIDATED BALANCE SHEETS *(unaudited)*
(In millions)

| | October 31, 2021 | July 31, 2021 |
|---|------------------|------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,864 | \$ 2,562 |
| Investments | 386 | 1,308 |
| Accounts receivable, net | 411 | 391 |
| Income taxes receivable | 111 | 123 |
| Prepaid expenses and other current assets | 409 | 316 |
| Current assets before funds held for customers | 4,181 | 4,700 |
| Funds held for customers | 306 | 457 |
| Total current assets | 4,487 | 5,157 |
| Long-term investments | 84 | 43 |
| Property and equipment, net | 789 | 780 |
| Operating lease right-of-use assets | 405 | 380 |
| Goodwill | 5,613 | 5,613 |
| Acquired intangible assets, net | 3,195 | 3,252 |
| Long-term deferred income taxes | 8 | 8 |
| Other assets | 289 | 283 |
| Total assets | <u>\$ 14,870</u> | <u>\$ 15,516</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 531 | \$ 623 |
| Accrued compensation and related liabilities | 316 | 530 |
| Deferred revenue | 600 | 684 |
| Other current liabilities | 385 | 361 |
| Current liabilities before customer fund deposits | 1,832 | 2,198 |
| Customer fund deposits | 306 | 457 |
| Total current liabilities | 2,138 | 2,655 |
| Long-term debt | 2,037 | 2,034 |
| Long-term deferred income tax liabilities | 508 | 525 |
| Operating lease liabilities | 403 | 380 |
| Other long-term obligations | 51 | 53 |
| Total liabilities | 5,137 | 5,647 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock | — | — |
| Common stock and additional paid-in capital | 10,718 | 10,548 |
| Treasury stock, at cost | (13,289) | (12,951) |
| Accumulated other comprehensive loss | (29) | (24) |
| Retained earnings | 12,333 | 12,296 |
| Total stockholders' equity | 9,733 | 9,869 |
| Total liabilities and stockholders' equity | <u>\$ 14,870</u> | <u>\$ 15,516</u> |

See accompanying notes

INTUIT INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY *(unaudited)*

| | Three Months Ended October 31, 2021 | | | | | |
|---|-------------------------------------|--|--------------------|---|----------------------|----------------------------------|
| | Shares of Common Stock | Common Stock and Additional Paid-In Capital | Treasury Stock | Accumulated Other Comprehensive Loss | Retained Earnings | Total Stockholders' Equity |
| <i>(In millions, except shares in thousands)</i> | | | | | | |
| Balance at July 31, 2021 | 273,235 | \$ 10,548 | \$ (12,951) | \$ (24) | \$ 12,296 | \$ 9,869 |
| Comprehensive income | — | — | — | (5) | 228 | 223 |
| Issuance of stock under employee stock plans, net of shares withheld for employee taxes | 593 | (111) | — | — | — | (111) |
| Stock repurchases under stock repurchase programs | (606) | — | (338) | — | — | (338) |
| Dividends and dividend rights declared (\$0.68 per share) | — | — | — | — | (191) | (191) |
| Share-based compensation expense | — | 281 | — | — | — | 281 |
| Balance at October 31, 2021 | <u>273,222</u> | <u>\$ 10,718</u> | <u>\$ (13,289)</u> | <u>\$ (29)</u> | <u>\$ 12,333</u> | <u>\$ 9,733</u> |

| | Three Months Ended October 31, 2020 | | | | | |
|---|-------------------------------------|--|--------------------|---|----------------------|----------------------------------|
| | Shares of Common Stock | Common Stock and Additional Paid-In Capital | Treasury Stock | Accumulated Other Comprehensive Loss | Retained Earnings | Total Stockholders' Equity |
| <i>(In millions, except shares in thousands)</i> | | | | | | |
| Balance at July 31, 2020 | 261,740 | \$ 6,182 | \$ (11,929) | \$ (32) | \$ 10,885 | \$ 5,106 |
| Comprehensive income | — | — | — | (3) | 198 | 195 |
| Issuance of stock under employee stock plans, net of shares withheld for employee taxes | 967 | (11) | — | — | — | (11) |
| Dividends and dividend rights declared (\$0.59 per share) | — | — | — | — | (157) | (157) |
| Share-based compensation expense | — | 112 | — | — | — | 112 |
| Balance at October 31, 2020 | <u>262,707</u> | <u>\$ 6,283</u> | <u>\$ (11,929)</u> | <u>\$ (35)</u> | <u>\$ 10,926</u> | <u>\$ 5,245</u> |

See accompanying notes.

INTUIT INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*
(In millions)
Cash flows from operating activities:

| | Three Months Ended | |
|---|--------------------|------------------|
| | October 31, 2021 | October 31, 2020 |
| Net income | \$ 228 | \$ 198 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 45 | 37 |
| Amortization of acquired intangible assets | 69 | 9 |
| Non-cash operating lease cost | 18 | 13 |
| Share-based compensation expense | 280 | 111 |
| Deferred income taxes | (16) | 17 |
| Other | (35) | (16) |
| Total adjustments | 361 | 171 |
| Originations of loans held for sale | — | (43) |
| Sale and principal payments of loans held for sale | — | 147 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (21) | 47 |
| Income taxes receivable | 11 | (17) |
| Prepaid expenses and other assets | (31) | (38) |
| Accounts payable | (107) | (58) |
| Accrued compensation and related liabilities | (212) | (248) |
| Deferred revenue | (86) | (85) |
| Operating lease liabilities | (18) | (12) |
| Other liabilities | 20 | (17) |
| Total changes in operating assets and liabilities | (444) | (428) |
| Net cash provided by operating activities | 145 | 45 |

Cash flows from investing activities:

| | | |
|--|------------|--------------|
| Purchases of corporate and customer fund investments | (257) | (198) |
| Sales of corporate and customer fund investments | 1,053 | 30 |
| Maturities of corporate and customer fund investments | 123 | 156 |
| Purchases of property and equipment | (42) | (38) |
| Acquisitions of businesses, net of cash acquired | — | (85) |
| Originations of term loans to small businesses | (125) | (11) |
| Principal repayments of term loans from small businesses | 72 | 29 |
| Other | (28) | (13) |
| Net cash provided by (used in) investing activities | 796 | (130) |

Cash flows from financing activities:

| | | |
|---|--------------|----------------|
| Repayments on borrowings under unsecured revolving credit facility | — | (1,000) |
| Proceeds from borrowings under secured revolving credit facility | 2 | — |
| Repayment of debt | — | (13) |
| Proceeds from issuance of stock under employee stock plans | 55 | 88 |
| Payments for employee taxes withheld upon vesting of restricted stock units | (167) | (99) |
| Cash paid for purchases of treasury stock | (335) | — |
| Dividends and dividend rights paid | (190) | (158) |
| Net change in customer fund deposits | (151) | 29 |
| Net cash used in financing activities | (786) | (1,153) |

| | | |
|---|-----------------|-----------------|
| Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents | (2) | (1) |
| Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents | 153 | (1,239) |
| Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of period | 2,819 | 6,697 |
| Cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period | \$ 2,972 | \$ 5,458 |
| Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents reported within the condensed consolidated balance sheets to the total amounts reported on the condensed consolidated statements of cash flows | | |
| Cash and cash equivalents | \$ 2,864 | \$ 5,174 |
| Restricted cash and restricted cash equivalents included in funds held for customers | 108 | 284 |
| Total cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period | \$ 2,972 | \$ 5,458 |

See accompanying notes.

INTUIT INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)***1. Description of Business and Summary of Significant Accounting Policies***Description of Business*

Intuit helps consumers, small businesses, and the self-employed prosper by delivering financial management and compliance products and services. We also provide specialized tax products to accounting professionals, who are key partners that help us serve small business customers.

Our flagship brands, TurboTax, QuickBooks and Mint help customers run their small businesses, pay employees and send invoices, separate business and personal expenses, track their money, and file income taxes. Credit Karma is a consumer technology platform that enables us to provide personalized financial offers to members including credit cards, loans, insurance, and savings and checking accounts through an FDIC member bank partner. ProSeries and Lacerte are our leading tax preparation offerings for professional accountants. Incorporated in 1984 and headquartered in Mountain View, California, we sell our products and services primarily in the United States.

Basis of Presentation

These condensed consolidated financial statements include the financial statements of Intuit and its wholly owned subsidiaries. We have eliminated all significant intercompany balances and transactions in consolidation. We have included all adjustments, consisting only of normal recurring items, which we considered necessary for a fair presentation of our financial results for the interim periods presented. We have reclassified certain amounts previously reported in our financial statements to conform to the current presentation, including amounts related to reportable segments.

We acquired Credit Karma, Inc. (Credit Karma) in the second quarter of fiscal 2021. We have included the results of operations for Credit Karma in our condensed consolidated statements of operations from the date of acquisition. There have been no material adjustments to the purchase price allocation from those disclosed in our Annual Report on Form 10-K for the fiscal year ended July 31, 2021. Credit Karma operates as a separate reportable segment. See Note 11, "Segment Information," for more information.

These unaudited condensed consolidated financial statements and accompanying notes should be read together with the audited consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2021. Results for the three months ended October 31, 2021 do not necessarily indicate the results we expect for the fiscal year ending July 31, 2022 or any other future period.

Seasonality

Our Consumer and ProConnect offerings have a significant and distinct seasonal pattern as sales and revenue from our income tax preparation products and services are heavily concentrated in the period from November through April. Typically, returns are accepted by the IRS starting in January and the tax filing deadline ends in April. This seasonal pattern results in higher net revenues during our second and third quarters ending January 31 and April 30, respectively. However, in fiscal 2021 the IRS began accepting returns on February 12, 2021 and the tax filing deadline was extended to May 17, 2021. These changes to the fiscal 2021 tax filing season impacted our second and third quarter financial results.

Significant Accounting Policies

We describe our significant accounting policies in Note 1 to the financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2021. There have been no changes to our significant accounting policies during the first three months of fiscal 2022.

[Use of Estimates](#)

In preparing our condensed consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP), we make certain judgments, estimates, and assumptions that affect the amounts reported in our financial statements and the disclosures made in the accompanying notes. For example, we use judgments and estimates in determining how revenue should be recognized. These judgments and estimates include identifying performance obligations, determining if the performance obligations are distinct, determining the standalone sales price (SSP) and timing of revenue recognition for each distinct performance obligation, and estimating variable consideration to be included in the transaction price. We use estimates in determining the collectibility of accounts receivable and notes receivable, the appropriate levels of various accruals including accruals for litigation contingencies, the discount rate used to calculate lease liabilities, the amount of our worldwide tax provision, the realizability of deferred tax assets, the credit losses of available-for-sale debt securities, and the fair value of assets acquired and liabilities assumed for business combinations. We also use estimates in determining the remaining economic lives and fair values of acquired intangible assets, property and equipment, and other long-lived assets. In addition, we use assumptions to estimate the fair value of reporting units and share-based compensation. Despite our intention to establish accurate estimates and use reasonable assumptions, actual results may differ from our estimates. Additionally, in the context of the ongoing global COVID-19 pandemic, while there has been no material impact on our estimates to date, in future periods, facts and circumstances could change and impact our estimates.

[Computation of Net Income \(Loss\) Per Share](#)

We compute basic net income or loss per share using the weighted average number of common shares outstanding during the period. We compute diluted net income per share using the weighted average number of common shares and dilutive potential common shares outstanding during the period. Dilutive potential common shares consist of the shares issuable upon the exercise of stock options and upon the vesting of restricted stock units (RSUs) under the treasury stock method.

We include stock options with combined exercise prices and unrecognized compensation expense that are less than the average market price for our common stock, and RSUs with unrecognized compensation expense that is less than the average market price for our common stock, in the calculation of diluted net income per share. We exclude stock options with combined exercise prices and unrecognized compensation expense that are greater than the average market price for our common stock, and RSUs with unrecognized compensation expense that is greater than the average market price for our common stock, from the calculation of diluted net income per share because their effect is anti-dilutive. Under the treasury stock method, the amount that must be paid to exercise stock options and the amount of compensation expense for future service that we have not yet recognized for stock options and RSUs are assumed to be used to repurchase shares.

All of the RSUs we grant have dividend rights. Dividend rights are accumulated and paid when the underlying RSUs vest. Since the dividend rights are subject to the same vesting requirements as the underlying equity awards they are considered a contingent transfer of value. Consequently, the RSUs are not considered participating securities and we do not present them separately in earnings per share.

In loss periods, basic net loss per share and diluted net loss per share are the same since the effect of potential common shares is anti-dilutive and therefore excluded.

The following table presents the composition of shares used in the computation of basic and diluted net income per share for the periods indicated.

(In millions, except per share amounts)

Numerator:

Net income

Denominator:

Shares used in basic per share amounts:

Weighted average common shares outstanding

Shares used in diluted per share amounts:

Weighted average common shares outstanding

Dilutive common equivalent shares from stock options and restricted stock awards

Dilutive weighted average common shares outstanding

Basic and diluted net income per share:

Basic net income per share

Diluted net income per share

Shares excluded from diluted net income per share:

Weighted average stock options and restricted stock units that have been excluded from dilutive common equivalent shares outstanding due to their anti-dilutive effect

| Three Months Ended | |
|--------------------|------------------|
| October 31, 2021 | October 31, 2020 |
| \$ 228 | \$ 198 |
| 273 | 263 |
| 273 | 263 |
| 4 | 2 |
| 277 | 265 |
| \$ 0.84 | \$ 0.75 |
| \$ 0.82 | \$ 0.75 |
| — | 1 |

Deferred Revenue

We record deferred revenue when we have entered into a contract with a customer and cash payments are received or due prior to transfer of control or satisfaction of the related performance obligation. During the three months ended October 31, 2021, we recognized revenue of \$421 million that was included in deferred revenue at July 31, 2021. During the three months ended October 31, 2020, we recognized revenue of \$399 million that was included in deferred revenue at July 31, 2020.

Our performance obligations are generally satisfied within 12 months of the initial contract date. As of October 31, 2021 and July 31, 2021, the deferred revenue balance related to performance obligations that will be satisfied after 12 months was \$6 million and \$8 million, respectively, and is included in other long-term obligations on our condensed consolidated balance sheets.

Notes Receivable and Allowances for Loan Losses

Notes receivable held for investment consist of term loans to small businesses and are included in prepaid expenses and other current assets and other assets on our condensed consolidated balance sheets. As of October 31, 2021 and July 31, 2021, the notes receivable balances were \$190 million and \$139 million, respectively, and the allowances for loan losses were not material. The term loans are not secured and are recorded at amortized cost, net of allowances for loan losses. We maintain an allowance for loan losses to reserve for potentially uncollectible notes receivable. We evaluate the creditworthiness of our term loan portfolio on an individual loan basis, based on a data analytics risk model that evaluates trends related to revenue, debt payments and negative events in the previous 12 months and applies a loss rate at the time of loan origination. The average is then applied against the outstanding portfolio. The loss rate and underlying model are updated periodically to reflect actual loan performance and changes in assumptions. We make judgments about the known and inherent risks in the loan portfolio, adverse situations that may affect borrowers' ability to repay and current economic conditions. When we determine that amounts are uncollectible, we write them off against the allowance.

Concentration of Credit Risk and Significant Customers

No customer accounted for 10% or more of total net revenue in the three or three months ended October 31, 2021 or October 31, 2020. No customer accounted for 10% or more of gross accounts receivable at October 31, 2021 or July 31, 2021.

Accounting Standards Not Yet Adopted

Business Combinations - In October 2021 the FASB issued ASU 2021-08, "Business Combinations—Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (Topic 805)." This standard requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities from acquired contracts using the revenue

recognition guidance under Accounting Standards Codification Topic 606 in order to align the recognition of a contract liability with the definition of a performance obligation. This approach differs from the current requirement to measure contract assets and contract liabilities acquired in a business combination at fair value. The standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. We elected to early adopt this standard in the second quarter of our fiscal year that began August 1, 2021. We do not expect the adoption of ASU 2021-08 to have a material impact on our consolidated financial statements.

We do not expect that any other recently issued accounting pronouncements will have a significant effect on our financial statements.

2. Fair Value Measurements

Fair Value Hierarchy

The authoritative guidance defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. When determining fair value, we consider the principal or most advantageous market for an asset or liability and assumptions that market participants would use when pricing the asset or liability. In addition, we consider and use all valuation methods that are appropriate in estimating the fair value of an asset or liability.

The authoritative guidance establishes a fair value hierarchy that is based on the extent and level of judgment used to estimate the fair value of assets and liabilities. In general, the authoritative guidance requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. An asset or liability's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of its fair value. The three levels of input defined by the authoritative guidance are as follows:

- **Level 1** uses unadjusted quoted prices that are available in active markets for identical assets or liabilities.
- **Level 2** uses inputs other than quoted prices included in Level 1 that are either directly or indirectly observable through correlation with market data. These include quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs to valuation models or other pricing methodologies that do not require significant judgment because the inputs used in the model, such as interest rates and volatility, can be corroborated by readily observable market data for substantially the full term of the assets or liabilities.
- **Level 3** uses one or more unobservable inputs that are supported by little or no market activity and that are significant to the determination of fair value. Level 3 assets and liabilities include those whose fair values are determined using pricing models, discounted cash flow methodologies or similar valuation techniques and significant management judgment or estimation.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes financial assets and financial liabilities that we measured at fair value on a recurring basis at the dates indicated, classified in accordance with the fair value hierarchy described above.

| | October 31, 2021 | | | July 31, 2021 | | |
|--|------------------|----------|------------------|---------------|----------|------------------|
| | Level 1 | Level 2 | Total Fair Value | Level 1 | Level 2 | Total Fair Value |
| (In millions) | | | | | | |
| Assets: | | | | | | |
| Cash equivalents, primarily money market funds and time deposits | \$ 696 | \$ — | \$ 696 | \$ 1,660 | \$ — | \$ 1,660 |
| Available-for-sale debt securities: | | | | | | |
| Municipal bonds | — | — | — | — | 38 | 38 |
| Corporate notes | — | 544 | 544 | — | 1,400 | 1,400 |
| U.S. agency securities | — | 40 | 40 | — | 70 | 70 |
| Total available-for-sale debt securities | — | 584 | 584 | — | 1,508 | 1,508 |
| Total assets measured at fair value on a recurring basis | \$ 696 | \$ 584 | \$ 1,280 | \$ 1,660 | \$ 1,508 | \$ 3,168 |
| Liabilities: | | | | | | |
| Senior unsecured notes ⁽¹⁾ | \$ — | \$ 1,972 | \$ 1,972 | \$ — | \$ 1,986 | \$ 1,986 |

⁽¹⁾ Carrying value on our balance sheets at each October 31, 2021 and July 31, 2021 was \$1.99 billion. See Note 6, "Long-Term Obligations and Commitments," for more information.

The following table summarizes our cash equivalents and available-for-sale debt securities by balance sheet classification and level in the fair value hierarchy at the dates indicated.

| | October 31, 2021 | | | July 31, 2021 | | |
|--|------------------|---------|------------------|---------------|----------|------------------|
| | Level 1 | Level 2 | Total Fair Value | Level 1 | Level 2 | Total Fair Value |
| (In millions) | | | | | | |
| Cash equivalents: | | | | | | |
| In cash and cash equivalents | \$ 696 | \$ — | \$ 696 | \$ 1,660 | \$ — | \$ 1,660 |
| Available-for-sale debt securities: | | | | | | |
| In investments | \$ — | \$ 386 | \$ 386 | \$ — | \$ 1,308 | \$ 1,308 |
| In funds held for customers | — | 198 | 198 | — | 200 | 200 |
| Total available-for-sale debt securities | \$ — | \$ 584 | \$ 584 | \$ — | \$ 1,508 | \$ 1,508 |

We value our Level 1 assets, consisting primarily of money market funds and time deposits, using quoted prices in active markets for identical instruments.

Financial assets whose fair values we measure on a recurring basis using Level 2 inputs consist of municipal bonds, corporate notes, and U.S. agency securities. We measure the fair values of these assets with the help of a pricing service that either provides quoted market prices in active markets for identical or similar securities or uses observable inputs for their pricing without applying significant adjustments. Our fair value processes include controls designed to ensure that we record appropriate fair values for our Level 2 investments. These controls include comparison to pricing provided by a secondary pricing service or investment manager, validation of pricing sources and models, review of key model inputs, analysis of period-over-period price fluctuations, and independent recalculation of prices where appropriate.

Financial liabilities whose fair values we measure using Level 2 inputs consist of senior unsecured notes. See Note 6, "Long-Term Obligations and Commitments," for more information. We measure the fair value of our senior unsecured notes based on their trading prices and the interest rates we could obtain for other borrowings with similar terms.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the three months ended October 31, 2021.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Long-term investments represent non-marketable equity securities in privately held companies that do not have a readily determinable fair value. They are accounted for at cost and adjusted based on observable price changes from orderly transactions for identical or similar investments of the same issuer or impairment. These investments are classified as Level 3 in the fair value hierarchy because we estimate the value based on valuation methods which may include a combination of the observable transaction price at the transaction date and other unobservable inputs including volatility, rights, and obligations of the investments we hold. We recognized \$46 million and \$8 million of upward adjustments during the three months ended October 31, 2021 and October 31, 2020, respectively. Impairments recognized during the three months ended October 31, 2021 and October 31, 2020 were immaterial. Cumulative upward adjustments were \$63 million and cumulative impairments were immaterial through October 31, 2021 for measurement alternative investments held as of October 31, 2021. As of October 31, 2021 and July 31, 2021, the carrying value of long-term investments was \$84 million and \$43 million, respectively.

3. Cash and Cash Equivalents, Investments, and Funds Held for Customers

We consider highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. In all periods presented, cash equivalents consist primarily of money market funds and time deposits. Investments consist primarily of investment-grade available-for-sale debt securities. Funds held for customers represent cash held on behalf of our customers that is invested in cash and cash equivalents and investment-grade available-for-sale securities, restricted for use solely for the purpose of satisfying amounts we owe on behalf of our customers. Except for direct obligations of the United States government, securities issued by agencies of the United States government, and money market funds, we diversify our investments in debt securities by limiting our holdings with any individual issuer.

The following table summarizes our cash and cash equivalents, investments, and funds held for customers by balance sheet classification at the dates indicated.

(In millions)

Classification on condensed consolidated balance sheets:

| | October 31, 2021 | | July 31, 2021 | |
|--|------------------|-----------------|-----------------|-----------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Cash and cash equivalents | \$ 2,864 | \$ 2,864 | \$ 2,562 | \$ 2,562 |
| Investments | 387 | 386 | 1,305 | 1,308 |
| Funds held for customers | 307 | 306 | 456 | 457 |
| Total cash and cash equivalents, investments, and funds held for customers | <u>\$ 3,558</u> | <u>\$ 3,556</u> | <u>\$ 4,323</u> | <u>\$ 4,327</u> |

The following table summarizes our cash and cash equivalents, investments, and funds held for customers by investment category at the dates indicated.

(In millions)

Type of issue:

| | October 31, 2021 | | July 31, 2021 | |
|---|------------------|-----------------|-----------------|-----------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Total cash, cash equivalents, restricted cash, and restricted cash equivalents | \$ 2,972 | \$ 2,972 | \$ 2,819 | \$ 2,819 |
| Available-for-sale debt securities: | | | | |
| Municipal bonds | — | — | 37 | 38 |
| Corporate notes | 546 | 544 | 1,397 | 1,400 |
| U.S. agency securities | 40 | 40 | 70 | 70 |
| Total available-for-sale debt securities | <u>586</u> | <u>584</u> | <u>1,504</u> | <u>1,508</u> |
| Total cash, cash equivalents, restricted cash, restricted cash equivalents, and investments | <u>\$ 3,558</u> | <u>\$ 3,556</u> | <u>\$ 4,323</u> | <u>\$ 4,327</u> |

We use the specific identification method to compute gains and losses on investments. We include realized gains and losses on our available-for-sale debt securities in interest and other income on our condensed consolidated statements of operations. Gross realized gains and losses on our available-for-sale debt securities for the three months ended October 31, 2021 and October 31, 2020 were not significant.

We accumulate unrealized gains and losses on our available-for-sale debt securities, net of tax, in accumulated other comprehensive income or loss in the stockholders' equity section of our condensed consolidated balance sheets, except for certain unrealized losses described below. Gross unrealized gains and losses on our available-for-sale debt securities at October 31, 2021 and July 31, 2021 were not significant.

For available-for-sale debt securities in an unrealized loss position, we determine whether a credit loss exists. The estimate of the credit loss is determined by considering available information relevant to the collectibility of the security and information about past events, current conditions, and reasonable and supportable forecasts. The allowance for credit loss is recorded to interest and other income on our condensed consolidated statement of operations, not to exceed the amount of the unrealized loss. Any excess unrealized loss greater than the credit loss at a security level is recognized in accumulated other comprehensive income or loss in the stockholders' equity section of our condensed consolidated balance sheets. We determined there were no credit losses related to available-for-sale securities as of October 31, 2021. Unrealized losses on available-for-sale debt securities at October 31, 2021 were not significant. We do not intend to sell these investments. In addition, it is more likely than not that we will not be required to sell them before recovery of the amortized cost basis, which may be at maturity.

The following table summarizes our available-for-sale debt securities, included in investments and funds held for customers, classified by the stated maturity date of the security at the dates indicated.

| | October 31, 2021 | | July 31, 2021 | |
|--|------------------|---------------|-----------------|-----------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| (In millions) | | | | |
| Due within one year | \$ 154 | \$ 154 | \$ 551 | \$ 553 |
| Due within two years | 300 | 299 | 550 | 551 |
| Due within three years | 132 | 131 | 398 | 398 |
| Due after three years | — | — | 5 | 6 |
| Total available-for-sale debt securities | <u>\$ 586</u> | <u>\$ 584</u> | <u>\$ 1,504</u> | <u>\$ 1,508</u> |

The following table summarizes our funds held for customers by investment category at the dates indicated.

| | October 31, 2021 | July 31, 2021 |
|---|------------------|---------------|
| (In millions) | | |
| Restricted cash and restricted cash equivalents | \$ 108 | \$ 257 |
| Restricted available-for-sale debt securities | 198 | 200 |
| Total funds held for customers | <u>\$ 306</u> | <u>\$ 457</u> |
| | October 31, 2020 | July 31, 2020 |
| (In millions) | | |
| Restricted cash and restricted cash equivalents | \$ 284 | \$ 255 |
| Restricted available-for-sale debt securities | 200 | 200 |
| Total funds held for customers | <u>\$ 484</u> | <u>\$ 455</u> |

4. Acquired Intangible Assets

The following table shows the cost, accumulated amortization and weighted average life in years for our acquired intangible assets at the dates indicated. The weighted average lives are calculated for assets that are not fully amortized.

| | Customer Lists / User Relationships | Purchased Technology | Trade Names and Logos | Covenants Not to Compete or Sue | Total |
|---------------------------------|-------------------------------------|----------------------|-----------------------|---------------------------------|-----------------|
| (Dollars in millions) | | | | | |
| At October 31, 2021: | | | | | |
| Cost | \$ 3,038 | \$ 698 | \$ 400 | \$ 42 | \$ 4,178 |
| Accumulated amortization | (424) | (470) | (48) | (41) | (983) |
| Acquired intangible assets, net | <u>\$ 2,614</u> | <u>\$ 228</u> | <u>\$ 352</u> | <u>\$ 1</u> | <u>\$ 3,195</u> |
| Weighted average life in years | <u>15</u> | <u>5</u> | <u>15</u> | <u>3</u> | <u>14</u> |
| At July 31, 2021: | | | | | |
| Cost | \$ 3,038 | \$ 686 | \$ 400 | \$ 42 | \$ 4,166 |
| Accumulated amortization | (377) | (455) | (41) | (41) | (914) |
| Acquired intangible assets, net | <u>\$ 2,661</u> | <u>\$ 231</u> | <u>\$ 359</u> | <u>\$ 1</u> | <u>\$ 3,252</u> |
| Weighted average life in years | <u>15</u> | <u>5</u> | <u>15</u> | <u>3</u> | <u>14</u> |

The following table shows the expected future amortization expense for our acquired intangible assets at October 31, 2021. Amortization of purchased technology is charged to amortization of acquired technology in our consolidated statements of operations. Amortization of other acquired intangible assets such as customer lists is charged to amortization of other acquired intangible assets in our consolidated statements of operations. If impairment events occur, they could accelerate the timing of acquired intangible asset charges.

(In millions)

Twelve months ending July 31,

2022 (excluding the three months ended October 31, 2021)

2023

2024

2025

2026

Thereafter

Total expected future amortization expense

| Expected Future Amortization Expense | |
|---|-------|
| \$ | 208 |
| | 268 |
| | 252 |
| | 248 |
| | 247 |
| | 1,972 |
| \$ | 3,195 |

5. Current Liabilities

Short-Term Debt

On May 2, 2019 we entered into an amended and restated credit agreement with certain institutional lenders with an aggregate principal amount of \$1.4 billion, including a \$1 billion unsecured revolving credit facility that matures on May 2, 2024 and a \$400 million unsecured term loan that was due on February 1, 2021. On November 1, 2021 this agreement was terminated. See Note 12, "Subsequent Events" for more information.

Unsecured Revolving Credit Facility

The amended and restated credit agreement we entered into on May 2, 2019 includes a \$1 billion unsecured revolving credit facility that will expire on May 2, 2024. Under this agreement we may, subject to certain customary conditions including lender approval, on one or more occasions increase commitments under the unsecured revolving credit facility in an amount not to exceed \$250 million in the aggregate and may extend the maturity date up to two times. Advances under the unsecured revolving credit facility accrue interest at rates that are equal to, at our election, either Bank of America's alternate base rate plus a margin that ranges from 0.0% to 0.1% or the London Interbank Offered Rate (LIBOR) plus a margin that ranges from 0.69% to 1.1%. Actual margins under either election will be based on our senior debt credit ratings. The amended and restated credit agreement includes customary affirmative and negative covenants, including financial covenants that require us to maintain a ratio of total gross debt to annual earnings before interest, taxes, depreciation and amortization (EBITDA) of not greater than 3.25 to 1.00 as of any date and a ratio of annual EBITDA to annual interest expense of not less than 3.00 to 1.00 as of the last day of each fiscal quarter. As of October 31, 2021 we were compliant with all required covenants. We repaid the \$1 billion that was outstanding as of July 31, 2020 under this unsecured revolving credit facility during the first quarter of fiscal 2021, and at October 31, 2021 no amounts were outstanding. We paid no interest on the unsecured revolving credit facility during the three months ended October 31, 2021 and \$1 million during the three months ended October 31, 2020.

Term Loan

On February 1, 2021, we paid the \$325 million remaining balance of the term loan upon maturity and at October 31, 2021, no amount was outstanding. The term loan accrued interest at rates that were equal to, at our election, either Bank of America's alternate base rate plus a margin that ranges from 0.0% to 0.125% or LIBOR plus a margin that ranges from 0.625% to 1.125%. Interest on the term loan was payable monthly. We paid no interest on the term loan during the three months ended October 31, 2021 and \$1 million during the three months ended October 31, 2020. Under the amended and restated agreement we may, subject to certain customary conditions including lender approval, on one or more occasions increase commitments under the term loan in an amount not to exceed \$400 million in the aggregate.

Other Current Liabilities

Other current liabilities were as follows at the dates indicated:

| (In millions) | October 31, 2021 | July 31, 2021 |
|--|------------------|---------------|
| Executive deferred compensation plan liabilities | \$ 171 | \$ 153 |
| Current portion of operating lease liabilities | 67 | 66 |
| Reserve for returns and credits | 21 | 21 |
| Amounts due for share repurchases | 20 | 17 |
| Accrued sales and property taxes | 17 | 5 |
| Merchant and consumer payments processing reserves | 12 | 10 |
| Reserve for promotional discounts and rebates | 9 | 10 |
| Current portion of dividend payable | 9 | 9 |
| Interest payable | 7 | 1 |
| Income taxes payable | 3 | 3 |
| Other | 49 | 66 |
| Total other current liabilities | <u>\$ 385</u> | <u>\$ 361</u> |

The balances of several of our other current liabilities, particularly our reserves for product returns and promotional discounts and rebates, are affected by the seasonality of our business. See Note 1, "Description of Business and Summary of Significant Accounting Policies – Seasonality," for more information.

6. Long-Term Obligations and Commitments

Senior Unsecured Notes

In June 2020 we issued four series of senior unsecured notes (together, the Notes) pursuant to a public debt offering. The proceeds from the issuance were \$1.98 billion, net of debt discount of \$2 million and debt issuance costs of \$15 million.

The carrying value of the Notes was as follows at the dates indicated:

| (In millions) | October 31, 2021 | July 31, 2021 | Effective Interest Rate |
|--|------------------|-----------------|-------------------------|
| Senior unsecured notes issued June 2020: | | | |
| 0.650% notes due July 2023 | \$ 500 | \$ 500 | 0.837% |
| 0.950% notes due July 2025 | 500 | 500 | 1.127% |
| 1.350% notes due July 2027 | 500 | 500 | 1.486% |
| 1.650% notes due July 2030 | 500 | 500 | 1.767% |
| Total senior unsecured notes | 2,000 | 2,000 | |
| Unamortized discount and debt issuance costs | (13) | (14) | |
| Net carrying value senior unsecured notes | <u>\$ 1,987</u> | <u>\$ 1,986</u> | |

Interest is payable semiannually on January 15 and July 15 of each year. The discount and debt issuance costs are amortized to interest expense over the term of the Notes under the effective interest method. We paid no interest on the Notes during each of the three months ended October 31, 2021 and 2020.

The Notes are senior unsecured obligations of Intuit and rank equally with all existing and future unsecured and unsubordinated indebtedness of Intuit and are redeemable by us at any time, subject to a make-whole premium. Upon the occurrence of change of control transactions that are accompanied by certain downgrades in the credit ratings of the Notes, we will be required to repurchase the Notes at a repurchase price equal to 101% of the aggregate outstanding principal plus any accrued and unpaid interest to but not including the date of repurchase. The indenture governing the Notes requires us to comply with certain covenants. For example, the Notes limit our ability to create certain liens and enter into sale and leaseback transactions. As of October 31, 2021 we were compliant with all covenants governing the Notes.

Secured Revolving Credit Facility

On February 19, 2019 a subsidiary of Intuit entered into a \$300 million secured revolving credit facility with a lender to fund a portion of our loans to qualified small businesses. The revolving credit facility is secured by cash and receivables of the subsidiary and is non-recourse to Intuit Inc. We have entered into several amendments to the secured revolving credit facility, most recently on July 16, 2021, primarily to extend the commitment term and maturity date. Under the amended agreement, \$150 million of the facility is committed and \$150 million is uncommitted. Advances accrue interest at LIBOR plus 1.5%. Unused portions of the committed credit facility accrue interest at a rate ranging from 0.25% to 0.75%, depending on the total unused committed balance. The commitment term is through July 17, 2023 and the final maturity date is January 17, 2024. The amended agreement allows for the transition of the benchmark interest rate used to calculate finance charges from LIBOR to the Secured Overnight Finance Rate (SOFR) plus related benchmark adjustments that represent the prevailing market convention for dollar-denominated syndicated credit facilities. The agreement includes certain affirmative and negative covenants, including financial covenants that require the subsidiary to maintain specified financial ratios. As of October 31, 2021 we were compliant with all required covenants. At October 31, 2021, \$50 million was outstanding under this facility and the weighted-average interest rate was 2.63%, which includes the interest on the unused committed portion. The outstanding balance is secured by cash and receivables of the subsidiary totaling \$232 million. Interest on the facility is payable monthly. We paid an immaterial amount of interest on the secured revolving credit facility during the three months ended October 31, 2021 and \$1 million during the three months ended October 31, 2020.

Other Long-Term Obligations

Other long-term obligations were as follows at the dates indicated:

| | October 31, 2021 | July 31, 2021 |
|-----------------------------|------------------|---------------|
| (In millions) | | |
| Income tax liabilities | \$ 24 | \$ 24 |
| Dividend payable | 9 | 8 |
| Deferred revenue | 6 | 8 |
| Other | 12 | 13 |
| Total long-term obligations | <u>\$ 51</u> | <u>\$ 53</u> |

Unconditional Purchase Obligations

We describe our purchase obligations in Note 8 to the financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2021. In September 2021 we signed an agreement that includes non-cancellable commitments of \$555 million through July 31, 2044 for an exclusive naming rights partnership with the Los Angeles Clippers for Intuit Dome, a new sports facility. The commitment is \$1.5 million per year for the first three years and \$27.5 million per year for the remainder of the agreement. There were no other significant changes in our purchase obligations during the three months ended October 31, 2021.

In November 2021 we amended an existing cloud services agreement for an additional five years. Under the amended agreement, we have an annual minimum commitment of \$150 million per year and a total minimum purchase commitment of \$1.2 billion over the five year contract term.

7. Leases

We lease office facilities under non-cancellable operating lease arrangements. Our facility leases generally provide for periodic rent increases and may contain escalation clauses and renewal options. Our leases have remaining lease terms of up to 11 years, some of which include one or more options to extend the leases for up to 10 years per option, generally at rates to be determined in accordance with the agreements. Options to extend the lease are included in the lease liability if they are reasonably certain of being exercised. We do not have significant finance leases.

We sublease certain office facilities to third parties. These subleases have remaining lease terms of up to 4 years, some of which include one or more options to extend the subleases for up to 5 years per option.

The components of lease expense were as follows:

| | Three Months Ended | |
|-------------------------------------|--------------------|------------------|
| | October 31, 2021 | October 31, 2020 |
| (In millions) | | |
| Operating lease cost ⁽¹⁾ | \$ 21 | \$ 15 |
| Variable lease cost | 3 | 3 |
| Sublease income | (5) | (4) |
| Total net lease cost | <u>\$ 19</u> | <u>\$ 14</u> |

⁽¹⁾ Includes short-term leases, which were not significant for each of the three months ended October 31, 2021 and 2020.

Supplemental cash flow information related to operating leases was as follows:

(In millions)

Cash paid for amounts included in the measurement of operating lease liabilities
Right-of-use assets obtained in exchange for operating lease liabilities

| Three Months Ended | |
|--------------------|------------------|
| October 31, 2021 | October 31, 2020 |
| \$ 24 | \$ 14 |
| \$ 43 | \$ 19 |

Other information related to operating leases was as follows at the dates indicated:

Weighted-average remaining lease term for operating leases
Weighted-average discount rate for operating leases

| October 31, 2021 | July 31, 2021 |
|------------------|---------------|
| 6.9 years | 6.8 years |
| 2.3 % | 2.3 % |

Future minimum lease payments under non-cancellable operating leases as of October 31, 2021 were as follows:

(In millions)

Fiscal year ending July 31,

2022 (excluding the three months ended October 31, 2021)

2023

2024

2025

2026

Thereafter

Total future minimum lease payments

Less imputed interest

Present value of lease liabilities

Operating
Leases ⁽¹⁾

| |
|--------|
| \$ 55 |
| 88 |
| 84 |
| 68 |
| 49 |
| 164 |
| 508 |
| (38) |
| \$ 470 |

(1) Non-cancellable sublease proceeds for the remainder of the fiscal year ending July 31, 2022 and the fiscal years ending July 31, 2023, 2024, and 2025, of \$13 million, \$11 million, \$8 million, and \$4 million, respectively, are not included in the table above.

Supplemental balance sheet information related to operating leases was as follows at the dates indicated:

(In millions)

Operating lease right-of-use assets

Other current liabilities
Operating lease liabilities

Total operating lease liabilities

| October 31, 2021 | July 31, 2021 |
|------------------|---------------|
| \$ 405 | \$ 380 |
| \$ 67 | \$ 66 |
| 403 | 380 |
| \$ 470 | \$ 446 |

8. Income Taxes

Effective Tax Rate

We compute our provision for or benefit from income taxes by applying the estimated annual effective tax rate to income or loss from recurring operations and adding the effects of any discrete income tax items specific to the period.

We recognized excess tax benefits on share-based compensation of \$47 million and \$52 million in our provision for income taxes for the three months ended October 31, 2021 and 2020, respectively.

Our effective tax rate for the three months ended October 31, 2021 was approximately 4%. Excluding discrete tax items primarily related to share-based compensation tax benefits mentioned above, our effective tax rate was 25%. The difference from the federal statutory rate of 21% was primarily due to state income taxes and non-deductible share-based compensation, which were partially offset by the tax benefit we received from the federal research and experimentation credit.

Our effective tax rate for the three months ended October 31, 2020 was approximately 6%. Excluding discrete tax items primarily related to share-based compensation tax benefits mentioned above, our effective tax rate was 25%. The difference from the federal statutory rate of 21% was primarily due to state income taxes and non-deductible share-based compensation, which were partially offset by the tax benefit we received from the federal research and experimentation credit.

In the current global tax policy environment, the U.S. and other domestic and foreign governments continue to consider, and in some cases enact, changes in corporate tax laws. As changes occur, we account for finalized legislation in the period of enactment.

Unrecognized Tax Benefits and Other Considerations

The total amount of our unrecognized tax benefits at July 31, 2021 was \$190 million. If we were to recognize these net benefits, our income tax expense would reflect a favorable net impact of \$109 million. There were no material changes to these amounts during the three months ended October 31, 2021. We do not believe that it is reasonably possible that there will be a significant increase or decrease in our unrecognized tax benefits over the next 12 months.

We have offset a \$75 million long-term liability for uncertain tax positions against our long-term income tax receivable at October 31, 2021 and July 31, 2021. The long-term income tax receivable at October 31, 2021 and July 31, 2021 was primarily related to the government's approval of a method of accounting change request for fiscal 2018 and a refund claim related to Credit Karma's alternative minimum tax credit that was recorded as part of the acquisition.

9. Stockholders' Equity

Stock Repurchase Programs and Treasury Shares

Intuit's Board of Directors has authorized a series of common stock repurchase programs. Shares of common stock repurchased under these programs become treasury shares. We repurchased 606,000 shares for \$338 million under these programs during the three months ended October 31, 2021. Included in this amount were \$20 million of repurchases which occurred in late October 2021 and settled in early November 2021. On August 20, 2021 our Board approved an increased authorization to purchase up to an additional \$2 billion of our common stock under the existing stock repurchase program. At October 31, 2021, we had authorization from our Board of Directors to expend up to an additional \$3.0 billion for stock repurchases, including the new \$2 billion authorization noted above. Future stock repurchases under the current program is at the discretion of management, and authorization of future stock repurchase programs is subject to the final determination of our Board of Directors.

Our treasury shares are repurchased at the market price on the trade date; accordingly, all amounts paid to reacquire these shares have been recorded as treasury stock on our condensed consolidated balance sheets. Repurchased shares of our common stock are held as treasury shares until they are reissued or retired. When we reissue treasury stock, if the proceeds from the sale are more than the average price we paid to acquire the shares we record an increase in additional paid-in capital. Conversely, if the proceeds from the sale are less than the average price we paid to acquire the shares, we record a decrease in additional paid-in capital to the extent of increases previously recorded for similar transactions and a decrease in retained earnings for any remaining amount.

In the past we have satisfied option exercises and restricted stock unit vesting under our employee equity incentive plans by reissuing treasury shares, and we may do so again in the future. During the second quarter of fiscal 2014 we began issuing new shares of common stock to satisfy option exercises and RSU vesting under our 2005 Equity Incentive Plan. We have not yet determined the ultimate disposition of the shares that we have repurchased in the past, and consequently we continue to hold them as treasury shares.

Dividends on Common Stock

During the three months ended October 31, 2021 we declared quarterly cash dividends that totaled \$0.68 per share of outstanding common stock for a total of \$191 million. In November 2021 our Board of Directors declared a quarterly cash dividend of \$0.68 per share of outstanding common stock payable on January 18, 2022 to stockholders of record at the close of business on January 10, 2022. Future declarations of dividends and the establishment of future record dates and payment dates are subject to the final determination of our Board of Directors.

Share-Based Compensation Expense

The following table summarizes the total share-based compensation expense that we recorded in operating income for the periods shown.

| | Three Months Ended | |
|--|--------------------|------------------|
| | October 31, 2021 | October 31, 2020 |
| (In millions) | | |
| Cost of revenue | \$ 27 | \$ 15 |
| Selling and marketing | 64 | 32 |
| Research and development | 109 | 38 |
| General and administrative | 80 | 26 |
| Total share-based compensation expense | <u>\$ 280</u> | <u>\$ 111</u> |

We capitalized \$1 million in share-based compensation related to internal-use software projects during the three months ended October 31, 2021 and \$1 million during the three months ended October 31, 2020.

Share-Based Awards Available for Grant

A summary of share-based awards available for grant under our plans for the three months ended October 31, 2021 was as follows:

| | Shares Available for Grant |
|--|----------------------------|
| (Shares in thousands) | |
| Balance at July 31, 2021 | 16,851 |
| Restricted stock units granted ⁽¹⁾ | (485) |
| Options granted | — |
| Share-based awards canceled/forfeited/expired ^{(1) (2)} | 1,366 |
| Balance at October 31, 2021 | <u>17,732</u> |

- (1) RSUs granted from the pool of shares available for grant under our 2005 Equity Incentive Plan reduce the pool by 2.3 shares for each share granted. RSUs forfeited and returned to the pool of shares available for grant under the 2005 Equity Incentive Plan increase the pool by 2.3 shares for each share forfeited. Shares granted from the Credit Karma Plan reduce the pool by one share for each share granted. Shares forfeited and returned to the pool from the Credit Karma Plan increase the pool by one share for each share forfeited.
- (2) Stock options and RSUs canceled, expired or forfeited under our 2005 Equity Incentive Plan and Credit Karma Plan are returned to the pool of shares available for grant. Under the 2005 Equity Incentive Plan, shares withheld for income taxes upon vesting of RSUs that were granted on or after July 21, 2016 are also returned to the pool of shares available for grant. Stock options and RSUs canceled, expired or forfeited under older expired plans are not returned to the pool of shares available for grant. Under the Credit Karma Plan, shares withheld for income taxes are also returned to the pool of shares available for grant.

Restricted Stock Unit and Restricted Stock Activity

A summary of restricted stock unit (RSU) and restricted stock activity for the three months ended October 31, 2021 was as follows:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|-------------------------------|------------------|--|
| (Shares in thousands) | | |
| Nonvested at July 31, 2021 | 9,038 | \$ 345.86 |
| Granted | 271 | 555.65 |
| Vested | (627) | 275.10 |
| Forfeited | (361) | 270.71 |
| Nonvested at October 31, 2021 | <u>8,321</u> | <u>\$ 361.30</u> |

At October 31, 2021, there was approximately \$2.6 billion of unrecognized compensation cost related to non-vested RSUs and restricted stock with a weighted average vesting period of 2.9 years. We will adjust unrecognized compensation cost for actual forfeitures as they occur.

Stock Option Activity

A summary of stock option activity for the three months ended October 31, 2021 was as follows:

| | Options Outstanding | |
|---------------------------------|---------------------|---|
| | Number of Shares | Weighted Average Exercise Price Per Share |
| (Shares in thousands) | | |
| Balance at July 31, 2021 | 2,204 | \$ 251.48 |
| Granted | — | — |
| Exercised | (58) | 210.92 |
| Canceled or expired | — | — |
| Balance at October 31, 2021 | 2,146 | \$ 252.58 |
| Exercisable at October 31, 2021 | 1,364 | \$ 176.81 |

At October 31, 2021, there was approximately \$68 million of unrecognized compensation cost related to non-vested stock options with a weighted average vesting period of 3.1 years. We will adjust unrecognized compensation cost for actual forfeitures as they occur.

10. Litigation

Beginning in May 2019, various legal proceedings were filed and certain regulatory inquiries were commenced in connection with our provision and marketing of free online tax preparation programs. We believe that the allegations contained within these legal proceedings are without merit. We are vigorously defending our interests in the legal proceedings and responding to the inquiries. These proceedings include, among others, multiple putative class actions that were consolidated into a single putative class action in the Northern District of California in September 2019 (the "Intuit Free File Litigation") and demands for arbitration that were filed beginning in October 2019. In August 2020, the Ninth Circuit Court of Appeals ordered that the putative class action claims be resolved through arbitration. Intuit entered into a proposed settlement agreement in November 2020 to resolve the putative class action, which was rejected by the court. On May 20, 2021, Intuit entered into an agreement that resolved the Intuit Free File Litigation on an individual non-class basis, without any admission of wrongdoing, for a non-material amount and, on May 26, 2021, it was dismissed on a non-class basis.

In June 2021, Intuit received a demand and draft complaint from the Federal Trade Commission ("FTC") and certain state attorneys general relating to the ongoing inquiries described above. Although we believe that the allegations contained therein are without merit, if we are not able to reach a resolution, the FTC and one or more state attorneys general may seek resolution through litigation. The defense and resolution of this matter could involve significant costs to us.

As of October 31, 2021, there were approximately 123,000 individual arbitration claims pending and we could incur significant arbitration and legal fees associated with the defense of these claims. The amount of our fiscal 2022 to date and fiscal 2021 arbitration fees net of insurance proceeds and rebates is not material. The arbitration fees are unrelated to the underlying merits of the claims and are accrued for when services are rendered. We could incur additional arbitration fees of approximately \$350 million in future periods. We are continuing to dispute the applicability and propriety of these fees. An immaterial number of claims have been resolved through the arbitration process to date and we expect that more claims will continue through the process.

In view of the complexity and ongoing and uncertain nature of the outstanding proceedings and inquiries, at this time we are unable to estimate a reasonably possible financial loss or range of financial loss that we may incur to resolve or settle the remaining matters.

To date, the legal and other fees we have incurred related to these proceedings and inquiries have not been material. The ongoing defense and any resolution or settlement of these proceedings and inquiries could involve significant costs to us.

Intuit is subject to certain routine legal proceedings, including class action lawsuits, as well as demands, claims, government inquiries and threatened litigation, that arise in the normal course of our business, including assertions that we may be infringing patents or other intellectual property rights of others. Our failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims could adversely affect our business. We currently believe that, in addition to any amounts accrued, the amount of potential losses, if any, for any pending claims of any type (either alone or combined) will not have a material impact on our consolidated financial statements. The ultimate outcome of any legal proceeding is uncertain and, regardless of outcome, legal proceedings can have an adverse impact on Intuit because of defense costs, negative publicity, diversion of management resources and other factors.

11. Segment Information

We have defined our four reportable segments, described below, based on factors such as how we manage our operations and how our chief operating decision maker views results. We define the chief operating decision maker as our Chief Executive Officer and our Chief Financial Officer. Our chief operating decision maker organizes and manages our business primarily on the basis of product and service offerings.

In December 2020 we acquired Credit Karma in a business combination and it operates as a separate reportable segment. We have included the results of operations of Credit Karma in our condensed consolidated statements of operations from the date of acquisition. Segment operating income for Credit Karma includes all direct expenses, which is different from our other reportable segments where we do not fully allocate corporate expenses.

Small Business & Self-Employed: This segment serves small businesses and the self-employed around the world, and the accounting professionals who assist and advise them. Our offerings include QuickBooks financial and business management online services and desktop software, payroll solutions, merchant payment processing solutions, and financing for small businesses.

Consumer: This segment serves consumers and includes do-it-yourself and assisted TurboTax income tax preparation products and services sold in the U.S. and Canada. Our Mint offering is a personal finance offering which helps customers track their finances and daily financial behavior.

Credit Karma: This segment serves consumers with a personal finance platform that provides personalized recommendations of credit card, home, auto and personal loans, and insurance products; online savings and checking accounts through an FDIC member bank partner; and access to their credit scores and reports, credit and identity monitoring, credit report dispute, and data-driven resources.

ProConnect: This segment serves professional accountants in the U.S. and Canada, who are essential to both small business success and tax preparation and filing. Our professional tax offerings include Lacerte, ProSeries, and ProConnect Tax Online in the U.S. and ProFile and ProTax Online in Canada.

All of our segments operate primarily in the United States and sell primarily to customers in the United States. Total international net revenue was approximately 6% for the three months ended October 31, 2021 and October 31, 2020.

For our Small Business & Self-Employed, Consumer, and ProConnect reportable segments, we include expenses such as corporate selling and marketing, product development, and general and administrative, which are not allocated to specific segments, in unallocated corporate items as part of other corporate expenses. For Credit Karma, segment expenses include all direct expenses related to selling and marketing, product development, and general and administrative. Unallocated corporate items for all segments include share-based compensation, amortization of acquired technology, amortization of other acquired intangible assets, and goodwill and intangible asset impairment charges.

The accounting policies of our reportable segments are the same as those described in the summary of significant accounting policies in Note 1 to the financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2021 and in Note 1, "Description of Business and Summary of Significant Accounting Policies – Significant Accounting Policies" in this Quarterly Report on Form 10-Q. Except for goodwill and purchased intangible assets, we do not generally track assets by reportable segment and, consequently, we do not disclose total assets by reportable segment.

The following table shows our financial results by reportable segment for the periods indicated.

(In millions)

Net revenue:

Small Business & Self-Employed
Consumer
Credit Karma
ProConnect

Total net revenue

Operating income (loss):

Small Business & Self-Employed
Consumer
Credit Karma
ProConnect

Total segment operating income

Unallocated corporate items:

Share-based compensation expense
Other corporate expenses
Amortization of acquired technology
Amortization of other acquired intangible assets

Total unallocated corporate items

Total operating income

| Three Months Ended | |
|--------------------|------------------|
| October 31, 2021 | October 31, 2020 |
| \$ 1,443 | \$ 1,181 |
| 120 | 119 |
| 418 | — |
| 26 | 23 |
| \$ 2,007 | \$ 1,323 |
| | |
| \$ 921 | \$ 767 |
| (11) | 4 |
| 169 | — |
| (11) | (10) |
| 1,068 | 761 |
| (280) | (111) |
| (525) | (432) |
| (15) | (7) |
| (53) | (2) |
| (873) | (552) |
| \$ 195 | \$ 209 |

Revenue classified by significant product and service offerings was as follows:

(In millions)

Net revenue:

QuickBooks Online Accounting
Online Services
Total Online Ecosystem
QuickBooks Desktop Accounting
Desktop Services and Supplies
Total Desktop Ecosystem

Small Business & Self-Employed

Consumer

Credit Karma

ProConnect

Total net revenue

| Three Months Ended | |
|--------------------|------------------|
| October 31, 2021 | October 31, 2020 |
| \$ 519 | \$ 392 |
| 326 | 229 |
| 845 | 621 |
| 267 | 241 |
| 331 | 319 |
| 598 | 560 |
| 1,443 | 1,181 |
| 120 | 119 |
| 418 | — |
| 26 | 23 |
| \$ 2,007 | \$ 1,323 |

Credit Karma revenue is primarily generated from cost-per-action transactions which are related to credit card issuances and personal loan funding.

12. Subsequent Events

Business Combinations

On November 1, 2021 we acquired all of the outstanding equity of The Rocket Science Group LLC (Mailchimp), a global customer engagement and marketing platform for growing small and mid-market businesses. We acquired Mailchimp to help deliver on the vision of an innovative, end-to-end customer growth platform for small and mid-market businesses. Mailchimp is part of our Small Business & Self-Employed segment.

The fair value of the purchase consideration totaled \$12 billion and included \$5.7 billion in cash and 10.1 million shares of Intuit common stock with a value of approximately \$6.3 billion. The fair value of the stock consideration is based on the October 29, 2021 closing price of Intuit common stock of \$625.99.

Pursuant to the equity purchase agreement we also issued approximately 573,000 restricted stock units in substitution of outstanding equity incentive awards. These restricted stock units have a fair value of approximately \$349 million and will be expensed over three years. Additionally, we will be issuing approximately \$215 million of RSUs to Mailchimp employees, of which \$155 million will be expensed over four years and \$60 million will be expensed over six months.

Credit Facilities

On November 1, 2021 the existing amended and restated credit agreement described in Note 5, "Current Liabilities" was terminated.

On November 1, 2021 we entered into a credit agreement with certain institutional lenders with an aggregate principal amount of \$5.7 billion, which includes a \$1 billion unsecured revolving credit facility that matures on November 1, 2026 and a \$4.7 billion unsecured term loan that matures on November 1, 2024.

Under this agreement we may, subject to certain customary conditions including lender approval, on one or more occasions increase commitments under the unsecured revolving credit facility in an amount not to exceed \$250 million in the aggregate and may extend the maturity date up to two times.

Borrowings under the unsecured revolving credit facility and the unsecured term loan accrue interest at rates equal to, at our election, either (i) the alternate base rate, or (ii) the SOFR rate, plus an applicable margin for such loans as defined in the credit agreement. Actual margins under either election, for both the unsecured revolving credit facility and the unsecured term loan, will be based on our senior debt credit ratings.

This agreement includes customary affirmative and negative covenants, including financial covenants that require us to maintain a ratio of total gross debt to annual earnings before interest, taxes, depreciation and amortization (EBITDA) of not greater than 3.25 to 1.00 and a ratio of annual EBITDA to annual interest expense of not less than 3.00 to 1.00 as of the last day of each fiscal quarter.

On November 1, 2021 we borrowed the full \$4.7 billion under the unsecured term loan to fund a portion of the acquisition of Mailchimp.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to provide readers of our condensed consolidated financial statements with the perspectives of management. This should allow the readers of this report to obtain a comprehensive understanding of our businesses, strategies, current trends, and future prospects. Our MD&A includes the following sections:

- **Executive Overview:** High level discussion of our operating results and some of the trends that affect our business.
- **Critical Accounting Policies and Estimates:** Significant changes since our most recent Annual Report on Form 10-K that we believe are important to understanding the assumptions and judgments underlying our financial statements.
- **Results of Operations:** A more detailed discussion of our revenue and expenses.
- **Liquidity and Capital Resources:** Discussion of key aspects of our condensed consolidated statements of cash flows, changes in our condensed consolidated balance sheets, and our financial commitments.

You should note that this MD&A contains forward-looking statements that involve risks and uncertainties. Please see the section entitled "Forward-Looking Statements" immediately preceding Part I for important information to consider when evaluating such statements.

You should read this MD&A in conjunction with the financial statements and related notes in Part I, Item 1 of this Quarterly Report and our Annual Report on Form 10-K for the fiscal year ended July 31, 2021.

Due to the COVID-19 pandemic we continue to conduct business with substantial modifications to employee work locations and employee travel, among other modifications. In June 2021 a small number of employees started returning to work locations on a limited basis. While we have not experienced significant disruptions to our operations from the COVID-19 pandemic, we are unable to predict the full impact that the COVID-19 pandemic will have on our operations and future financial performance, including demand for our offerings, impact to our customers and partners, actions that may be taken by governmental authorities, and other factors identified in "Risk Factors" in Item 1A of Part II of this Quarterly Report.

In the second quarter of fiscal 2021 we acquired Credit Karma in a business combination, which operates as a separate reportable segment. We have included the results of operations of Credit Karma in our condensed consolidated results of operations from the date of acquisition. Segment operating income for Credit Karma includes all direct expenses related to selling and marketing, product development, and general and administrative, which is different from our other reportable segments where we do not fully allocate corporate expenses. Therefore, Credit Karma segment operating income is not comparable to the segment operating income of our other reportable segments.

On November 1, 2021 we acquired all of the outstanding equity of The Rocket Science Group LLC (Mailchimp) for total consideration of \$12 billion and included \$5.7 billion in cash and 10.1 million shares of Intuit common stock with a value of approximately \$6.3 billion. The fair value of the stock consideration is based on the October 29, 2021 closing price of Intuit common stock of \$625.99.

Pursuant to the equity purchase agreement we also issued approximately 573,000 restricted stock units in substitution of outstanding equity incentive awards. These restricted stock units have a fair value of approximately \$349 million and will be expensed over three years. Additionally, we will be issuing approximately \$215 million of RSUs to Mailchimp employees, of which \$155 million will be expensed over four years and \$60 million will be expensed over six months. See Note 12 to the financial statements in Part I, Item 1 of this Quarterly Report for more information.

EXECUTIVE OVERVIEW

This overview provides a high-level discussion of our operating results and some of the trends that affect our business. We believe that an understanding of these trends is important in order to understand our financial results as well as our future prospects. This summary is not intended to be exhaustive, nor is it a substitute for the detailed discussion and analysis provided elsewhere in this Quarterly Report on Form 10-Q.

About Intuit

Intuit helps consumers, small businesses, and the self-employed prosper by delivering financial management and compliance products and services. We also provide specialized tax products to accounting professionals, who are key partners that help us serve small business customers. We organize our businesses into four reportable segments – Small Business & Self-Employed, Consumer, Credit Karma, and ProConnect.

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Small Business & Self-Employed: This segment serves small businesses and the self-employed around the world, and the accounting professionals who assist and advise them. Our offerings include QuickBooks financial and business management online services and desktop software, payroll solutions, merchant payment processing solutions, and financing for small businesses.

Consumer: This segment serves consumers and includes do-it-yourself and assisted TurboTax income tax preparation products and services sold in the U.S. and Canada. Our Mint offering is a personal finance offering which helps customers track their finances and daily financial behavior.

Credit Karma: This segment serves consumers with a personal finance platform that provides personalized recommendations of credit card, home, auto and personal loans, and insurance products; online savings and checking accounts through our partner, MVB Bank, Inc., member FDIC; and access to their credit scores and reports, credit and identity monitoring, credit report dispute, and data-driven resources.

ProConnect: This segment serves professional accountants in the U.S. and Canada, who are essential to both small business success and tax preparation and filing. Our professional tax offerings include Lacerte, ProSeries, and ProConnect Tax Online in the U.S. and ProFile and ProTax Online in Canada.

Our Growth Strategy

At Intuit, our strategy starts with customer obsession. We listen to and observe our customers, understand their challenges, and then use advanced technology, including artificial intelligence (AI), to develop innovative solutions designed to solve their most important financial problems. For more than three decades, we have reinvented and disrupted ourselves in order to ensure our customers are armed with the technology they need to grow and prosper.

Our strategy for delivering on our bold goals is to become an AI-driven expert platform where we and others can solve our customers' most important problems. We plan to accelerate the development of the platform by applying AI in the three key areas:

- **An Open Platform:** None of us can do it alone, including Intuit. The best way to deliver for customers is by creating an open, collaborative platform. It's the power of partnerships that accelerates the world's success. Our open technology platform integrates with partners so together we can deliver value and benefits that matter the most to our customers.
- **Application of AI:** AI helps our customers work smarter because we can automate, predict and personalize their experience. Using AI technologies, we are: leveraging machine learning to build decision engines and algorithms that learn from rich datasets to transform user experiences; applying knowledge engineering and turning compliance rules into code; and using natural language processing to revolutionize how customers interact with products and services.
- **Incorporating Experts:** One of the biggest problems our customers face is confidence. Even with current advances in technology that deliver personalized tools and insights, many people want to connect with a real person to help give them the confidence they are making the right decision. By bringing experts onto our platform we can solve this massive problem for customers. The power of our virtual expert platform allows us to scale the intelligence of our products, elevating experts to advisors and delivering big benefits for customers.

As we build our AI-driven expert platform, we are prioritizing our resources on five strategic priorities across the company. These priorities focus on solving the problems that matter most to customers and include:

- **Revolutionizing speed to benefit:** When customers use our products and services, we aim to deliver value instantly by making the interactions with our offerings frictionless, without the need for customers to manually enter data. We are accelerating the application of AI with a goal to revolutionize the customer experience. This priority is foundational across our business, and execution against it positions us to succeed with our other four strategic priorities.
- **Connecting people to experts:** The largest problem our customers face is lack of confidence to file their own taxes or to manage their books. To build their confidence, we are connecting our customers to experts. We offer customers access to experts to help them make important decisions – and experts, such as accountants, gain access to new customers so they can grow their businesses.
- **Unlocking smart money decisions:** Crippling high-cost debt and lack of savings are at unprecedented levels across the U.S. To address these challenges, we are creating a personal financial assistant that helps consumers find the right financial products, put more money in their pockets and access financial expertise and advice. Our acquisition of Credit Karma accelerates our ability to achieve this vision, by combining two trusted brands, customer reach, data and platform capabilities to deliver breakthrough benefits that will power prosperity for customers around the world.
- **Be the center of small business growth:** We are focused on helping customers grow their businesses by offering a broad, seamless set of tools that are designed to help them get paid faster, manage and get access to capital, pay employees with confidence, and use third-party apps to help run their businesses. At the same time, we want to position ourselves to better serve product-based businesses to benefit customers who sell products through multiple channels.
- **Disrupt the small business mid-market:** We aim to disrupt the mid-market with QuickBooks Online Advanced, our online offering designed to address the needs of small business customers with 10 to 100 employees. This offering enables us to increase retention of these larger customers, and attract new mid-market customers who are over-served by available offerings.

We expect our acquisition of Mailchimp will help us accelerate two of our strategic priorities to become the center of small business growth and to disrupt the small business mid-market.

Industry Trends and Seasonality

Industry Trends

AI is transforming multiple industries, including financial technology. Disruptive start-ups, emerging ecosystems and mega-platforms are harnessing new technology to create personalized experiences, deliver data-driven insights and increase speed of service. These shifts are creating a more dynamic and highly competitive environment where customer expectations are shifting around the world as more services become digitized and the array of choices continues to increase.

Seasonality

Our Consumer and ProConnect offerings have a significant and distinct seasonal pattern as sales and revenue from our income tax preparation products and services are heavily concentrated in the period from November through April. Typically, returns are accepted by the IRS starting in January and the tax filing deadline ends in April. This seasonal pattern results in higher net revenues during our second and third quarters ending January 31 and April 30, respectively. However, in fiscal 2021 the IRS began accepting returns on February 12, 2021 and the tax filing deadline was extended to May 17, 2021. These changes to the fiscal 2021 tax filing season impacted our second and third quarter financial results.

We expect the seasonality of our Consumer and ProConnect businesses to continue to have a significant impact on our quarterly financial results in the future.

Key Challenges and Risks

Our growth strategy depends upon our ability to initiate and embrace disruptive technology trends, to enter new markets, and to drive broad adoption of the products and services we develop and market. Our future growth also increasingly depends on the strength of our third-party business relationships and our ability to continue to develop, maintain and strengthen new and existing relationships. To remain competitive and continue to grow, we are investing significant resources in our product development, marketing, and sales capabilities, and we expect to continue to do so in the future.

As we offer more online services, the ongoing operation and availability of our platforms and systems and those of our external service providers is becoming increasingly important. Because we help customers manage their financial lives, we face risks associated with the hosting, collection, use, and retention of personal customer information and data. We are investing significant management attention and resources in our information technology infrastructure and in our privacy and security capabilities, and we expect to continue to do so in the future.

For our consumer and professional tax offerings, we have implemented additional security measures and are continuing to work with state and federal governments to implement industry-wide security and anti-fraud measures, including sharing information regarding suspicious filings. We received ISO 27001 certification for a portion of our systems and we continue to invest in security measures and to work with the broader industry and government to protect our customers against this type of fraud. Additionally, Credit Karma's security measures are regularly reviewed and updated.

For a complete discussion of the most significant risks and uncertainties affecting our business, please see "Forward-Looking Statements" immediately preceding Part I and "Risk Factors" in Item 1A of Part II of this Quarterly Report.

Overview of Financial Results

The most important financial indicators that we use to assess our business are revenue growth for the company as a whole and for each reportable segment; operating income growth for the company as a whole; earnings per share; and cash flow from operations. We also track certain non-financial drivers of revenue growth and, when material, identify them in the applicable discussions of segment results below. Service offerings are a significant part of our business. Our total service and other revenue was \$7.9 billion or 82% of our total revenue in fiscal 2021 and we expect our total service and other revenue to continue to grow in the future.

Key highlights for the first three months of fiscal 2022 include the following:

Revenue of

\$2.0 B

up 52% from the same period of fiscal 2021

Small Business & Self-Employed revenue of

\$1.4 B

up 22% from the same period of fiscal 2021

Cash, cash equivalents, and investments of

\$3.3 B

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our financial statements, we make estimates, assumptions and judgments that can have a significant impact on our net revenue, operating income or loss, and net income or loss, as well as on the value of certain assets and liabilities on our condensed consolidated balance sheets. We believe that the estimates, assumptions and judgments involved in the accounting policies described in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2021 have the greatest potential impact on our financial statements, so we consider them to be our critical accounting policies and estimates. We believe that there were no significant changes in those critical accounting policies and estimates during the first three months of fiscal 2022. Senior management has reviewed the development and selection of our critical accounting policies and estimates and their disclosure in this Quarterly Report on Form 10-Q with the Audit and Risk Committee of our Board of Directors.

RESULTS OF OPERATIONS

Financial Overview

(Dollars in millions, except per share amounts)

| | Q1 FY22 | Q1 FY21 | \$ Change | % Change |
|------------------------------|------------|------------|--------------|-------------|
| Total net revenue | \$ 2,007 | \$ 1,323 | \$ 684 | 52 % |
| Operating income | 195 | 209 | (14) | (7) % |
| Net income | 228 | 198 | 30 | 15 % |
| Diluted net income per share | \$ 0.82 | \$ 0.75 | \$ 0.07 | 9 % |

Total net revenue for the first quarter of fiscal 2022 increased \$684 million or 52% compared with the same quarter of fiscal 2021. Credit Karma contributed \$418 million to total revenue during the first quarter of fiscal 2021. Our Small Business & Self-Employed segment revenue increased during the quarter primarily due to growth in our Online Ecosystem revenue. Revenue in our Consumer and ProConnect segments was seasonally light, consistent with the same quarter of fiscal 2021. See "Segment Results" later in this Item 2 for more information about the results for all of our reportable segments.

Operating income for the first quarter of fiscal 2022 decreased \$14 million or 7% compared with the same quarter of fiscal 2021 primarily due to increases in expenses for staffing, share-based compensation, marketing, and amortization of other acquired intangible assets, partially offset by the increase in revenue described above. See "Cost of Revenue" and "Operating Expenses" later in this Item 2 for more information.

Net income for the first quarter of fiscal 2022 increased \$30 million or 15% compared with the same period of fiscal 2021. The increase in net income was due to \$39 million of net gains on other long-term investments which more than offset the decrease in operating income described above. Diluted net income per share increased 9% to \$0.82 for the first quarter of fiscal 2022, due to the increase in net income partially offset by an increase in the weighted average shares outstanding due to the shares issued as part of the acquisition of Credit Karma in the second quarter of fiscal 2021.

Segment Results

The information below is organized in accordance with our four reportable segments. See "Executive Overview—About Intuit" earlier in this Item 2 and Note 11 to the financial statements in Part I, Item 1 of this Quarterly Report for more information. All of our segments operate and sell to customers primarily in the United States. Total international net revenue was approximately 6% for the three months ended October 31, 2021 and October 31, 2020.

In December 2020 we acquired Credit Karma in a business combination which operates as a separate reportable segment. We have included the results of operations of Credit Karma in our condensed consolidated results of operations from the date of acquisition.

Segment operating income or loss is segment net revenue less segment cost of revenue and operating expenses. See "Executive Overview—Industry Trends and Seasonality" earlier in this Item 2 for a description of the seasonality of our business. For our Small Business & Self-Employed, Consumer, and ProConnect reportable segments, we include expenses such as corporate selling and marketing, product development, and general and administrative, which are not allocated to specific segments, in unallocated corporate items as part of other corporate expenses. For Credit Karma, segment expenses include all direct expenses related to selling and marketing, product development, and general and administrative. Unallocated corporate items for all segments include share-based compensation, amortization of acquired technology, amortization of other acquired intangible assets, and goodwill and intangible asset impairment charges. These unallocated corporate items for all segments totaled \$873 million in the first three months of fiscal 2022 and \$552 million in the first three months of fiscal 2021. Unallocated corporate items increased in the fiscal 2022 period due to increased corporate product development, selling and marketing, and general and administrative expenses in support of the growth of our businesses, higher share-based compensation expenses, higher amortization of acquired technology, and higher amortization of other acquired intangible assets. See Note 11 to the financial statements in Part I, Item 1 of this Quarterly Report for reconciliations of total segment operating income or loss to consolidated operating income or loss for each fiscal period presented.

Small Business & Self-Employed

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Small Business & Self-Employed segment includes both Online Ecosystem and Desktop Ecosystem revenue.

Our Online Ecosystem includes revenue from QuickBooks Online, QuickBooks Live, QuickBooks Online Advanced and QuickBooks Self-Employed financial and business management offerings; small business payroll services, including QuickBooks Online Payroll, Intuit Online Payroll, Intuit Full Service Payroll; merchant payment processing services for small businesses who use online offerings; QuickBooks Commerce, QuickBooks Cash, and financing for small businesses.

Our Desktop Ecosystem includes revenue from our QuickBooks Desktop packaged software products (Desktop Pro, Desktop for Mac, Desktop Premier, and QuickBooks Point of Sale); QuickBooks Desktop software subscriptions (QuickBooks Desktop Pro Plus, QuickBooks Desktop Premier Plus, and QuickBooks Enterprise, and ProAdvisor Program memberships for the accounting professionals who serve small businesses); desktop payroll products (QuickBooks Basic Payroll, QuickBooks Assisted Payroll and QuickBooks Enhanced Payroll); merchant payment processing services for small businesses who use desktop offerings; financial supplies; and financing for small businesses.

Segment product revenue is primarily derived from revenue related to delivery of software licenses and the related updates, including version protection, for our QuickBooks Desktop subscriptions and desktop payroll offerings which are part of our Desktop Ecosystem. Segment service and other revenue is primarily derived from our Online Ecosystem revenue and revenue from the services and support that are provided as part of our QuickBooks Desktop subscription and desktop payroll offerings as well as merchant payment processing services.

(Dollars in millions)

| | Q1 FY22 | Q1 FY21 | % Change |
|---------------------------|------------|------------|-------------|
| Product revenue | \$ 378 | \$ 348 | 9 % |
| Service and other revenue | 1,065 | 833 | 28 % |
| Total segment revenue | \$ 1,443 | \$ 1,181 | 22 % |
| % of total revenue | 72 % | 89 % | |
| Segment operating income | \$ 921 | \$ 767 | 20 % |
| % of related revenue | 64 % | 65 % | |

Revenue classified by significant product and service offerings was as follows:

(Dollars in millions)

Net revenue:

| | Q1 FY22 | Q1 FY21 | % Change |
|---|-----------------|-----------------|-------------|
| QuickBooks Online Accounting | \$ 519 | \$ 392 | 32 % |
| Online Services | 326 | 229 | 42 % |
| Total Online Ecosystem | 845 | 621 | 36 % |
| QuickBooks Desktop Accounting | 267 | 241 | 11 % |
| Desktop Services and Supplies | 331 | 319 | 4 % |
| Total Desktop Ecosystem | 598 | 560 | 7 % |
| Total Small Business & Self-Employed | \$ 1,443 | \$ 1,181 | 22 % |

Revenue for our Small Business & Self-Employed segment increased \$262 million or 22% in the first quarter of fiscal 2022 compared with the same quarter of fiscal 2021. The increase was primarily due to growth in Online Ecosystem revenue.

[Online Ecosystem Revenue](#)

Online Ecosystem revenue increased 36% in the first quarter of fiscal 2022 compared with the same quarter of fiscal 2021. QuickBooks Online Accounting revenue increased 32% in the first quarter of fiscal 2022 compared with the same quarter of fiscal 2021 primarily due to an increase in customers as well as higher effective prices and a shift in mix to our higher priced offerings. Online Services revenue increased 42% in the first quarter of fiscal 2022 compared with the same quarter of fiscal 2021 primarily due to an increase in revenue from our payroll and payments offerings. Online payroll revenue increased due to an increase in customers and a shift in mix to our full service offering. Online payments revenue increased due to an increase in customers and an increase in charge volume per customer.

[Desktop Ecosystem Revenue](#)

Desktop Ecosystem revenue increased 7% in the first quarter of fiscal 2022 compared with the same quarter of fiscal 2021 due to the growth in our QuickBooks Desktop Enterprise subscription offering which was partially offset by a decrease in Desktop unit sales. Late in the first quarter of fiscal 2022 we discontinued our QuickBooks Desktop packaged software products and now sell predominantly on a subscription basis. Additionally, during the first quarter of fiscal 2022 there was an increase in revenue from our Desktop Payroll and Desktop Payments offerings.

Small Business & Self-Employed segment operating income increased 20% in the first quarter of fiscal 2022 compared with the same quarter of fiscal 2021 primarily due to the increase in revenue described above, partially offset by higher expenses for staffing, outside services, and marketing.

Consumer

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Consumer segment product revenue is derived primarily from TurboTax desktop tax return preparation software and related form updates.

Consumer segment service and other revenue is derived primarily from TurboTax Online and TurboTax Live offerings, electronic tax filing services and connected services, and also from our Mint offering.

(Dollars in millions)

| | Q1 FY22 | Q1 FY21 | % Change |
|---------------------------------|----------------|---------------|-------------|
| Product revenue | \$ 7 | \$ 7 | — % |
| Service and other revenue | 113 | 112 | 1 % |
| Total segment revenue | <u>\$ 120</u> | <u>\$ 119</u> | 1 % |
| % of total revenue | 6 % | 9 % | |
| Segment operating income (loss) | <u>\$ (11)</u> | <u>\$ 4</u> | NM |
| % of related revenue | (9)% | 3 % | |

NM = Not Meaningful

Revenue for our Consumer segment increased slightly in the first three months of fiscal 2022 compared with the same period of fiscal 2021. Due to the seasonal nature of our Consumer offerings, we typically generate minimal revenue from Consumer products and services in our first fiscal quarter compared with our second and third fiscal quarters. The majority of revenue for the first quarter of each fiscal year is for the filing of extended returns for the previous tax year.

In our first fiscal quarter, our Consumer segment typically generates operating losses because we continue to incur operating expenses for general and administrative functions and research and development while revenue is minimal. Segment operating loss was \$11 million in the first three months of fiscal 2022 compared to segment operating income of \$4 million for the same period of fiscal 2021. In the first quarter of fiscal 2022 expenses were higher compared to the same period of fiscal 2021 due to higher expense for staffing which were partially offset by lower expenses for marketing.

Because of the seasonality of our Consumer revenue, we do not believe that the revenue or operating results for the first quarter of fiscal 2022 is indicative of trends for the current fiscal year. We will not have substantially complete results for the 2021 tax season until the third quarter of fiscal 2022.

Credit Karma

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Credit Karma revenue is derived from cost-per-action transactions, which include the delivery of qualified links that result in completed actions such as credit card issuances and personal loan funding; and cost-per-click and cost-per-lead transactions, which include user clicks on advertisements or advertisements that allow for the generation of leads, and primarily relate to mortgage and insurance businesses.

(Dollars in millions)

| | Q1 FY22 | Q1 FY21 | % Change |
|---------------------------|---------------|-------------|-------------|
| Product revenue | \$ — | \$ — | N/A |
| Service and other revenue | 418 | — | N/A |
| Total segment revenue | <u>\$ 418</u> | <u>\$ —</u> | N/A |
| % of total revenue | 21 % | — % | |
| Segment operating income | <u>\$ 169</u> | <u>\$ —</u> | N/A |
| % of related revenue | 40 % | N/A | |

In the second quarter of fiscal 2021 we acquired Credit Karma. Our results of operations include the operations of Credit Karma beginning on the date of acquisition.

Credit Karma contributed \$418 million in revenue for the three months ended October 31, 2021. Revenue is primarily generated from cost-per-action transactions related to credit card issuances and personal loan funding.

Segment operating income was \$169 million for the three months ended October 31, 2021. Expenses were primarily related to staffing and marketing.

ProConnect

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ProConnect segment product revenue is derived primarily from Lacerte, ProSeries, and ProFile desktop tax preparation software products and related form updates.

ProConnect segment service and other revenue is derived primarily from ProConnect Tax Online tax products, electronic tax filing service, connected services and, bank products.

(Dollars in millions)

| | Q1 FY22 | Q1 FY21 | % Change |
|---------------------------|----------------|----------------|-------------|
| Product revenue | \$ 12 | \$ 12 | — % |
| Service and other revenue | 14 | 11 | 27 % |
| Total segment revenue | <u>\$ 26</u> | <u>\$ 23</u> | 13 % |
| % of total revenue | 1 % | 2 % | |
| Segment operating loss | <u>\$ (11)</u> | <u>\$ (10)</u> | 10 % |
| % of related revenue | (42)% | (43)% | |

Revenue for our ProConnect segment revenue increased \$3 million or 13% in the first three months of fiscal 2022 compared with the same period of fiscal 2021. Due to the seasonal nature of our ProConnect offerings, we typically generate minimal revenue from professional tax products and services in our first fiscal quarter compared with our second and third fiscal quarters. The majority of revenue for the first quarter of each fiscal year is for the filing of extended returns for the previous tax year.

In our first fiscal quarter, our ProConnect segment typically generates operating losses because we continue to incur operating expenses for general and administrative functions and research and development while revenue is minimal. In the first quarter of fiscal 2022 expenses increased compared to the same period of fiscal 2021 primarily due to higher expense for staffing.

Because of the seasonality of our ProConnect revenue, we do not believe that the revenue or operating results for the first quarter of fiscal 2022 is indicative of trends for the current fiscal year. We will not have substantially complete results for the 2021 tax season until the third quarter of fiscal 2022.

Cost of Revenue

(Dollars in millions)

| | Q1 FY22 | % of Related Revenue | Q1 FY21 | % of Related Revenue |
|-------------------------------------|---------------|----------------------------|---------------|----------------------------|
| Cost of product revenue | \$ 15 | 4 % | \$ 15 | 4 % |
| Cost of service and other revenue | 387 | 24 % | 234 | 24 % |
| Amortization of acquired technology | 15 | n/a | 7 | n/a |
| Total cost of revenue | <u>\$ 417</u> | 21 % | <u>\$ 256</u> | 19 % |

Our cost of revenue has three components: (1) cost of product revenue, which includes the direct costs of manufacturing and shipping or electronically downloading our desktop software products; (2) cost of service and other revenue, which includes the direct costs associated with our online and service offerings, such as costs for data processing and storage capabilities from cloud providers, customer support costs, costs for the tax and bookkeeping experts that support our TurboTax Live and QuickBooks Live offerings, and costs related to credit score providers; and (3) amortization of acquired technology which represents the cost of amortizing developed technologies that we have obtained through acquisitions over their useful lives.

Cost of product revenue as a percentage of product revenue was relatively consistent in the first quarter of fiscal 2022 compared with the same periods of fiscal 2021. We expense costs of product revenue as they are incurred for delivered software and we do not defer any of these costs when product revenue is deferred.

Cost of service and other revenue as a percentage of service and other revenue was relatively consistent in the first quarter of fiscal 2022 compared with the same period of fiscal 2021. Credit Karma contributed \$94 million to cost of service and other revenue for the three months ended October 31, 2021.

Operating Expenses

(Dollars in millions)

| | Q1 FY22 | % of Total Net Revenue | Q1 FY21 | % of Total Net Revenue |
|--|-----------------|---------------------------------|---------------|---------------------------------|
| Selling and marketing | \$ 550 | 27 % | \$ 362 | 27 % |
| Research and development | 530 | 26 % | 325 | 25 % |
| General and administrative | 262 | 13 % | 169 | 13 % |
| Amortization of other acquired intangible assets | 53 | 3 % | 2 | — % |
| Total operating expenses | <u>\$ 1,395</u> | 70 % | <u>\$ 858</u> | 65 % |

Total operating expenses as a percentage of total net revenue increased in the first quarter of fiscal 2022 compared to the same period of fiscal 2021. Total net revenue for the first quarter of fiscal 2022 increased \$684 million or 52% due to the increase in revenue described above. Total operating expenses for the quarter increased \$537 million or 63%, which included \$217 million of operating expenses related to Credit Karma. Total share-based compensation expense increased \$157 million; total staffing increased \$202 million, including \$96 million related to Credit Karma; total marketing increased \$74 million, which included \$56 million related to Credit Karma, and total amortization of other acquired intangible assets increased \$51 million, which was primarily related to Credit Karma.

Non-Operating Income and Expenses

Interest Expense

Interest expense of \$7 million for the first three months of fiscal 2022 consisted primarily of interest on our senior unsecured notes and secured revolving credit facility. Interest expense of \$8 million for the first three months of fiscal 2021 consisted primarily of interest on our senior unsecured notes, unsecured term loan, unsecured revolving credit facility, and secured revolving credit facility.

Interest and Other Income (Loss), Net

(In millions)

Interest income ⁽¹⁾
 Net gain (loss) on executive deferred compensation plan assets ⁽²⁾
 Other ⁽³⁾

Total interest and other income, net

| | Q1 FY22 | Q1 FY21 |
|---|--------------|-------------|
| Interest income ⁽¹⁾ | \$ 5 | \$ 3 |
| Net gain (loss) on executive deferred compensation plan assets ⁽²⁾ | 4 | (1) |
| Other ⁽³⁾ | 41 | 7 |
| Total interest and other income, net | <u>\$ 50</u> | <u>\$ 9</u> |

- (1) Interest income in the first quarter and the first three months of fiscal 2022 increased compared to the same period of fiscal 2021 primarily due to higher average interest rates.
- (2) In accordance with authoritative guidance, we record gains and losses associated with executive deferred compensation plan assets in interest and other income and gains and losses associated with the related liabilities in operating expenses. The total amounts recorded in operating expenses for each period are approximately equal to the total amounts recorded in interest and other income in those periods.
- (3) In the first quarter of fiscal 2022 and 2021 we recorded \$39 million and \$8 million of net gains on other long-term investments, respectively.

Income Taxes

We compute our provision for or benefit from income taxes by applying the estimated annual effective tax rate to income or loss from recurring operations and adding the effects of any discrete income tax items specific to the period.

We recognized excess tax benefits on share-based compensation of \$47 million and \$52 million in our provision for income taxes for the three months ended October 31, 2021 and 2020, respectively.

Our effective tax rate for the three months ended October 31, 2021 was approximately 4%. Excluding discrete tax items primarily related to share-based compensation tax benefits mentioned above, our effective tax rate was 25%. The difference from the federal statutory rate of 21% was primarily due to state income taxes and non-deductible share-based compensation, which were partially offset by the tax benefit we received from the federal research and experimentation credit.

Our effective tax rate for the three months ended October 31, 2020 was approximately 6%. Excluding discrete tax items primarily related to share-based compensation tax benefits mentioned above, our effective tax rate was 25%. The difference from the federal statutory rate of 21% was primarily due to state income taxes and non-deductible share-based compensation, which were partially offset by the tax benefit we received from the federal research and experimentation credit.

In the current global tax policy environment, the U.S. and other domestic and foreign governments continue to consider, and in some cases enact, changes in corporate tax laws. As changes occur, we account for finalized legislation in the period of enactment.

LIQUIDITY AND CAPITAL RESOURCES

Overview

At October 31, 2021, our cash, cash equivalents and investments totaled \$3.3 billion, a decrease of \$620 million from July 31, 2021 due to the factors discussed under "Statements of Cash Flows" below. Our primary sources of liquidity have been cash from operations, which entails the collection of accounts receivable for products and services, the issuance of senior unsecured notes, and borrowings under our credit facility. Our primary uses of cash have been for research and development programs, selling and marketing activities, capital projects, acquisitions of businesses, debt service costs and debt repayment, repurchases of our common stock under our stock repurchase programs, and the payment of cash dividends. As discussed in "Executive Overview—Industry Trends and Seasonality" earlier in this Item 2, our business is subject to significant seasonality. The balance of our cash, cash equivalents, and investments generally fluctuates with that seasonal pattern. We believe the seasonality of our business is likely to continue in the future.

The following table summarizes selected measures of our liquidity and capital resources at the dates indicated:

| (Dollars in millions) | October 31, 2021 | July 31, 2021 | \$ Change | % Change |
|--|------------------|---------------|-----------|----------|
| Cash, cash equivalents, and investments | \$ 3,250 | \$ 3,870 | \$ (620) | (16)% |
| Long-term investments | 84 | 43 | 41 | 95 % |
| Long-term debt | 2,037 | 2,034 | 3 | — % |
| Working capital | 2,349 | 2,502 | (153) | (6)% |
| Ratio of current assets to current liabilities | 2.1 : 1 | 1.9 : 1 | | |

We have historically generated significant cash from operations and we expect to continue to do so in the future. Our cash, cash equivalents, and investments totaled \$3.3 billion at October 31, 2021. None of those funds were restricted and approximately 92% of those funds were located in the U.S.

Based on past performance and current expectations, we believe that our cash and cash equivalents, investments, and cash generated from operations will be sufficient to meet anticipated seasonal working capital needs, capital expenditure requirements, contractual obligations, commitments, debt service requirements, and other liquidity requirements associated with our operations for at least the next 12 months. We believe that our financial resources will allow us to manage the impact of COVID-19 on our business operations for the foreseeable future, which could include potential reductions in revenue and delays in payments from customers and partners.

We expect to return excess cash generated by operations to our stockholders through payment of cash dividends, after taking into account our operating and strategic cash needs.

Our secured revolving credit facility is available to fund a portion of our loans to qualified small businesses. At October 31, 2021, \$50 million was outstanding under the secured revolving credit facility.

We evaluate, on an ongoing basis, the merits of acquiring technology or businesses, or establishing strategic relationships with and investing in other companies. Our strong liquidity profile enables us to quickly respond to these types of opportunities.

On November 1, 2021 we acquired all of the outstanding equity of Mailchimp for total consideration of \$12 billion and included \$5.7 billion in cash and 10.1 million shares of Intuit common stock with a value of approximately \$6.3 billion. The fair value of the stock consideration is based on the October 29, 2021 closing price of Intuit common stock of \$625.99.

Pursuant to the equity purchase agreement we also issued approximately 573,000 restricted stock units in substitution of outstanding equity incentive awards. These restricted stock units have a fair value of approximately \$349 million. Additionally, we will be issuing approximately \$215 million of RSUs to Mailchimp employees. See Note 12 to the financial statements in Part I, Item 1 of this Quarterly Report for more information.

On November 1, 2021 the existing amended and restated credit agreement described in "Credit Facilities - Unsecured Revolving Credit Facility and Term Loan" below was terminated and we entered into an unsecured credit agreement with certain institutional lenders with an aggregate principal amount of \$5.7 billion, including a \$1 billion unsecured revolving credit facility that matures on November 1, 2026 and a \$4.7 billion unsecured term loan that matures on November 1, 2024. On November 1, 2021 we borrowed the full \$4.7 billion under the unsecured term loan to fund a portion of the acquisition of Mailchimp. See Note 12 to the financial statements in Part I, Item 1 of this Quarterly Report for more information.

Statements of Cash Flows

The following table summarizes selected items from our condensed consolidated statements of cash flows for the first three months of fiscal 2022 and fiscal 2021. See the financial statements in Part I, Item 1 of this Quarterly Report for complete condensed consolidated statements of cash flows for those periods.

| (Dollars in millions) | Three Months Ended | | |
|--|--------------------|------------------|-----------|
| | October 31, 2021 | October 31, 2020 | \$ Change |
| Net cash provided by (used in): | | | |
| Operating activities | \$ 145 | \$ 45 | \$ 100 |
| Investing activities | 796 | (130) | 926 |
| Financing activities | (786) | (1,153) | 367 |
| Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents | (2) | (1) | (1) |
| Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents | \$ 153 | \$ (1,239) | \$ 1,392 |

Our primary sources and uses of cash were as follows:

| Three Months Ended | |
|---|--|
| October 31, 2021 | October 31, 2020 |
| Sources of cash: <ul style="list-style-type: none"> • Operations • Issuance of common stock under employee stock plans | Sources of cash: <ul style="list-style-type: none"> • Net sales of loans held for sale • Issuance of common stock under employee stock plans |
| Uses of cash: <ul style="list-style-type: none"> • Repurchases of shares of our common stock • Payment of accrued bonuses for fiscal 2021 • Payment of cash dividends and dividend rights • Capital expenditures • Net originations of term loans to small businesses | Uses of cash: <ul style="list-style-type: none"> • Repayment of debt • Payment of accrued bonuses for fiscal 2020 • Payment of cash dividends and dividend rights • Acquisition of a business • Capital expenditures • Net originations of term loans to small businesses |

Stock Repurchase Programs, Treasury Shares, and Dividends on Common Stock

As described in Note 9 to the financial statements in Part I, Item 1 of this Quarterly Report, during the first three months of fiscal 2022 we repurchased 606,000 shares of our common stock under repurchase programs that our Board of Directors has authorized. On August 20, 2021 our Board approved a new stock repurchase program under which we are authorized to purchase up to an additional \$2 billion of our common stock. At October 31, 2021, we had authorization from our Board of Directors to expend up to an additional \$3.0 billion for stock repurchases, including the new \$2 billion authorization noted above. We currently expect to continue repurchasing our common stock on a quarterly basis; however, future stock repurchases under the current program are at the discretion of management, and authorization of future stock repurchase programs is subject to the final determination of our Board of Directors.

We have continued to pay quarterly cash dividends on shares of our outstanding common stock. During the three months ended October 31, 2021 we declared quarterly cash dividends that totaled \$0.68 per share of outstanding common stock for a total of \$191 million. In November 2021 our Board of Directors declared a quarterly cash dividend of \$0.68 per share of outstanding common stock payable on January 18, 2022 to stockholders of record at the close of business on January 10, 2022. We currently expect to continue paying comparable cash dividends on a quarterly basis. However, future declarations of dividends and the establishment of future record dates and payment dates are subject to the final determination of our Board of Directors.

Commitments for Senior Unsecured Notes

In June 2020, we issued \$2 billion of senior unsecured notes comprised of the following:

- \$500 million of 0.650% notes due July 2023;
- \$500 million of 0.950% notes due July 2025;
- \$500 million of 1.350% notes due July 2027; and
- \$500 million of 1.650% notes due July 2030 (together, the Notes).

Interest is payable semiannually on January 15 and July 15 of each year. At October 31, 2021, our maximum commitment for interest payments under the Notes was \$140 million through the maturity dates.

The Notes are senior unsecured obligations of Intuit and rank equally with all existing and future unsecured and unsubordinated indebtedness of Intuit and are redeemable by us at any time, subject to a make-whole premium. Upon the occurrence of change of control transactions that are accompanied by certain downgrades in the credit ratings of the Notes, we will be required to repurchase the Notes at a repurchase price equal to 101% of the aggregate outstanding principal plus any accrued and unpaid interest to but not including the date of repurchase. The indenture governing the Notes requires us to comply with certain covenants. For example, the Notes limit our ability to create certain liens and enter into sale and leaseback transactions. As of October 31, 2021 we were compliant with all covenants governing the Notes. See Note 6 to the financial statements in Part I, Item 1 of this Quarterly Report for more information.

Credit Facilities

Unsecured Revolving Credit Facility and Term Loan

On May 2, 2019 we entered into an amended and restated credit agreement with certain institutional lenders for a credit facility with an aggregate principal amount of \$1.4 billion, including a \$1 billion unsecured revolving credit facility that matures on May 2, 2024 and a \$400 million unsecured term loan that matured on February 1, 2021.

Under the amended and restated credit agreement we may, subject to certain customary conditions including lender approval, on one or more occasions increase commitments under the unsecured revolving credit facility in an amount not to exceed \$250 million in the aggregate and may extend the maturity date up to two times. Advances under the unsecured revolving credit facility accrue interest at rates that are equal to, at our election, either Bank of America's alternate base rate plus a margin that ranges from 0.0% to 0.1% or the London Interbank Offered Rate (LIBOR) plus a margin that ranges from 0.69% to 1.1%. Actual margins under either election will be based on our senior debt credit ratings. At October 31, 2021 no amounts were outstanding under this revolving credit facility. We monitor counterparty risk associated with the institutional lenders that are providing the credit facility.

On February 1, 2021, we paid the \$325 million remaining balance of the term loan upon maturity and at October 31, 2021, no amount was outstanding. The term loan accrued interest at rates that were equal to, at our election, either Bank of America's alternate base rate plus a margin that ranges from 0.0% to 0.125% or LIBOR plus a margin that ranges from 0.625% to 1.125%. Interest on the term loan was payable monthly. We paid no interest on the term loan during the three months ended October 31, 2021 and \$1 million during the three months ended October 31, 2020. Under the amended and restated agreement we may, subject to certain customary conditions including lender approval, on one or more occasions increase commitments under the term loan in an amount not to exceed \$400 million in the aggregate.

The amended and restated credit agreement includes customary affirmative and negative covenants, including financial covenants that require us to maintain a ratio of total gross debt to annual earnings before interest, taxes, depreciation and amortization (EBITDA) of not greater than 3.25 to 1.00 as of any date and a ratio of annual EBITDA to annual interest expense of not less than 3.00 to 1.00 as of the last day of each fiscal quarter. As of October 31, 2021 we were compliant with all required covenants.

On November 1, 2021 this credit agreement was terminated. See Note 12 to the financial statements in Part I, Item 1 of this Quarterly Report for more information.

Secured Revolving Credit Facility

On February 19, 2019 a subsidiary of Intuit entered into a \$300 million secured revolving credit facility with a lender to fund a portion of our loans to qualified small businesses. The revolving credit facility is secured by cash and receivables of the subsidiary and is non-recourse to Intuit Inc. We have entered into several amendments to the secured revolving credit facility, most recently on July 16, 2021, primarily to extend the commitment term and maturity date. Under the amended agreement, \$150 million of the facility is committed and \$150 million is uncommitted. Advances accrue interest at LIBOR plus 1.5%. Unused portions of the committed credit facility accrue interest at a rate ranging from 0.25% to 0.75%, depending on the total unused committed balance. The commitment term is through July 17, 2023 and the final maturity date is January 17, 2024. The amended agreement allows for the transition of the benchmark interest rate used to calculate finance charges from LIBOR to the Secured Overnight Finance Rate (SOFR) plus related benchmark adjustments that represent the prevailing market convention for dollar-denominated syndicated credit facilities. The agreement includes certain affirmative and negative covenants, including financial covenants that require the subsidiary to maintain specified financial ratios. As of October 31, 2021 we were compliant with all required covenants. At October 31, 2021, \$50 million was outstanding under this facility and the weighted-average interest rate was 2.63%, which includes the interest on the unused committed portion. The outstanding balance is secured by cash and receivables of the subsidiary totaling \$232 million.

Cash Held by Foreign Subsidiaries

Our cash, cash equivalents, and investments totaled \$3.3 billion at October 31, 2021. Approximately 8% of those funds were held by our foreign subsidiaries and subject to repatriation tax considerations. These foreign funds were located primarily in the United Kingdom, Canada, and India. As a result of the 2017 Tax Cuts and Jobs Act, we do not expect to pay incremental U.S. taxes on repatriation. We have recorded income tax expense for Canada and India withholding taxes on earnings that are not permanently reinvested. In the event that funds from foreign operations are repatriated to the United States, we would pay withholding taxes at that time.

Off-Balance Sheet Arrangements

At October 31, 2021, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Contractual Obligations

We presented our contractual obligations at July 31, 2021 in our Annual Report on Form 10-K for the fiscal year then ended. In September 2021 we signed an agreement that includes non-cancellable commitments of \$555 million through July 31, 2044 for an exclusive naming rights partnership with the Los Angeles Clippers for Intuit Dome, a new sports facility. The commitment is \$1.5 million per year for the first three years and \$27.5 million per year for the remainder of the agreement. There were no other significant changes in our purchase obligations during the three months ended October 31, 2021.

In November 2021 we amended an existing cloud services agreement for an additional five years. Under the amended agreement, we have an annual minimum commitment of \$150 million per year and a total minimum purchase commitment of \$1.2 billion over the five year contract term.

Recent Accounting Pronouncements

For a description of recent accounting pronouncements, if any, and the potential impact of these pronouncements on our condensed consolidated financial statements, see Note 1 to the financial statements in Part I, Item 1 of this Quarterly Report.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes to our quantitative and qualitative disclosures about market risk during the three months ended October 31, 2021. See Part II, Item 7A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2021 for a detailed discussion of our market risks.

ITEM 4 - CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Based upon an evaluation of the effectiveness of disclosure controls and procedures, Intuit's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have concluded that as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures as defined under Exchange Act Rules 13a-15(e) and 15d-15(e) were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission and is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

On December 3, 2020, we completed the acquisition of Credit Karma. Under guidelines established by the SEC, companies are permitted to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition while integrating the acquired company. In conducting our evaluation of the effectiveness of our internal control over financial reporting, we excluded Credit Karma from our evaluation for the period ended October 31, 2021. We are in the process of integrating Credit Karma into our system of internal control over financial reporting.

Except as noted above, there was no change in our internal control over financial reporting during the period ended October 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and that they are effective at the reasonable assurance level. However, no matter how well conceived and executed, a control system can provide only reasonable and not absolute assurance that the objectives of the control system are met. The design of any control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. There are also limitations that are inherent in any control system. These limitations include the realities that breakdowns can occur because of errors in judgment or mistakes, and that controls can be circumvented by individual persons, by collusion of two or more people, or by management override of the controls. Because of these inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

See Note 10 to the financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for a description of legal proceedings.

ITEM 1A - RISK FACTORS

Our businesses routinely encounter and address risks, many of which could cause our future results to be materially different than we presently anticipate. Below, we describe significant factors, events and uncertainties that make an investment in our securities risky, categorized solely for ease of reference as strategic, operational, legal and compliance, and financial risks. The following events and consequences could have a material adverse effect on our business, growth, prospects, financial condition, results of operations, cash flows, liquidity, credit rating and reputation, and the trading price of our common stock could decline. These risks are not the only ones we face. We could also be affected by other events, factors or uncertainties that are presently unknown to us or that we do not currently consider to present significant risks to our business. These risks may be amplified by the COVID-19 pandemic, which has caused significant global economic instability and uncertainty. The manner in which we respond to future developments as well as our competitors' reactions to those developments may affect our future operating results.

The COVID-19 pandemic has caused significant economic instability and uncertainty and the extent to which it will impact our business, results of operations and financial condition is uncertain and difficult to predict.

The COVID-19 pandemic has caused economic instability and uncertainty globally and, during its initial phase, had a temporary negative impact on our business. The pandemic may, in the future, have a material adverse impact on our business and financial performance, the severity and duration of which will depend on many factors beyond our control, including the actions of governments, businesses and other enterprises in response to the pandemic, the effectiveness of those actions, and vaccine availability, distribution and adoption. Potential and current negative impacts of the pandemic include, but are not limited to, the following:

- The extension of federal and state tax filing deadlines for the 2019 and 2020 tax years changed the seasonality of our business, making our revenue and operating results more difficult to predict. Any future regulatory decisions could further increase the difficulty of forecasting our revenue and operating results, which could cause our business to materially suffer.
- There are new and more frequent attempts by malicious third parties seeking to take advantage of the pandemic to fraudulently gain access to our systems, which could cause us to expend significant resources to remediate and could damage our reputation.
- Changes to our business operations and the operations of our third-party partners, such as increased use of videoconferencing, the shift to working from home, and the complexity of resuming operations in our offices under a new workplace model, has introduced security and execution risks that could cause us to experience substantial financial losses, lose the confidence of our customers and government agencies and harm our revenues and earnings.
- Potential disruption of services on which we rely to deliver our services to our customers, including our third-party customer success partners and financial institutions, could prevent us or our service providers from delivering critical services to our customers or accepting and fulfilling customer orders, any of which could materially and adversely affect our business or reputation.
- Increased, divergent and changing governmental regulations, such as those relating to the re-opening of work facilities, schools, public buildings and businesses, could make it considerably more difficult to develop, enhance and support our products and services, which may cause our results of operations and financial condition to suffer.
- Failure to realize some or all of the anticipated benefits of our mergers and acquisitions activities for reasons related to the pandemic may cause us to experience losses that result in significant harm to our operating results or financial condition.
- There could be increased volatility in our stock price related to the pandemic, which could result in the loss of some or all of the value of an investment in Intuit.

These and other potential negative impacts relating to the COVID-19 pandemic are described further in the risk factors that follow.

STRATEGIC RISKS

Strategic risks relate to our current and future operating model, business plans and growth strategy, including the risks associated with the following: competitive pressures on our product offerings and business models; our ability to adapt to technological changes and global trends; our reliance on third-party intellectual property and our ability to protect our own intellectual property rights; the value of our brand; and mergers, acquisitions and divestiture activity that may have unanticipated costs and expenses.

We face intense competitive pressures that may harm our operating results.

We face intense competition in all of our businesses, and we expect competition to remain intense in the future. Our competitors and potential competitors range from large and established entities to emerging start-ups. Our competitors may introduce superior products and services, reduce prices, have greater technical, marketing and other resources, have greater name recognition, have larger installed bases of customers, have well-established relationships with our current and potential customers, advertise aggressively or beat us to market with new products and services. In addition, we face competition from existing companies, with large established consumer user-bases and broad-based platforms, who may change or expand the focus of their business strategies and marketing to target our customers, including small businesses, tax and personal financial management customers.

We also face competition from companies with a variety of business models, including increased competition from providers of free offerings, particularly in our tax, accounting, payments and personal finance platform businesses. In order to compete, we have also introduced free offerings in several categories, but we may not be able to attract customers as effectively as competitors with different business models. In addition, other providers of free offerings may provide features that we do not offer and customers who have formerly paid for Intuit's products and services may elect to use our competitors' free offerings instead. These competitive factors may diminish our revenue and profitability, and harm our ability to acquire and retain customers.

Our consumer tax business also faces significant potential competition from the public sector, where we face the risk of federal and state taxing authorities proposing revenue raising strategies that involve developing and providing government tax software or other government return preparation systems at public expense. These or similar programs may be introduced or expanded in the future, which may change the voluntary compliance tax system in ways that could cause us to lose customers and revenue. The IRS Free File Program is currently the sole means by which the IRS offers tax software directly to taxpayers and, in December 2019, the agreement governing the program was amended to eliminate the pledge by the IRS that it would not offer a duplicative or competing service. Under this program, the IRS has worked with private industry to provide more than 60 million free returns since 2003, utilizing donated private sector tax software and e-filing services, including software that we donated to the Free File Program, for low and middle income taxpayers at no cost to the government or individual users. However, we no longer participate in the IRS Free File Program, and its continuation depends on a number of factors, including continued broad public awareness of and access to the free program and continued private industry donations, as well as continued government support. The current agreement is scheduled to expire in October 2022. Our departure from the Free File Program may increase the likelihood that such program is terminated or is not extended beyond October 2022. If the Free File Program were to be terminated or the IRS were to enter the software development and return preparation space, the federal government could become a publicly funded direct competitor of the U.S. tax services industry and of Intuit. Government funded services that curtail or eliminate the role of taxpayers in preparing their own taxes could potentially have material and adverse revenue implications.

Future revenue growth depends upon our ability to adapt to technological change as well as global trends in the way customers access software offerings and successfully introduce new and enhanced products, services and business models.

We operate in industries that are characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. We must continue to innovate and develop new products and features to meet the changing needs of our customers and partners and attract and retain talented software developers. We need to continue to develop our skills, tools and capabilities to capitalize on existing and emerging technologies, which requires us to devote significant resources.

Our consumer and professional tax businesses depend significantly on revenue from customers who return each year to use our updated tax preparation and filing software and services. As our existing products mature, encouraging customers to purchase product upgrades becomes more challenging unless new product releases provide features and functionality that have meaningful incremental value. We also provide additional customer benefits by utilizing customer data available to us through our existing offerings. If we are not able to develop and clearly demonstrate the value of new or upgraded products or services to our customers, or effectively utilize our customers' data to provide them with value, our revenues may be harmed. In addition, as we continue to introduce and expand our new business models, including offerings that are free to end users, our customers may not perceive value in the additional benefits and services we offer beyond our free offering and may choose not to pay for those additional benefits or we may be unsuccessful in increasing customer adoption of these offerings or our risk profile may change, resulting in loss of revenue.

We have devoted significant resources to develop products and services for users of mobile devices, but the versions of our products and services developed for these devices may not be compelling to users. Even if we are able to attract new users through these mobile offerings, the amount of revenue that we derive per user from mobile offerings may be less than the

revenue that we have historically derived from users of personal computers. As new devices and new platforms are continually being released, it is difficult to predict the problems we may encounter in developing versions of our products and services for use on mobile devices and we may need to devote significant resources to the creation, support, and maintenance of such offerings. If we are slow to develop products and technologies that are compatible with mobile devices, or if our competitors are able to achieve those results more quickly than us, we will fail to capture a significant share of an increasingly important portion of the market for online services, which could adversely affect our business. Further, legislation or regulatory changes may mandate changes in our products that make them less attractive to users.

In some cases, we may expend a significant amount of resources and management attention on offerings that do not ultimately succeed in their markets. We have encountered difficulty in launching new products and services in the past. If we misjudge customer needs in the future, our new products and services may not succeed and our revenues and earnings may be harmed. We have also invested, and in the future, expect to invest in new business models, geographies, strategies and initiatives. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations, expenses associated with the initiatives and inadequate return on investments. Because these new initiatives are inherently risky, they may not be successful and may harm our financial condition and operating results.

We rely on third-party intellectual property in our products and services.

Many of our products and services include intellectual property of third parties, which we license under agreements that may need to be renewed or renegotiated from time to time. We may not be able to obtain licenses to these third-party technologies or content on reasonable terms, or at all. If we are unable to obtain the rights necessary to use this intellectual property in our products and services, we may not be able to sell the affected offerings, and customers who are currently using the affected product may be disrupted, which may in turn harm our future financial results, damage our brand, and result in customer loss. Also, we and our customers have been and may continue to be subject to infringement claims as a result of the third-party intellectual property incorporated in our offerings. Although we try to mitigate this risk and we may not be ultimately liable for any potential infringement, pending claims require us to use significant resources, require management attention and could result in loss of customers.

Some of our offerings include third-party software that is licensed under so-called "open source" licenses, some of which may include a requirement that, under certain circumstances, we make available, or grant licenses to, any modifications or derivative works we create based upon the open source software. Although we have established internal review and approval processes to mitigate these risks, we cannot be sure that all open source software is submitted for approval prior to use in our products. Many of the risks associated with usage of open source may not be eliminated, and may, if not properly addressed, harm our business.

Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products, services and brand.

Our patents, trademarks, trade secrets, copyrights, domain names and other intellectual property rights are important assets for us. We aggressively protect our intellectual property rights by relying on federal, state and common law rights in the U.S. and internationally, as well as a variety of administrative procedures. We also rely on contractual restrictions to protect our proprietary rights in products and services. The efforts that we take to protect our proprietary rights may not always be sufficient or effective. Protecting our intellectual property rights is costly and time consuming and may not be successful in every location. Any significant impairment of our intellectual property rights could harm our business, our brand and our ability to compete.

Policing unauthorized use and copying of our products is difficult, expensive, and time consuming. Current U.S. laws that prohibit copying give us only limited practical protection from software piracy and the laws of many other countries provide very little protection. We frequently encounter unauthorized copies of our software being sold through online marketplaces. Although we continue to evaluate and put in place technology solutions to attempt to lessen the impact of piracy and engage in efforts to educate consumers and public policy leaders on these issues and cooperate with industry groups in their efforts to combat piracy, we expect piracy to be a persistent problem that results in lost revenues and increased expenses.

Our business depends on our strong reputation and the value of our brands.

Developing and maintaining awareness of our brands is critical to achieving widespread acceptance of our existing and future products and services and is an important element in attracting new customers. Adverse publicity (whether or not justified) relating to events or activities attributed to us, members of our workforce, agents, third parties we rely on, or our users, may tarnish our reputation and reduce the value of our brands. Our brand value also depends on our ability to provide secure and trustworthy products and services as well as our ability to protect and use our customers' data in a manner that meets their expectations. In addition, a security incident that results in unauthorized disclosure of our customers' sensitive data could cause material reputational harm. Damage to our reputation and loss of brand equity may reduce demand for our products and services and thus have an adverse effect on our future financial results, as well as require additional resources to rebuild our reputation and restore the value of the brands and could also reduce our stock price.

Our acquisition and divestiture activities may disrupt our ongoing business, may involve increased expenses and may present risks not contemplated at the time of the transactions.

We have acquired and may continue to acquire companies, products, technologies and talent that complement our strategic direction, both in and outside the United States. Acquisitions, such as our acquisitions of Credit Karma and Mailchimp, involve significant risks and uncertainties, including:

- inability to successfully integrate the acquired technology, data assets and operations into our business and maintain uniform standards, controls, policies, and procedures;
- inability to realize synergies expected to result from an acquisition;
- disruption of our ongoing business and distraction of management;
- challenges retaining the key employees, customers, resellers and other business partners of the acquired operation;
- the internal control environment of an acquired entity may not be consistent with our standards or with regulatory requirements, and may require significant time and resources to align or rectify;
- unidentified issues not discovered in our due diligence process, including product or service quality issues, intellectual property issues and legal contingencies;
- failure to successfully further develop an acquired business or technology and any resulting impairment of amounts currently capitalized as intangible assets;
- risks associated with businesses we acquire or invest in, which may differ from or be more significant than the risks our other businesses face;
- in the case of foreign acquisitions and investments, the impact of particular economic, tax, currency, political, legal and regulatory risks associated with specific countries; and
- to the extent we use debt to fund acquisitions or for other purposes, our interest expense and leverage will increase significantly, and to the extent we issue equity securities as consideration in an acquisition, current shareholders' percentage ownership and earnings per share will be diluted.

We have divested and may in the future divest certain assets or businesses that no longer fit with our strategic direction or growth targets. Divestitures involve significant risks and uncertainties, including:

- inability to find potential buyers on favorable terms;
- failure to effectively transfer liabilities, contracts, facilities and employees to buyers;
- requirements that we retain or indemnify buyers against certain liabilities and obligations;
- the possibility that we will become subject to third-party claims arising out of such divestiture;
- challenges in identifying and separating the intellectual property and data to be divested from the intellectual property and data that we wish to retain;
- inability to reduce fixed costs previously associated with the divested assets or business;
- challenges in collecting the proceeds from any divestiture;
- disruption of our ongoing business and distraction of management;
- loss of key employees who leave us as a result of a divestiture; and
- if customers or partners of the divested business do not receive the same level of service from the new owners, our other businesses may be adversely affected, to the extent that these customers or partners also purchase other products offered by us or otherwise conduct business with our retained business.

In addition, any acquisition or divestiture that we announce may not be completed if closing conditions are not satisfied. Because acquisitions and divestitures are inherently risky, our transactions may not be successful and may, in some cases, harm our operating results or financial condition. In particular, if we are unable to successfully operate together with Credit Karma, Mailchimp or any other company that we acquire to achieve shared growth opportunities or combine reporting or other processes within the expected time frame, such delay may materially and adversely affect the benefits that we expect to achieve as a result of the acquisition and could result in additional costs or loss of revenue. Moreover, the impact of COVID-19, adverse changes in market conditions and other factors, such as the failure to realize some or all of the anticipated benefits of these acquisitions, may cause the acquisition to be dilutive to Intuit's operating earnings per share beyond the first fiscal year after close. Any dilution of our non-GAAP diluted earnings per share could cause the price of shares of Intuit Common Stock to decline or grow at a reduced rate.

OPERATIONAL RISKS

Operational risks arise from internal and external events relating to systems, processes and people. Risks that affect the operation of our businesses include the following: potential security incidents; privacy and cybersecurity concerns relating to

online offerings; fraudulent activities by third parties; relationships with third parties; competition for and retention of key talent; issues with our product launches; problems with our information technology infrastructure; and risks associated with operating internationally.

Security incidents, improper access to or disclosure of our data or customers' data, or other cyberattacks on our systems could harm our reputation and adversely affect our business.

We host, collect, use and retain large amounts of sensitive and personal customer and workforce data, including credit card information, tax return information, bank account numbers, credit report information, login credentials and passwords, personal and business financial data and transactions data, social security numbers and payroll information, as well as our confidential, nonpublic business information. We use commercially available security technologies and security and business controls to limit access to and use of such sensitive data. Although we expend significant resources to create security protections designed to shield this data against potential theft and security breaches, such measures cannot provide absolute security.

Our technologies, systems, and networks have been subject to, and are increasingly likely to continue to be the target of, cyberattacks, computer viruses, ransomware or other malware, worms, social engineering, malicious software programs, insider threats, and other cybersecurity incidents that could result in the unauthorized release, gathering, monitoring, use, loss or destruction of sensitive and personal data of our customers and members of our workforce, or Intuit's sensitive business data or cause temporary or sustained unavailability of our software and systems. While we maintain cybersecurity insurance, our insurance may not be sufficient to cover all liabilities described herein. These types of incidents can be made by individuals, groups of hackers, and sophisticated organizations including state-sponsored organizations or nation-states themselves. Customers who fail to update their systems, continue to run software that we no longer support, fail to install security patches on a timely basis or inadequately use security controls create vulnerabilities and make it more difficult for us to detect and prevent these kinds of attacks. We are increasingly incorporating open source software into our products and there may be vulnerabilities in open source software that make it susceptible to cyberattacks. In addition, because the techniques used to obtain unauthorized access to sensitive information change frequently, and are becoming more sophisticated and are often not able to be detected until after a successful attack, we may be unable to anticipate these techniques or implement adequate preventive measures. Although this is an industry-wide problem that affects software and hardware across platforms, it may increasingly affect our offerings because cyber-criminals tend to focus their efforts on well-known offerings that are popular among customers and hold sensitive information and we expect them to continue to do so.

Further, the security measures that we implement may not be able to prevent unauthorized access to our products and our customers' account data. While we provide resources like mandatory annual security training for our workforce, third parties may still be able to fraudulently induce members of our workforce, customers or users by social engineering means, such as email phishing, to disclose sensitive information in order to gain access to our systems. It is also possible that unauthorized access to or disclosure of customer data may occur due to inadequate use of security controls by our customers or members of our workforce. Accounts created with weak or recycled passwords could allow cyberattackers to gain access to customer data. Unauthorized persons could gain access to customer accounts if customers do not maintain effective access controls of their systems and software. In addition, we are experiencing new and more frequent attempts by third parties to use the COVID-19 pandemic to fraudulently gain access to our systems, such as through increased email phishing of our workforce.

Criminals may also use stolen identity information obtained outside of our systems to gain unauthorized access to our customers' data. We have experienced such instances in the past and as the accessibility of stolen identity information increases, generally, we may experience further instances of unauthorized access to our systems through the use of stolen identity information of our customers or members of our workforce in the future. Further, our customers may choose to use the same login credentials across multiple products and services unrelated to our products. Such customers' login credentials may be stolen from products offered by third-party service providers unrelated to us and the stolen identity information may be used by a malicious third party to access our products, which could result in disclosure of confidential information. In addition, in response to the COVID-19 pandemic, we shifted nearly all our workforce from office locations to work from home environments. We expect to resume operations in our offices under a hybrid model where our workforce will spend a portion of their time working in our offices and a portion of their time working from home. This model increases our exposure to security-related risks due to operational changes, such as the increased use of videoconferencing.

Our efforts to protect data may also be unsuccessful due to software bugs (whether open source or proprietary code), break-ins, workforce member error or other threats that evolve.

Further, because we have created an ecosystem where customers can have one identity across multiple Intuit products, a security incident may give access to increased amounts of customer data. This may result in disclosure of confidential information, loss of customer confidence in our products, possible litigation, material harm to our reputation and financial condition, disruption of our or our customers' business operations and a decline in our stock price. From time to time, we detect, or receive notices from customers or public or private agencies that they have detected, actual or perceived vulnerabilities in our servers, our software or third-party software components that are distributed with our products or fraudulent activity by unauthorized persons utilizing our products with stolen customer identity information. The existence of such vulnerabilities or fraudulent activity, even if they do not result in a security breach, may undermine customer confidence as well as the confidence of government agencies that regulate our offerings. Such perceived vulnerabilities could also seriously harm our business by tarnishing our reputation and brand and/or limiting the adoption of our products and services and could cause our stock price to decline.

Additionally, Credit Karma is subject to an order issued in 2014 by the Federal Trade Commission ("FTC") that, among other things, requires maintenance of a comprehensive security program relating to the development and management of new and existing products and services and biannual independent security assessments for 20 years from the date of the order. To the extent Credit Karma shares data covered by the order with Intuit, the order may apply to Intuit with respect to such data. Credit Karma's failure to fulfill the requirements of the FTC's order could result in fines, penalties, regulatory inquiries, investigations and claims, and negatively impact our business and reputation.

A cybersecurity incident affecting the third parties we rely on could expose us or our customers to a risk of loss or misuse of confidential information and significantly damage our reputation.

We depend on a number of third parties, including vendors, developers and partners who are critical to our business. We or our customers may grant access to customer data to these third parties to help deliver customer benefits, or to host certain of our and our customers' sensitive and personal data. In addition, we share sensitive, nonpublic business information (including, for example, materials relating to financial, business and legal strategies) with other vendors in the ordinary course of business.

While we conduct background checks of our workforce, conduct reviews of partners, developers and vendors and use commercially available technologies to limit access to systems and data, it is possible that one or more of these individuals or third parties may misrepresent their intended use of data or may circumvent our controls, resulting in accidental or intentional disclosure or misuse of our customer or workforce data. Further, while we conduct due diligence on these third parties with respect to their security and business controls, we may not have the ability to effectively monitor or oversee the implementation of these control measures. Individuals or third parties may be able to circumvent these security and business controls and/or exploit vulnerabilities that may exist in these controls, resulting in the disclosure or misuse of sensitive business and personal customer or workforce information and data. In addition, malicious actors may attempt to use the information technology supply chain to compromise our systems by, for example, introducing malware through software updates.

A security incident involving third parties whom we rely on may have serious negative consequences for our businesses, including disclosure of sensitive customer or workforce data, or confidential or competitively sensitive information regarding our business, including intellectual property and other proprietary data; make our products more vulnerable to fraudulent activity; cause temporary or sustained unavailability of our software and systems; result in possible litigation, fines, penalties and damages; result in loss of customer confidence; cause material harm to our reputation and brands; lead to further regulation and oversight by federal or state agencies; cause adverse financial condition; and result in a reduced stock price.

Concerns about the current privacy and cybersecurity environment, generally, could deter current and potential customers from adopting our products and services and damage our reputation.

The continued occurrence of cyberattacks and data breaches on governments, businesses and consumers in general indicates that we operate in an external environment where cyberattacks and data breaches are becoming increasingly common. If the global cybersecurity environment worsens, and there are increased instances of security breaches of third-party offerings where consumers' data and sensitive information is compromised, consumers may be less willing to use online offerings, particularly offerings like ours in which customers often share sensitive financial data. In addition, the increased availability of data obtained as a result of breaches of third-party offerings could make our own products more vulnerable to fraudulent activity. Even if our products are not affected directly by such incidents, any such incident could damage our reputation and deter current and potential customers from adopting our products and services or lead customers to cease using online and connected software products to transact financial business altogether.

If we are unable to effectively combat the increasing amount and sophistication of fraudulent activities by third parties using our offerings, we may suffer losses, which may be substantial, and lose the confidence of our customers and government agencies and our revenues and earnings may be harmed.

The online tax preparation, payroll administration, online payments, lending and personal financial management industries have been experiencing an increasing amount of fraudulent activities by third parties, and those fraudulent activities are becoming increasingly sophisticated. Although we do not believe that any of this activity is uniquely targeted at our products or businesses, this type of fraudulent activity may adversely impact our tax, payroll, payments, lending and personal financial management businesses and is heightened when our workforce is working from home. In addition to any losses that may result from such fraud, which may be substantial, a loss of confidence by our customers or by governmental agencies in our ability to prevent fraudulent activity that is perpetrated through our offerings may seriously harm our business and damage our brand. If we cannot adequately combat such fraudulent activity that is perpetrated through our offerings, governmental authorities may refuse to allow us to continue to offer such services, or these services may otherwise be adversely impacted, which could include federal or state tax authorities refusing to allow us to process our customers' tax returns electronically, resulting in a significant adverse impact on our earnings and revenue. As fraudulent activities become more pervasive and increasingly sophisticated, and fraud detection and prevention measures must become correspondingly more complex to combat them across the various industries in which we operate, we may implement risk control mechanisms that could make it more difficult for legitimate customers to obtain and use our products, which could result in lost revenue and negatively impact our earnings.

If we fail to process transactions effectively or fail to adequately protect against disputed or potential fraudulent activities, our business may be harmed.

Our operations process a significant volume and dollar value of transactions on a daily basis, especially in our payroll, payments and personal financial management businesses. Despite our efforts to ensure that effective processing systems and controls are in place to handle transactions appropriately, it is possible that we may make errors or that funds may be misappropriated due to fraud. The likelihood of any such error or misappropriation may increase as we accelerate the speed at which we process transactions. The systems supporting our business are comprised of multiple technology platforms that are sometimes difficult to scale. If we are unable to effectively manage our systems and processes, or if there is an error in our products, we may be unable to process customer data in an accurate, reliable and timely manner, which may harm our reputation, the willingness of customers to use our products, and our financial results. In our payments processing service business, if merchants for whom we process payment transactions are unable to pay refunds due to their customers in connection with disputed or fraudulent merchant transactions, we may be required to pay those amounts and our payments may exceed the amount of the customer reserves we have established to make such payments.

Business interruption or failure of our information technology and communication systems may impair the availability of our products and services, which may damage our reputation and harm our future financial results.

Our reputation and ability to attract, retain and serve our customers is dependent upon the reliable performance of our products and our underlying technical infrastructure. As we continue to grow our online services, we become more dependent on the continuing operation and availability of our information technology and communications systems and those of our external service providers, including, for example, third-party Internet-based or cloud computing services. We do not have redundancy for all of our systems, and our disaster recovery planning may not account for all eventualities. We have designed a significant portion of our software and computer systems to utilize data processing and storage capabilities provided by public cloud providers, such as Amazon Web Services. If any public cloud service that we use is unavailable to us for any reason, our customers may not be able to access certain of our cloud products or features, which could significantly impact our operations, business, and financial results.

Failure of our systems or those of our third-party service providers, may result in interruptions in our service and loss of data or processing capabilities, all of which may cause a loss in customers, refunds of product fees, material harm to our reputation and operating results.

Our tax businesses must effectively handle extremely heavy customer demand during critical peak periods, which typically occur from January until April of each year. We face significant risks in maintaining adequate service levels during these peak periods when we derive a substantial portion of our overall revenue from the tax businesses. Any interruptions in our online tax preparation or electronic filing service at any time during the tax season, particularly during a peak period, could result in significantly decreased revenue, lost customers, unexpected refunds of customer charges, negative publicity and increased operating costs, any of which could significantly harm our business, financial condition and results of operations.

We rely on internal systems and external systems maintained by manufacturers, distributors and other service providers to take and fulfill customer orders, handle customer service requests and host certain online activities. Any interruption or failure of our internal or external systems may prevent us or our service providers from accepting and fulfilling customer orders or cause company and customer data to be unintentionally disclosed. Our continuing efforts to upgrade and expand our network security and other information systems as well as our high-availability capabilities are costly, and problems with the design or implementation of system enhancements may harm our business and our results of operations.

Our business operations, information technology and communications systems are vulnerable to damage or interruption from natural disasters, climate change, human error, malicious attacks, fire, power loss, telecommunications failures, computer viruses and malware, computer denial of service attacks, terrorist attacks, public health emergencies and other events beyond our control. For example, we modified our business practices in response to the COVID-19 pandemic (including employee travel, employee work locations and cancellation of physical participation in meetings, events and conferences) and we expect to resume operations in our offices under a hybrid model where our workforce will spend a portion of their time working in our offices and a portion of their time working from home. The implementation of this hybrid model will introduce new execution risks and we may experience longer-term disruptions to our operations as we evolve our workplace model. We may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers or third-party partners. We cannot predict how long any such measures will be in place and whether we would reimplement or enhance any such measures in one or more locations in order to respond to the effects of the pandemic or the rules, regulations or guidelines of any governmental authority. Any such measures may impair our ability to perform critical functions or could make it considerably more difficult to develop, enhance and support our products and services.

In addition, our corporate headquarters and other critical business operations are located near major seismic faults. In the event of a major natural or man-made disaster, our insurance coverage may not completely compensate us for our losses and our future financial results may be materially harmed.

We regularly invest resources to update and improve our internal information technology systems and software platforms. Should our investments not succeed, or if delays or other issues with new or existing internal technology systems and software platforms disrupt our operations, our business could be harmed.

We rely on our network infrastructure, data hosting, public cloud and software-as-a-service providers, and internal technology systems for many of our development, marketing, operational, support, sales, accounting and financial reporting activities. We are continually investing resources to update and improve these systems and environments in order to meet existing needs, as well as the growing and changing requirements of our business and customers. If we experience prolonged delays or unforeseen difficulties in updating and upgrading our systems and architecture, we may experience outages and may not be able to deliver certain offerings and develop new offerings and enhancements that we need to remain competitive. Such improvements and upgrades are often complex, costly and time consuming. In addition, such improvements can be challenging to integrate with our existing technology systems, or may uncover problems with our existing technology systems. Unsuccessful implementation of hardware or software updates and improvements could result in outages, disruption in our business operations, loss of revenue or damage to our reputation.

If we are unable to develop, manage and maintain critical third-party business relationships, our business may be adversely affected.

Our growth is increasingly dependent on the strength of our business relationships and our ability to continue to develop, manage and maintain new and existing relationships with third-party partners. We rely on various third-party partners, including software and service providers, suppliers, credit reporting bureaus, vendors, manufacturers, distributors, accountants, contractors, financial institutions, core processors, licensing partners and development partners, among others, in many areas of our business in order to deliver our offerings and operate our business. Credit Karma generates revenue from its relationships with financial institution partners, which are subject to particular risks that affect their willingness to offer their products on Credit Karma's platform, such as adverse economic conditions and an increasing complexity in the regulatory environment. We also rely on third parties to support the operation of our business by maintaining our physical facilities, equipment, power systems and infrastructure. In certain instances, these third-party relationships are sole source or limited source relationships and can be difficult to replace or substitute depending on the level of integration of the third party's products or services into, or with, our offerings and/or the general availability of such third party's products and services. In addition, there may be few or no alternative third-party providers or vendors in the market. Further, there can be no assurance that we will be able to adequately retain third-party contractors engaged to help us operate our business.

Additionally, the business operations of our third-party partners have been and could continue to be disrupted by the COVID-19 pandemic and the actions taken in response to it, including the pandemic's effects on their third-party partners. If our third-party partners are unable to help us operate our business as a result of the COVID-19 pandemic, our business and financial results may be negatively impacted. For example, in the early stages of the COVID-19 pandemic, credit card companies and lenders initially and temporarily reduced or suspended their activity on Credit Karma's platform, which impacted Credit Karma's revenue. The failure of third parties to provide acceptable and high quality products, services and technologies or to update their products, services and technologies may result in a disruption to our business operations and our customers, which may reduce our revenues and profits, cause us to lose customers and damage our reputation. Alternative arrangements and services may not be available to us on commercially reasonable terms or at all, or we may experience business interruptions upon a transition to an alternative partner.

Although we have strict standards for our suppliers and business partners to comply with the law and company policies regarding workplace and employment practices, data use and security, environmental compliance, intellectual property licensing and other applicable regulatory and compliance requirements, we cannot control their day-to-day practices. Any violation of laws or implementation of practices regarded as unethical could result in supply chain disruptions, canceled orders, terminations of or damage to key relationships, and damage to our reputation.

In particular, we have relationships with banks, credit unions and other financial institutions that support certain critical services we offer to our customers. If macroeconomic conditions or other factors, including the effects of the COVID-19 pandemic, cause any of these institutions to fail, consolidate, stop providing certain services or institute cost-cutting efforts, our business and financial results may suffer and we may be unable to offer those services to our customers.

We increasingly utilize the distribution platforms of third parties like Apple's App Store and Google's Play Store for the distribution of certain of our product offerings. Although we benefit from the strong brand recognition and large user base of these distribution platforms to attract new customers, the platform owners have wide discretion to change the pricing structure, terms of service and other policies with respect to us and other developers. Any adverse changes by these third parties could adversely affect our financial results.

Because competition for our key employees is intense, we may not be able to attract, retain and develop the highly skilled employees we need to support our planned growth.

Much of our future success depends on the continued service and availability of skilled personnel, including members of our executive team, and those in technical and other key positions. Experienced personnel in the software, mobile technologies, data science, data security, and software as a service industries are in high demand and competition for their talents is intense, especially in California and India, where a significant number of our employees are located. Also, as we strive to continue to adapt to technological change and introduce new and enhanced products and business models, we must be able to secure,

maintain and develop the right quality and quantity of engaged and committed talent. The incentives we have available to attract, retain, and motivate employees provided by our equity awards may become less effective, and if we were to issue significant equity to attract additional employees, the ownership of our existing stockholders would be diluted. Although we strive to be an employer of choice, we may not be able to continue to successfully attract, retain and develop key personnel, which may cause our business to suffer. Moreover, as social and economic conditions evolve from the COVID-19 pandemic, current and prospective employees may seek new or different opportunities based on factors such as compensation, benefits, mobility and flexibility that are different from what we offer, making it difficult to attract and retain them.

If we experience significant product accuracy or quality problems or delays in product launches, it may harm our revenue, earnings and reputation.

All of our tax products and many of our non-tax products have rigid development timetables that increase the risk of errors in our products and the risk of launch delays. Our tax preparation software product development cycle is particularly challenging due to the need to incorporate unpredictable and potentially late tax law and tax form changes each year and because our customers expect high levels of accuracy and a timely launch of these products to prepare and file their taxes by the tax filing deadline. Due to the complexity of our products and the condensed development cycles under which we operate, our products may contain errors that could unexpectedly interfere with the operation of the software or result in incorrect calculations. The complexity of the tax laws on which our products are based may also make it difficult for us to consistently deliver offerings that contain the features, functionality and level of accuracy that our customers expect. When we encounter problems we may be required to modify our code, work with state tax administrators to communicate with affected customers, assist customers with amendments, distribute patches to customers who have already purchased the product and recall or repackaging existing product inventory in our distribution channels. If we encounter development challenges or discover errors in our products either late in our development cycle or after release it may cause us to delay our product launch date or suspend product availability until such issues can be fixed. Any major defects, launch delays or product suspensions may lead to loss of customers and revenue, negative publicity, customer and employee dissatisfaction, reduced retailer shelf space and promotions, and increased operating expenses, such as inventory replacement costs, legal fees or other payments, including those resulting from our accuracy guarantee in our tax preparation products. For example, an error in our tax products could cause a compliance error for taxpayers, including the over or underpayment of their federal or state tax liability. While our accuracy guarantee commits us to reimburse penalties and interest paid by customers due solely to calculation errors in our tax preparation products, such errors may result in additional burdens on third parties that we may need to address or that may cause us to suspend the availability of our products until such errors are addressed. This could also affect our reputation, the willingness of customers to use our products, and our financial results. Further, as we develop our platform to connect people to experts, such as connecting TurboTax customers with tax experts through our TurboTax Live offering, or connecting QuickBooks customers with bookkeepers through our QuickBooks Live offering, we face the risk that these experts may provide advice that is erroneous, ineffective or otherwise unsuitable. Any such deficiency in the advice given by these experts may cause harm to our customers, a loss of customer confidence in our offerings or harm to our reputation or financial results.

Our international operations are subject to increased risks which may harm our business, operating results, and financial condition.

In addition to uncertainty about our ability to generate revenues from our foreign operations and expand into international markets, there are risks inherent in doing business internationally, including:

- different or more restrictive privacy, data protection, data localization, and other laws that could require us to make changes to our products, services and operations, such as mandating that certain types of data collected in a particular country be stored and/or processed within that country;
- difficulties in developing, staffing, and simultaneously managing a large number of varying foreign operations as a result of distance, language, and cultural differences;
- stringent local labor laws and regulations;
- credit risk and higher levels of payment fraud;
- profit repatriation restrictions, and foreign currency exchange restrictions;
- geopolitical events, including natural disasters, acts of war and terrorism, and public health emergencies, including divergent governmental responses thereto across the jurisdictions in which we operate;
- import or export regulations;
- compliance with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and laws and regulations of other jurisdictions prohibiting corrupt payments to government officials and other third parties;
- antitrust and competition regulations;
- potentially adverse tax developments;
- economic uncertainties relating to European sovereign and other debt;
- trade barriers and changes in trade regulations;

- political or social unrest, economic instability, repression, or human rights issues; and
- risks related to other government regulation or required compliance with local laws.

Violations of the rapidly evolving and complex foreign and U.S. laws and regulations that apply to our international operations may result in fines, criminal actions or sanctions against us, our officers or our broader workforce, prohibitions on the conduct of our business and damage to our reputation. Although we have implemented policies and procedures designed to promote compliance with these laws, we cannot be sure that our workforce, contractors and agents are in compliance with our policies. These risks inherent in our international operations and expansion increase our costs of doing business internationally and may result in harm to our business, operating results, and financial condition.

LEGAL AND COMPLIANCE RISKS

Legal and compliance risks arise from change in the government and regulatory environment, including complex and evolving regulations relating to privacy and data security; potential litigation; regulatory inquiries and intellectual property infringement claims.

Increased government regulation of our businesses, or changes to existing regulations, may harm our operating results.

The company is subject to federal, state, local and international laws and regulations that affect the company's activities, including, without limitation, areas of labor, advertising and marketing, tax, financial services, data privacy and security, electronic funds transfer, money transmission, lending, digital content, consumer protection, real estate, billing, e-commerce, promotions, quality of services, intellectual property ownership and infringement, import and export requirements, anti-corruption, foreign exchange controls and cash repatriation restrictions, anti-competition, environmental, health and safety, and other regulated activities. There have been significant new regulations and heightened focus by the government on many of these areas, as well as in areas such as insurance and privacy. As we expand our products and services and revise our business models, both domestically and internationally, we may become subject to additional government regulation or increased regulatory scrutiny. For example, in April 2020, one of our subsidiaries became a Small Business Administration ("SBA") approved lender under the SBA's recently established Paycheck Protection Program ("PPP") authorized by the Coronavirus Aid, Relief and Economic Security Act. Further, regulators (both in the U.S. and in other jurisdictions in which we operate) may adopt new laws or regulations, change existing regulations, or their interpretation of existing laws or regulations may differ from ours. In response to the COVID-19 pandemic, federal, state, local and foreign governmental authorities have imposed, and may continue to impose, protocols and restrictions intended to contain the spread of the virus, including limitations on the reopening of work facilities, schools, public buildings and businesses, quarantines, lockdowns and travel restrictions. Such restrictions have disrupted and may continue to disrupt our business operations and limit our ability to perform critical functions.

The tax preparation industry continues to receive heightened attention from federal and state governments. New legislation, regulation, public policy considerations, changes in the cybersecurity environment, litigation by the government or private entities, changes to or new interpretations of existing laws may result in greater oversight of the tax preparation industry, restrict the types of products and services that we can offer or the prices we can charge, or otherwise cause us to change the way we operate our tax businesses or offer our tax products and services. We may not be able to respond quickly to such regulatory, legislative and other developments, and these changes may in turn increase our cost of doing business and limit our revenue opportunities. In addition, if our practices are not consistent with new interpretations of existing laws, we may become subject to lawsuits, penalties, and other liabilities that did not previously apply. We are also required to comply with a variety of state revenue agency standards in order to successfully operate our tax preparation and electronic filing services.

Changes in state-imposed requirements by one or more of the states, including the required use of specific technologies or technology standards, may significantly increase the costs of providing those services to our customers and may prevent us from delivering a quality product to our customers in a timely manner.

Complex and evolving U.S. and international laws and regulation regarding privacy and data protection could result in claims, changes to our business practices, penalties or increased cost of operations or otherwise harm our business.

Regulations related to the provision of online services is evolving as federal, state and foreign governments continue to adopt new or modify existing laws and regulations addressing data privacy and the collection, processing, storage, transfer and use of data. This includes, for example, the EU's General Data Protection Regulation, the California Consumer Protection Act, the California Privacy Rights Act, and the Virginia Consumer Data Protection Act, which will become effective in January 2023. In our efforts to meet the GDPR, CCPA and other data privacy regulations, we have made and continue to make certain operational changes to our products and business practices. If we are unable to engineer products that meet these evolving requirements or help our customers meet their obligations under these or other new data regulations, we might experience reduced demand for our offerings. Further, penalties for non-compliance with these laws may be significant.

In addition, the evolution of global privacy treaties and frameworks has created compliance uncertainty and increased complexity. For example, the judicial invalidation of the EU-U.S. and Swiss-U.S. Privacy Shield frameworks that we relied on to transfer data has created additional compliance challenges for the transfer of EU personal data to the U.S. While we rely on alternative methods for the transfer of this data, ongoing legal challenges to these and other transfer mechanisms could cause us to incur costs or change our business practices in a manner adverse to our business.

Other governmental authorities throughout the U.S. and around the world are considering similar types of legislative and regulatory proposals concerning data protection. Each of these privacy, security and data protection laws and regulations could impose significant limitations, require changes to our business, require notification to customers or workers of a security breach, restrict our use or storage of personal information, or cause changes in customer purchasing behavior which may make our business more costly, less efficient or impossible to conduct, and may require us to modify our current or future products or services, which may make customers less likely to purchase our products and may harm our future financial results. Additionally, any actual or alleged noncompliance with these laws and regulations could result in negative publicity and subject us to investigations, claims or other remedies, including demands that we modify or cease existing business practices, and expose us to significant fines, penalties and other damages. We have incurred, and may continue to incur, significant expenses to comply with existing privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations.

We are frequently a party to litigation and regulatory inquiries which could result in an unfavorable outcome and have an adverse effect on our business, financial condition, results of operation and cash flows.

We are subject to various legal proceedings (including class action lawsuits), claims and regulatory inquiries that have arisen out of the ordinary conduct of our business and are not yet resolved and additional claims and inquiries may arise in the future. The number and significance of these claims and inquiries may increase as our businesses evolve. Any proceedings, claims or inquiries initiated by or against us, whether successful or not, may be time consuming; result in costly litigation, damage awards, consent decrees, injunctive relief or increased costs of business; require us to change our business practices or products; require significant amounts of management time; result in diversion of significant operations resources; or otherwise harm our business and future financial results. For further information about specific litigation, see Part II, Item 1, "Legal Proceedings."

Third parties claiming that we infringe their proprietary rights may cause us to incur significant legal expenses and prevent us from selling our products.

We may become increasingly subject to infringement claims, including patent, copyright, trade secret, and trademark infringement claims. Litigation may be necessary to determine the validity and scope of the intellectual property rights of others. We have received a number of allegations of intellectual property infringement claims in the past and expect to receive more claims in the future based on allegations that our offerings infringe upon the intellectual property held by third parties. Some of these claims are the subject of pending litigation against us and against some of our customers. These claims may involve patent holding companies or other adverse intellectual property owners who have no relevant product revenues of their own, and against whom our own intellectual property may provide little or no deterrence. The ultimate outcome of any allegation is uncertain and, regardless of outcome, any such claim, with or without merit, may be time consuming to defend, result in costly litigation, divert management's time and attention from our business, require us to stop selling, delay shipping or redesign our products, or require us to pay monetary damages for royalty or licensing fees, or to satisfy indemnification obligations that we have with some of our customers. Our failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims may harm our business.

We are subject to risks associated with information disseminated through our services.

The laws relating to the liability of online services companies for information such as online content disseminated through their services are subject to frequent challenges. In spite of settled law in the U.S., claims are made against online services companies by parties who disagree with the content. Where our online content is accessed on the internet outside of the U.S., challenges may be brought under foreign laws which do not provide the same protections for online services companies as in the U.S. These challenges in either U.S. or foreign jurisdictions may give rise to legal claims alleging defamation, libel, invasion of privacy, negligence, copyright or trademark infringement, or other theories based on the nature and content of the materials disseminated through the services. Certain of our services include content generated by users of our online services. Although this content is not generated by us, claims of defamation or other injury may be made against us for that content. Any costs incurred as a result of this potential liability may harm our business.

FINANCIAL RISKS

Financial risks relate to our ability to meet financial obligations and mitigate exposure to financial impacts to our businesses or our offerings. Financial risks arise from the following: seasonality; excessive subscription cancellations and product returns; unanticipated changes in income tax rates; adverse global macro-economic conditions; credit risks; fluctuations in our net income; indebtedness; and the fluctuation of our stock price.

Our tax business is highly seasonal and our quarterly results fluctuate significantly.

Our tax offerings have significant seasonal patterns. Revenue from income tax preparation products and services has historically been heavily concentrated from November through April and this seasonality has been affected by changes to the opening and closing dates of the tax season. For example, the IRS and many states extended their tax filing deadlines to May 17, 2021 for the 2020 tax year and to July 15, 2020 for the 2019 tax year. This seasonality has caused significant fluctuations in our quarterly financial results. Our financial results may also fluctuate from quarter to quarter and year to year due to a variety of factors, including factors that may affect the timing of revenue recognition. These include the timing of the availability of

federal and state tax forms from taxing agencies and the ability of those agencies to receive electronic tax return submissions; changes to our offerings that result in the inclusion or exclusion of ongoing services; changes in product pricing strategies or product sales mix; changes in customer behavior; and the timing of our discontinuation of support for older product offerings. Other factors that may affect our quarterly or annual financial results include the timing of acquisitions, divestitures, and goodwill and acquired intangible asset impairment charges. Any fluctuations in our operating results may adversely affect our stock price.

If actual customer refunds for our offerings exceed the amount we have reserved our future financial results may be harmed.

Like many software companies we refund customers for product returns and subscription cancellations. We establish reserves against revenue in our financial statements based on estimated customer refunds. We closely monitor this refund activity in an effort to maintain adequate reserves. In the past, customer refunds have not differed significantly from these reserves. However, if we experience actual customer refunds or an increase in risks of collecting customer payments that significantly exceed the amount we have reserved, it may result in lower net revenue.

Unanticipated changes in our income tax rates or other indirect tax may affect our future financial results.

Our future effective income tax rates may be favorably or unfavorably affected by unanticipated changes in the valuation of our deferred tax assets and liabilities, by changes in our stock price, or by changes in tax laws or their interpretation. There are several pending proposed changes to U.S. and non-U.S. tax legislation and the ultimate enactment of any of them could have a negative impact on our effective tax rate. Foreign governments may enact tax laws that could result in further changes to global taxation and materially affect our financial position and results of operations. In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. These continuous examinations may result in unforeseen tax-related liabilities, which may harm our future financial results.

An increasing number of states and foreign jurisdictions have adopted laws or administrative practices, that impose new taxes on all or a portion of gross revenue or other similar amounts or impose additional obligations to collect transaction taxes such as sales, consumption, value added, or similar taxes. We may not have sufficient lead time to build systems and processes to collect these taxes properly, or at all. Failure to comply with such laws or administrative practices, or a successful assertion by such states or foreign jurisdictions requiring us to collect taxes where we do not, could result in material tax liabilities, including for past sales, as well as penalties and interest.

Adverse global economic conditions could harm our business and financial condition.

Adverse macroeconomic developments could negatively affect our business and financial condition. Adverse global economic events have caused, and could, in the future, cause disruptions and volatility in global financial markets and increased rates of default and bankruptcy, and could impact consumer and small business spending. In particular, because the majority of our revenue is derived from sales within the U.S., economic conditions in the U.S. have an even greater impact on us than companies with a more diverse international presence. Challenging economic times could cause potential new customers not to purchase or to delay purchasing our products and services, and could cause our existing customers to discontinue purchasing or delay upgrades of our existing products and services. In addition, financial institution partners may again decrease or suspend their activity on Credit Karma's platform, Credit Karma's members may decrease their engagement on the platform or their creditworthiness could be negatively impacted, reducing members' ability to qualify for credit cards and loans. Any of the foregoing may negatively impact our revenues and future financial results. Decreased consumer spending levels could also reduce credit and debit card transaction processing volumes causing reductions in our payments revenue. Poor economic conditions and high unemployment have caused, and could in the future cause, a significant decrease in the number of tax returns filed, which may have a significant effect on the number of tax returns we prepare and file. In addition, weakness in the end-user consumer and small business markets could negatively affect the cash flow of our distributors and resellers who could, in turn, delay paying their obligations to us, which could increase our credit risk exposure and cause delays in our recognition of revenue or future sales to these customers. Any of these events could harm our business and our future financial results.

The COVID-19 pandemic and the actions taken in response to it have significantly increased economic and demand uncertainty. Accordingly, the risks described in the paragraph above may be more likely to materialize, any of which could harm our business and our future financial results.

We provide capital to small businesses, which exposes us to certain risk, and may cause us material financial or reputational harm.

We provide capital to qualified small businesses, which exposes us to the risk of our borrowers' inability to repay such loans. We have also entered into credit arrangements with financial institutions to obtain the capital we provide under this offering. Any termination or interruption in the financial institutions' ability to lend to us could interrupt our ability to provide capital to qualified small businesses. Further, our credit decisioning, pricing, loss forecasting, scoring and other models used to evaluate loan applications may contain errors or may not adequately assess creditworthiness of our borrowers, or may be otherwise ineffective, resulting in incorrect approvals or denials of loans. It is also possible that loan applicants could provide false or incorrect information. Moreover, the COVID-19 pandemic and the actions taken in response to it have had a significant impact on small businesses and may increase the likelihood that our borrowers are unable to repay their loans. If any of the foregoing

events were to occur, our reputation, relationships with borrowers, collections of loans receivable and financial results could be harmed. In addition, one of our subsidiaries is a lender and a servicer under the PPP to support our small business customers and other eligible applicants during the pandemic. Our participation in this program exposes us to many of the risks described above and additional risks, such as borrower default, the SBA declining to forgive or honor its guarantee with respect to PPP loans and litigation or other disputes with borrowers or others related to our PPP activities.

Amortization of acquired intangible assets and impairment charges may cause significant fluctuation in our net income.

Our acquisitions have resulted in significant expenses, including amortization and impairment of acquired technology and other acquired intangible assets, and impairment of goodwill. Total costs and expenses in these categories were \$196 million in fiscal 2021; \$28 million in fiscal 2020; and \$26 million in fiscal 2019. Although under current accounting rules goodwill is not amortized, we may incur impairment charges related to the goodwill already recorded and to goodwill arising out of future acquisitions. We test the impairment of goodwill annually in our fourth fiscal quarter or more frequently if indicators of impairment arise. The timing of the formal annual test may result in charges to our statement of operations in our fourth fiscal quarter that may not have been reasonably foreseen in prior periods. At October 31, 2021, we had \$5.6 billion in goodwill and \$3.2 billion in net acquired intangible assets on our condensed consolidated balance sheet, both of which may be subject to impairment charges in the future. New acquisitions, and any impairment of the value of acquired intangible assets, may have a significant negative impact on our future financial results.

We have incurred indebtedness and may incur other debt in the future, which may adversely affect our financial condition and future financial results.

As of October 31, 2021, we had an aggregate of \$2.0 billion of indebtedness outstanding under our senior unsecured notes. In addition, on November 1, 2021, we borrowed \$4.7 billion under our credit facilities to fund a portion of the purchase price to acquire Mailchimp. Under the agreements governing our indebtedness, we are permitted to incur additional debt. This debt, and any debt that we may incur in the future, may adversely affect our financial condition and future financial results by, among other things:

- increasing our vulnerability to downturns in our business, to competitive pressures and to adverse economic and industry conditions;
- requiring the dedication of a portion of our expected cash from operations to service our indebtedness, thereby reducing the amount of expected cash flow available for other purposes, including capital expenditures, share repurchases and acquisitions; and
- limiting our flexibility in planning for, or reacting to, changes in our businesses and our industries.

If we are unable to generate sufficient cash flow from operations in the future to service our debt, we may be required, among other things, to seek additional financing in the debt or equity markets, refinance or restructure all or a portion of our indebtedness, sell selected assets or reduce or delay planned capital, operating or investment expenditures. Such measures may not be sufficient to enable us to service our debt.

Additionally, the agreements governing our indebtedness impose restrictions on us and require us to comply with certain covenants. For example, our credit facilities restrict the ability of our subsidiaries to incur indebtedness and require us to maintain compliance with specified financial ratios. Our ability to comply with these ratios may be affected by events beyond our control. In addition, our credit facilities and the indenture governing our senior unsecured notes limit our ability to create liens on our and subsidiaries' assets and engage in sale and leaseback transactions. If we breach any of these covenants and do not obtain a waiver from the lenders or the noteholders, as applicable, then, subject to applicable cure periods, any or all of our outstanding indebtedness may be declared immediately due and payable. There can be no assurance that any refinancing or additional financing would be available on terms that are favorable or acceptable to us, if at all.

Under the terms of our outstanding senior unsecured notes, we may be required to repurchase the notes for cash prior to their maturity in connection with the occurrence of certain changes of control that are accompanied by certain downgrades in the credit ratings of the notes. The repayment obligations under the notes may have the effect of discouraging, delaying or preventing a takeover of our company. If we were required to pay the notes prior to their scheduled maturity, it could have a negative impact on our cash position and liquidity and impair our ability to invest financial resources in other strategic initiatives.

In addition, changes by any rating agency to our credit rating may negatively impact the value and liquidity of both our debt and equity securities. If our credit ratings are downgraded or other negative action is taken, the interest rate payable by us under our unsecured revolving credit facility may increase. In addition, any downgrades in our credit ratings may affect our ability to obtain additional financing in the future and may negatively impact the terms of any such financing.

We cannot guarantee that our share repurchase program will be fully consummated or that it will enhance long-term stockholder value.

We have a stock repurchase program under which we are authorized to repurchase our common stock. The repurchase program does not have an expiration date and we are not obligated to repurchase a specified number or dollar value of shares. Our repurchase program may be suspended or terminated at any time. Even if our stock repurchase program is fully implemented, it may not enhance long-term stockholder value. Also, the amount, timing, and execution of our stock

repurchase programs may fluctuate based on our priorities for the use of cash for other purposes and because of changes in cash flows, tax laws, and the market price of our common stock.

Our stock price may be volatile and your investment could lose value.

Our stock price is subject to changes in recommendations or earnings estimates by financial analysts, changes in investors' or analysts' valuation measures for our stock, our credit ratings and market trends unrelated to our performance. Furthermore, speculation in the press or investment community about our strategic position, financial condition, results of operations, business or security of our products, can cause changes in our stock price. These factors, as well as general economic and political conditions, including the effects of the COVID-19 pandemic, and the timing of announcements in the public market regarding new products, product enhancements or technological advances by our competitors or us, and any announcements by us of acquisitions, major transactions, or management changes may adversely affect our stock price. Moreover, the COVID-19 pandemic has caused significant volatility in the global financial markets, which has resulted in significant volatility in our stock price recently. Further, any changes in the amounts or frequency of share repurchases or dividends may also adversely affect our stock price. A significant drop in our stock price could expose us to the risk of securities class actions lawsuits, which may result in substantial costs and divert management's attention and resources, which may adversely affect our business.

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Stock repurchase activity during the three months ended October 31, 2021 was as follows:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans | Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans |
|--|--|------------------------------------|--|--|
| August 1, 2021 through August 31, 2021 | 248,100 | \$ 536.24 | 248,100 | \$ 3,215,806,950 |
| September 1, 2021 through September 30, 2021 | 195,000 | \$ 561.14 | 195,000 | \$ 3,106,384,416 |
| October 1, 2021 through October 31, 2021 | 162,500 | \$ 591.63 | 162,500 | \$ 3,010,244,564 |
| Total | 605,600 | \$ 559.12 | 605,600 | |

Note: On August 21, 2018 our Board approved a stock repurchase program under which we are authorized to repurchase up to \$2 billion of our common stock. On August 20, 2021 our Board approved an increased authorization to purchase up to an additional \$2 billion of our common stock under the existing stock repurchase program. All of the shares repurchased during the three months ended October 31, 2021 were purchased under this plan. At October 31, 2021, authorization from our Board of Directors to expend up to \$3.0 billion remained available under the plans.

ITEM 6 - EXHIBITS

See the Exhibit Index immediately following the signature page of this Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTUIT INC.
(Registrant)

Date: November 18, 2021

By: /s/ MICHELLE M. CLATTERBUCK

Michelle M. Clatterbuck
Executive Vice President and Chief Financial Officer
(Authorized Officer and Principal Financial Officer)

EXHIBIT INDEX

| Exhibit Number | Exhibit Description | Filed Herewith | Incorporated by Reference |
|----------------|--|----------------|---------------------------|
| 31.01 | Certification of Chief Executive Officer | X | |
| 31.02 | Certification of Chief Financial Officer | X | |
| 32.01* | Section 1350 Certification (Chief Executive Officer) | X | |
| 32.02* | Section 1350 Certification (Chief Financial Officer) | X | |
| 101.INS | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document | X | |
| 101.SCH | XBRL Taxonomy Extension Schema | X | |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase | X | |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase | X | |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase | X | |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase | X | |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) | X | |

* This exhibit is intended to be furnished and shall not be deemed "filed" for purposes of the Securities Exchange Act of 1934, as amended.