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

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**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, 2022**  
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:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value	INTU	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. 280,925,350 shares of Common Stock, \$0.01 par value, were outstanding at November 21, 2022.

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### Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. Please also see the section entitled "Risk Factors" in Item 1A of Part II of this Quarterly 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 and macroeconomic conditions 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, except as required by law, 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, 2022	October 31 2021
Net revenue:		
Product	\$ 427	\$ 397
Service and other	2,170	1,610
Total net revenue	2,597	2,007
Costs and expenses:		
Cost of revenue:		
Cost of product revenue	15	15
Cost of service and other revenue	620	387
Amortization of acquired technology	41	15
Selling and marketing	795	550
Research and development	625	530
General and administrative	304	262
Amortization of other acquired intangible assets	121	53
Total costs and expenses	2,521	1,812
Operating income	76	195
Interest expense	(49)	(7)
Interest and other income, net	5	50
Income before income taxes	32	238
Income tax (benefit) provision	(8)	10
Net income	\$ 40	\$ 228
Basic net income per share	\$ 0.14	\$ 0.84
Shares used in basic per share calculations	281	273
Diluted net income per share	\$ 0.14	\$ 0.82
Shares used in diluted per share calculations	284	277
Cash dividends declared per common share	\$ 0.78	\$ 0.68

See accompanying notes.

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

	Three Months Ended	
	October 31, 2022	October 31, 2021
Net income	\$ 40	\$ 228
Other comprehensive income (loss), net of income taxes:		
Unrealized loss on available-for-sale debt securities	(6)	(4)
Foreign currency translation loss	(21)	(1)
Total other comprehensive loss, net	(27)	(5)
Comprehensive income	<u>\$ 13</u>	<u>\$ 223</u>

See accompanying notes.

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

	October 31, 2022	July 31, 2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,125	\$ 2,796
Investments	599	485
Accounts receivable, net	384	446
Notes receivable	566	509
Income taxes receivable	88	93
Prepaid expenses and other current assets	324	287
Current assets before funds receivable and amounts held for customers	4,086	4,616
Funds receivable and amounts held for customers	468	431
Total current assets	4,554	5,047
Long-term investments	98	98
Property and equipment, net	926	888
Operating lease right-of-use assets	535	549
Goodwill	13,732	13,736
Acquired intangible assets, net	6,899	7,061
Long-term deferred income tax assets	10	11
Other assets	331	344
Total assets	<u>\$ 27,085</u>	<u>\$ 27,734</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term debt	\$ 499	\$ 499
Accounts payable	670	737
Accrued compensation and related liabilities	401	576
Deferred revenue	698	808
Other current liabilities	589	579
Current liabilities before funds payable and amounts due to customers	2,857	3,199
Funds payable and amounts due to customers	468	431
Total current liabilities	3,325	3,630
Long-term debt	6,486	6,415
Long-term deferred income tax liabilities	588	619
Operating lease liabilities	530	542
Other long-term obligations	89	87
Total liabilities	11,018	11,293
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Common stock and additional paid-in capital	18,082	17,725
Treasury stock, at cost	(15,324)	(14,805)
Accumulated other comprehensive loss	(87)	(60)
Retained earnings	13,396	13,581
Total stockholders' equity	16,067	16,441
Total liabilities and stockholders' equity	<u>\$ 27,085</u>	<u>\$ 27,734</u>

See accompanying notes.

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

	Three Months Ended October 31, 2022					
	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>						
<b>Balance at July 31, 2022</b>	<b>281,932</b>	<b>\$ 17,725</b>	<b>\$ (14,805)</b>	<b>\$ (60)</b>	<b>\$ 13,581</b>	<b>\$ 16,441</b>
Comprehensive income	—	—	—	(27)	40	13
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	634	(65)	—	—	—	(65)
Stock repurchases under stock repurchase programs	(1,238)	—	(519)	—	—	(519)
Dividends and dividend rights declared (\$0.78 per share)	—	—	—	—	(225)	(225)
Share-based compensation expense	—	422	—	—	—	422
<b>Balance at October 31, 2022</b>	<b>281,328</b>	<b>\$ 18,082</b>	<b>\$ (15,324)</b>	<b>\$ (87)</b>	<b>\$ 13,396</b>	<b>\$ 16,067</b>

	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>						
<b>Balance at July 31, 2021</b>	<b>273,235</b>	<b>\$ 10,548</b>	<b>\$ (12,951)</b>	<b>\$ (24)</b>	<b>\$ 12,296</b>	<b>\$ 9,869</b>
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
<b>Balance at October 31, 2021</b>	<b>273,222</b>	<b>\$ 10,718</b>	<b>\$ (13,289)</b>	<b>\$ (29)</b>	<b>\$ 12,333</b>	<b>\$ 9,733</b>

See accompanying notes.

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

	Three Months Ended	
	October 31, 2022	October 31, 2021
Net income	\$ 40	\$ 228
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	47	45
Amortization of acquired intangible assets	162	69
Non-cash operating lease cost	23	18
Share-based compensation expense	422	280
Deferred income taxes	(28)	(16)
Other	11	(35)
Total adjustments	637	361
Changes in operating assets and liabilities:		
Accounts receivable	62	(21)
Income taxes receivable	6	11
Prepaid expenses and other assets	(35)	(31)
Accounts payable	(71)	(107)
Accrued compensation and related liabilities	(175)	(212)
Deferred revenue	(111)	(86)
Operating lease liabilities	(18)	(18)
Other liabilities	(7)	20
Total changes in operating assets and liabilities	(349)	(444)
<b>Net cash provided by operating activities</b>	<b>328</b>	<b>145</b>

**Cash flows from investing activities:**

Purchases of corporate and customer fund investments	(256)	(257)
Sales of corporate and customer fund investments	44	1,053
Maturities of corporate and customer fund investments	90	123
Purchases of property and equipment	(77)	(42)
Originations and purchases of term loans to small businesses	(314)	(125)
Principal repayments of term loans from small businesses	244	72
Other	13	(28)
<b>Net cash provided by (used in) investing activities</b>	<b>(256)</b>	<b>796</b>

**Cash flows from financing activities:**

Proceeds from borrowings under secured revolving credit facilities	70	2
Proceeds from issuance of stock under employee stock plans	60	55
Payments for employee taxes withheld upon vesting of restricted stock units	(125)	(167)
Cash paid for purchases of treasury stock	(510)	(335)
Dividends and dividend rights paid	(222)	(190)
Net change in funds receivable and funds payable and amounts due to customers	(186)	(151)
<b>Net cash used in financing activities</b>	<b>(913)</b>	<b>(786)</b>



Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents	(16)	(2)
<b>Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents</b>	<b>(857)</b>	<b>153</b>
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of period	2,997	2,819
<b>Cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period</b>	<b>\$ 2,140</b>	<b>\$ 2,972</b>
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	\$ 2,125	\$ 2,864
Restricted cash and restricted cash equivalents included in funds receivable and amounts held for customers	15	108
<b>Total cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period</b>	<b>\$ 2,140</b>	<b>\$ 2,972</b>

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 and small businesses 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 global financial technology platform, which includes TurboTax, Credit Karma, QuickBooks and Mailchimp, is designed to help consumers and small businesses manage their finances, save money, pay off debt and do their taxes. For those customers who run small businesses, we are also focused on helping them find and keep customers, get paid faster, pay their employees, manage and get access to capital, and ensure that their books are done right. 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 immaterial amounts previously reported in our financial statements to conform to the current presentation.

We acquired The Rocket Science Group LLC (Mailchimp) on November 1, 2021. We have included the results of operations for Mailchimp in our condensed consolidated statements of operations from the date of acquisition. Mailchimp is part of our Small Business & Self-Employed segment.

On August 1, 2022, we renamed our ProConnect segment as the ProTax segment. This segment continues to serve professional accountants. See Note 12, "Segment Information," for more information.

On August 1, 2022, to better align our personal finance strategy, our Mint offering moved from our Consumer segment to our Credit Karma segment. See Note 12, "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, 2022. Results for the three months ended October 31, 2022 do not necessarily indicate the results we expect for the fiscal year ending July 31, 2023 or any other future period.

*Seasonality*

Our Consumer and ProTax offerings have a significant and distinct seasonal pattern as sales and revenue from our income tax preparation products and services are typically concentrated in the period from November through April. This seasonal pattern results in higher net revenues during our second and third quarters ending January 31 and April 30, respectively.

*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, 2022. There have been no changes to our significant accounting policies during the first three months of fiscal 2023.

## [Use of Estimates](#)

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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, reserves for losses, 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.

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

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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, 2022	October 31, 2021
\$ 40	\$ 228
281	273
281	273
3	4
284	277
\$ 0.14	\$ 0.84
\$ 0.14	\$ 0.82
3	—

## 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, 2022, we recognized revenue of \$535 million, that was included in deferred revenue at July 31, 2022. During the three months ended October 31, 2021, we recognized revenue of \$421 million, that was included in deferred revenue at July 31, 2021.

Our performance obligations are generally satisfied within 12 months of the initial contract date. As of October 31, 2022 and July 31, 2022, the deferred revenue balance related to performance obligations that will be satisfied after 12 months was \$5 million and \$6 million, respectively, and is included in other long-term obligations on our condensed consolidated balance sheets.

## Concentration of Credit Risk and Significant Customers

No customer accounted for 10% or more of total net revenue in the three months ended October 31, 2022 or October 31, 2021. No customer accounted for 10% or more of gross accounts receivable at October 31, 2022 or July 31, 2022.

## Accounting Standards Not Yet Adopted

We do not expect that any 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, 2022			July 31, 2022		
	Level 1	Level 2	Total Fair Value	Level 1	Level 2	Total Fair Value
(In millions)						
<b>Assets:</b>						
Cash equivalents, primarily money market funds and time deposits	\$ 1,117	\$ —	\$ 1,117	\$ 1,835	\$ —	\$ 1,835
Available-for-sale debt securities:						
Municipal bonds	—	—	—	—	—	—
Corporate notes	—	684	684	—	589	589
U.S. agency securities	—	115	115	—	96	96
Total available-for-sale debt securities	—	799	799	—	685	685
Total assets measured at fair value on a recurring basis	\$ 1,117	\$ 799	\$ 1,916	\$ 1,835	\$ 685	\$ 2,520
<b>Liabilities:</b>						
Senior unsecured notes <sup>(1)</sup>	\$ —	\$ 1,745	\$ 1,745	\$ —	\$ 1,838	\$ 1,838

<sup>(1)</sup> Carrying value on our condensed consolidated balance sheets at October 31, 2022 and July 31, 2022 was \$1.99 billion. See Note 6, "Debt," 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, 2022			July 31, 2022		
	Level 1	Level 2	Total Fair Value	Level 1	Level 2	Total Fair Value
(In millions)						
<b>Cash equivalents:</b>						
In cash and cash equivalents	\$ 1,117	\$ —	\$ 1,117	\$ 1,835	\$ —	\$ 1,835
In funds receivable and amounts held for customers	—	—	—	—	—	—
Total cash equivalents	\$ 1,117	\$ —	\$ 1,117	\$ 1,835	\$ —	\$ 1,835
<b>Available-for-sale debt securities:</b>						
In investments	\$ —	\$ 599	\$ 599	\$ —	\$ 485	\$ 485
In funds receivable and amounts held for customers	—	200	200	—	200	200
Total available-for-sale debt securities	\$ —	\$ 799	\$ 799	\$ —	\$ 685	\$ 685

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, "Debt," 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, 2022.

### *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 of these investments using a valuation method based on observable transaction price changes at the transaction date. We recognized no upward adjustments during the three months ended October 31, 2022. We recognized \$46 million of upward adjustments during the three months ended October 31, 2021. Impairments recognized during the three months ended October 31, 2022 and October 31, 2021 were immaterial. Cumulative upward adjustments were \$71 million, and cumulative impairments were immaterial through October 31, 2022 for measurement alternative investments held as of October 31, 2022. The carrying value of long-term investments on our condensed consolidated balance sheets was \$98 million at both October 31, 2022 and July 31, 2022.

## **3. Cash and Cash Equivalents, Investments, and Funds Receivable and Amounts 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 receivable and amounts held for customers represents funds receivable from third-party payment processors for customer transactions and 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 receivable and amounts held for customers by balance sheet classification at the dates indicated.

(In millions)

**Classification on condensed consolidated balance sheets:**

	October 31, 2022		July 31, 2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Cash and cash equivalents	\$ 2,125	\$ 2,125	\$ 2,796	\$ 2,796
Investments	608	599	490	485
Funds receivable and amounts held for customers	476	468	435	431
Total cash and cash equivalents, investments, and funds receivable and amounts held for customers	<u>\$ 3,209</u>	<u>\$ 3,192</u>	<u>\$ 3,721</u>	<u>\$ 3,712</u>

The following table summarizes our cash and cash equivalents, investments, and relevant portion of funds receivable and amounts held for customers by investment category at the dates indicated. As of October 31, 2022 and July 31, 2022, this excludes \$253 million and \$30 million, respectively, of funds receivable included on our condensed consolidated balance sheets in funds receivable and amounts held for customers not measured and recorded at fair value.

(In millions)

**Type of issue:**

	October 31, 2022		July 31, 2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	\$ 2,140	\$ 2,140	\$ 2,997	\$ 2,997
Available-for-sale debt securities:				
Municipal bonds	—	—	—	—
Corporate notes	697	684	597	589
U.S. agency securities	119	115	97	96
Total available-for-sale debt securities	<u>816</u>	<u>799</u>	<u>694</u>	<u>685</u>
Total cash, cash equivalents, restricted cash, restricted cash equivalents, and investments	<u>\$ 2,956</u>	<u>\$ 2,939</u>	<u>\$ 3,691</u>	<u>\$ 3,682</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, 2022 and October 31, 2021 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, 2022 and July 31, 2022 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 debt securities as of October 31, 2022. Unrealized losses on available-for-sale debt securities at October 31, 2022 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 relevant portion of funds receivable and amounts held for customers, classified by the stated maturity date of the security at the dates indicated.

	October 31, 2022		July 31, 2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(In millions)				
Due within one year	\$ 458	\$ 453	\$ 316	\$ 313
Due within two years	263	254	298	293
Due within three years	95	92	79	78
Due after three years	—	—	1	1
Total available-for-sale debt securities	<u>\$ 816</u>	<u>\$ 799</u>	<u>\$ 694</u>	<u>\$ 685</u>

The following table summarizes our funds receivable and amounts held for customers by asset category at the dates indicated.

	October 31, 2022	July 31, 2022
(In millions)		
Restricted cash and restricted cash equivalents	\$ 15	\$ 201
Restricted available-for-sale debt securities and funds receivable	453	230
Total funds receivable and amounts held for customers	<u>\$ 468</u>	<u>\$ 431</u>
	October 31, 2021	July 31, 2021
(In millions)		
Restricted cash and restricted cash equivalents	\$ 108	\$ 257
Restricted available-for-sale debt securities and funds receivable	198	200
Total funds receivable and amounts held for customers	<u>\$ 306</u>	<u>\$ 457</u>

#### 4. Notes Receivable and Allowances for Loan Losses

Notes receivable consist primarily of term loans to small businesses. 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 a pooled basis due to its composition of small, homogeneous loans with similar general credit risk and characteristics and apply a loss rate at the time of loan origination. The loss rate and underlying model are updated periodically to reflect actual loan performance and changes to 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 and future economic conditions. When we determine that amounts are uncollectible, we write them off against the allowance. As of October 31, 2022 and July 31, 2022, the net notes receivable balance was \$601 million and \$540 million, respectively. The current portion is included in notes receivable and the long-term portion is included in other assets on our condensed consolidated balance sheets. As of October 31, 2022 and July 31, 2022, the allowances for loan losses were not material.

We consider a loan to be delinquent when the payments are one day past due. We place delinquent loans on nonaccrual status and stop accruing interest revenue. Loans are returned to accrual status if they are brought current or have performed in accordance with the contractual terms for a reasonable period of time and, in our judgment, will continue to make periodic principal and interest payments as per contractual terms. Past due amounts are not material for all periods presented.

Interest revenue is earned on loans originated and held to maturity in accordance with the specified period of time and defined interest rate noted in the loan contract. Interest revenue is recorded net of amortized direct origination costs and is included in service and other revenue on our condensed consolidated statements of operations. Interest revenue was not material for all periods presented.



## 5. 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.

<i>(Dollars in millions)</i>	Customer Lists / User Relationships	Purchased Technology	Trade Names and Logos	Covenants Not to Compete or Sue	Total
<b>At October 31, 2022:</b>					
Cost	\$ 6,197	\$ 1,612	\$ 680	\$ 42	\$ 8,531
Accumulated amortization	(855)	(634)	(101)	(42)	(1,632)
Acquired intangible assets, net	\$ 5,342	\$ 978	\$ 579	\$ —	\$ 6,899
Weighted average life in years	14	8	13	0	13
<b>At July 31, 2022:</b>					
Cost	\$ 6,197	\$ 1,612	\$ 680	\$ 42	\$ 8,531
Accumulated amortization	(748)	(593)	(87)	(42)	(1,470)
Acquired intangible assets, net	\$ 5,449	\$ 1,019	\$ 593	\$ —	\$ 7,061
Weighted average life in years	14	8	13	0	13

The following table shows the expected future amortization expense for our acquired intangible assets at October 31, 2022. Amortization of purchased technology is charged to amortization of acquired technology in our condensed 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 condensed consolidated statements of operations. If impairment events occur, they could accelerate the timing of acquired intangible asset charges.

<i>(In millions)</i>	Expected Future Amortization Expense
<b>Twelve months ending July 31,</b>	
2023 (excluding the three months ended October 31, 2022)	\$ 484
2024	624
2025	622
2026	620
2027	594
Thereafter	3,955
Total expected future amortization expense	\$ 6,899

## 6. Debt

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

<i>(In millions)</i>	October 31, 2022	July 31, 2022	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%
Term loan	4,700	4,700	
Secured revolving credit facilities	300	230	
Total principal balance of long-term debt	7,000	6,930	
Unamortized discount and debt issuance costs	(15)	(16)	
Net carrying value of long-term debt	\$ 6,985	\$ 6,914	
Short-term debt	\$ 499	\$ 499	
Long-term debt	\$ 6,486	\$ 6,415	

Future principal payments for long-term debt at October 31, 2022 were as shown in the table below.

<i>(In millions)</i>	
Fiscal year ending July 31,	
2023 (excluding the three months ended October 31, 2022)	\$ 500
2024	—
2025	5,200
2026	300
2027	500
Thereafter	500
Total future principal payments for long-term debt	\$ 7,000

### 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.

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, 2022 and 2021.

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, 2022, we were compliant with all covenants governing the Notes.

## Unsecured Credit Facility

On November 1, 2021, we terminated our amended and restated credit agreement dated May 2, 2019 (2019 Credit Facility), and entered into a credit agreement with certain institutional lenders with an aggregate principal amount of \$5.7 billion, which includes a \$4.7 billion unsecured term loan that matures on November 1, 2024, and a \$1 billion unsecured revolving credit facility that matures on November 1, 2026 (2021 Credit Facility).

The 2021 Credit Facility 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. As of October 31, 2022, we were compliant with all required covenants.

**Term Loan.** On November 1, 2021, we borrowed the full \$4.7 billion under the unsecured term loan to fund a portion of the cash consideration for the acquisition of Mailchimp. Under this agreement we may, subject to certain customary conditions, on one or more occasions increase commitments under the term loan in an amount not to exceed \$400 million in the aggregate. The term loan accrues interest at rates that are equal to, at our election, either (i) the alternate base rate plus a margin that ranges from 0.0% to 0.125% or (ii) the Secured Overnight Finance Rate (SOFR) plus a margin that ranges from 0.625% to 1.125%. Actual margins under either election will be based on our senior debt credit ratings. Interest on the term loan is payable monthly. At October 31, 2022, \$4.7 billion was outstanding under the term loan. The carrying value of the term loan is net of debt issuance costs of \$4 million as of October 31, 2022, and approximates its fair value. We paid \$41 million in interest on the term loan during the three months ended October 31, 2022.

**Unsecured Revolving Credit Facility.** The 2021 Credit Facility includes a \$1 billion unsecured revolving credit facility that will expire on November 1, 2026. 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 (i) the alternate base rate plus a margin that ranges from 0.0% to 0.1%, or (ii) SOFR 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, 2022, no amounts were outstanding under the unsecured revolving credit facility. We paid no interest on the unsecured revolving credit facility during the three months ended October 31, 2022.

## Secured Revolving Credit Facilities

**2019 Secured Facility.** On February 19, 2019, a subsidiary of Intuit entered into a secured revolving credit facility with a lender to fund a portion of our loans to qualified small businesses (the 2019 Secured Facility). The 2019 Secured Facility is secured by cash and receivables of the subsidiary and is non-recourse to Intuit Inc. We have entered into several amendments to this facility, most recently on July 18, 2022, primarily to increase the facility limit, extend the commitment term and maturity date and update the benchmark interest rate. Under the amended 2019 Secured Facility, the facility limit is \$500 million, of which \$300 million is committed and \$200 million is uncommitted. Advances accrue interest at adjusted daily simple SOFR 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 18, 2025, and the final maturity date is July 20, 2026. The agreement includes certain affirmative and negative covenants, including financial covenants that require the subsidiary to maintain specified financial ratios. As of October 31, 2022, we were compliant with all required covenants. At October 31, 2022, \$300 million was outstanding under the 2019 Secured Facility and the weighted-average interest rate was 4.65%, which includes the interest on the unused committed portion. The outstanding balance is secured by cash and receivables of the subsidiary totaling \$782 million. Interest on the 2019 Secured Facility is payable monthly. We paid \$2 million of interest on this secured revolving credit facility during the three months ended October 31, 2022 and an immaterial amount during the three months ended October 31, 2021.

**2022 Secured Facility.** On October 12, 2022, another subsidiary of Intuit entered into a secured revolving credit facility with a lender to fund a portion of our loans to qualified small businesses (the 2022 Secured Facility). The 2022 Secured Facility is secured by cash and receivables of the subsidiary and is non-recourse to Intuit Inc. Under the agreement, the facility limit is \$500 million, of which \$150 million is committed and \$350 million is uncommitted. Advances accrue interest at SOFR plus 1.3%. Unused portions of the committed credit facility accrue interest at a rate ranging from 0.2% to 0.4%, depending on the total unused committed balance. The commitment term is through October 12, 2024, and the final maturity date is October 13, 2025. The agreement includes certain affirmative and negative covenants, including financial covenants that require the subsidiary to maintain specified financial ratios. As of October 31, 2022, we were compliant with all required covenants. At October 31, 2022, no amounts were outstanding under the 2022 Secured Facility. We paid no interest on this secured revolving credit facility during the three months ended October 31, 2022.

## 7. Other Liabilities and Commitments

### Other Current Liabilities

Other current liabilities were as follows at the dates indicated:

(In millions)	October 31, 2022	July 31, 2022
Executive deferred compensation plan liabilities	\$ 152	\$ 147
Accrued settlement for state attorneys general	141	141
Current portion of operating lease liabilities	86	84
Sales, property, and other taxes	50	40
Reserve for returns and credits	25	25
Interest payable	20	11
Amounts due for share repurchases	19	10
Current portion of dividend payable	14	12
Merchant and consumer payments processing reserves	11	21
Income taxes payable	7	8
Reserve for promotional discounts and rebates	5	6
Other	59	74
Total other current liabilities	<u>\$ 589</u>	<u>\$ 579</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.

### Other Long-Term Obligations

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

(In millions)	October 31, 2022	July 31, 2022
Income tax liabilities	\$ 45	\$ 44
Dividend payable	13	12
Deferred revenue	5	6
Other	26	25
Total other long-term obligations	<u>\$ 89</u>	<u>\$ 87</u>

### Unconditional Purchase Obligations

We describe our unconditional purchase obligations in Note 9 to the financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2022. There were no significant changes outside the ordinary course of business in our purchase obligations during the three months ended October 31, 2022.

## 8. 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 19 years, which include options to extend that are reasonably certain of being exercised. Some of our leases include one or more options to extend the leases for up to 10 years per option, which we are not reasonably certain to exercise. The options to extend are 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 8 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:

(In millions)

Operating lease cost <sup>(1)</sup>
Variable lease cost
Sublease income
Total net lease cost

Three Months Ended	
October 31, 2022	October 31, 2021
\$ 28	\$ 21
4	3
(3)	(5)
\$ 29	\$ 19

<sup>(1)</sup> Includes short-term leases, which were not significant for each of the three months ended October 31, 2022 and 2021.

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, 2022	October 31, 2021
\$ 23	\$ 24
\$ 16	\$ 43

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, 2022	July 31, 2022
8.1 years	8.1 years
2.2 %	2.9 %

Future minimum lease payments under non-cancellable operating leases as of October 31, 2022 were as follows:

(In millions)

	Operating Leases <sup>(1)</sup>
Fiscal year ending July 31,	
2023 (excluding the three months ended October 31, 2022)	\$ 37
2024	107
2025	94
2026	76
2027	68
Thereafter	337
Total future minimum lease payments	719
Less imputed interest	(103)
Present value of lease liabilities	\$ 616

(1) Non-cancellable sublease proceeds for the remainder of the fiscal year ending July 31, 2023 and the fiscal years ending July 31, 2024, 2025, 2026, 2027, and thereafter of \$9 million, \$10 million, \$5 million, \$1 million, \$1 million, and \$3 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, 2022	July 31, 2022
\$ 535	\$ 549
\$ 86	\$ 84
530	542
\$ 616	\$ 626

## 9. 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 \$7 million and \$47 million in our provision for income taxes for the three months ended October 31, 2022 and 2021, respectively.

We recorded an \$8 million tax benefit on a pretax income of \$32 million for the three months ended October 31, 2022. Excluding discrete tax items primarily related to share-based compensation tax benefits including those mentioned above, our effective tax rate was approximately 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, 2021 was approximately 4%. Excluding discrete tax items primarily related to share-based compensation tax benefits including those 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.

A provision enacted as part of the 2017 Tax Cuts & Jobs Act requires companies to capitalize research and experimental expenditures for tax purposes in tax years beginning after December 31, 2021. This provision is applicable to our fiscal 2023. While this provision is not expected to have a material impact on our fiscal year 2023 effective tax rate, we expect our fiscal 2023 cash tax payments and related deferred tax asset positions to increase significantly compared to fiscal 2022, unless this provision is repealed or deferred.

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, 2022 was \$216 million. If we were to recognize these net benefits, our income tax expense would reflect a favorable net impact of \$123 million. There were no material changes to these amounts during the three months ended October 31, 2022. 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 offset an \$89 million long-term liability for uncertain tax positions against our long-term income tax receivable at October 31, 2022 and July 31, 2022. The long-term income tax receivable at October 31, 2022 and July 31, 2022 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.

## 10. 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. During the three months ended October 31, 2022, we repurchased a total of 1.2 million shares for \$519 million under these programs. Included in this amount were \$19 million of repurchases which occurred in late October 2022 and settled in early November 2022. On August 19, 2022, our Board approved an increase in the authorization under the existing stock repurchase program under which we are authorized to repurchase up to an additional \$2 billion of our common stock. At October 31, 2022, we had authorization from our Board of Directors to expend up to \$3.0 billion for stock repurchases. 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.

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, 2022, we declared quarterly cash dividends that totaled \$0.78 per share of outstanding common stock for a total of \$225 million. In November 2022, our Board of Directors declared a quarterly cash dividend of \$0.78 per share of outstanding common stock payable on January 18, 2023, to stockholders of record at the close of business on January 10, 2023. 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, 2022	October 31, 2021
(In millions)		
Cost of revenue	\$ 86	\$ 27
Selling and marketing	106	64
Research and development	136	109
General and administrative	94	80
Total share-based compensation expense	<u>\$ 422</u>	<u>\$ 280</u>

We capitalized no share-based compensation related to internal-use software projects during the three months ended October 31, 2022 and \$1 million during the three months ended October 31, 2021.

### [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, 2022 was as follows:

	Shares Available for Grant
(Shares in thousands)	
Balance at July 31, 2022	26,260
Restricted stock units granted <sup>(1)</sup>	(1,051)
Options granted	—
Share-based awards canceled/forfeited/expired <sup>(1) (2)</sup>	1,556
Balance at October 31, 2022	<u>26,765</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.

(2) Stock options and RSUs canceled, expired or forfeited under our 2005 Equity Incentive 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.

## Restricted Stock Unit and Restricted Stock Activity

A summary of RSU and restricted stock activity for the three months ended October 31, 2022 was as follows:

(Shares in thousands)	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at July 31, 2022	11,467	\$ 413.32
Granted	457	434.39
Vested	(688)	359.72
Forfeited	(370)	265.76
Nonvested at October 31, 2022	10,866	\$ 422.62

At October 31, 2022, there was approximately \$4.0 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, 2022 was as follows:

(Shares in thousands)	Options Outstanding	
	Number of Shares	Weighted Average Exercise Price Per Share
Balance at July 31, 2022	2,292	\$ 289.62
Granted	—	—
Exercised	(83)	230.71
Canceled or expired	(7)	447.85
Balance at October 31, 2022	2,202	\$ 291.31
Exercisable at October 31, 2022	1,414	\$ 214.71

At October 31, 2022, there was approximately \$100 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.

## 11. Legal Proceedings

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 and continue to defend our interests in them. These proceedings included, 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). In August 2020, the Ninth Circuit Court of Appeals ordered that the putative class action claims be resolved through arbitration. In May 2021, the Intuit Free File Litigation was dismissed on a non-class basis after we entered into an agreement that resolved the matter on an individual non-class basis for an immaterial amount, without any admission of wrongdoing. These proceedings also include a class action lawsuit that was filed in the Ontario (Canada) Superior Court of Justice on August 25, 2022.

These proceedings also included individual demands for arbitration that were filed beginning in October 2019. On February 23, 2022 and May 23, 2022, we entered into settlement agreements that will resolve all of these pending arbitration claims, without any admission of wrongdoing. The ultimate amount that we are required to pay under these agreements will depend on the number of claimants that provide releases of claims thereunder. During the three months ended October 31, 2022, we accrued an immaterial amount based on our estimate of the probable payments we could make under these agreements. While we believe our accrual is adequate, the final payments required under these agreements could differ from our recorded estimate.

In June 2021, we received a demand and draft complaint from the Federal Trade Commission (FTC) and certain state attorneys general relating to the ongoing inquiries described above. On March 29, 2022, the FTC filed an action in federal court seeking a temporary restraining order and a preliminary injunction enjoining certain Intuit business practices pending resolution of the



FTC's administrative complaint seeking to permanently enjoin certain Intuit business practices (the FTC Actions). On April 22, 2022, the Northern District of California denied the FTC's requests for a temporary restraining order and a preliminary injunction. On August 22, 2022, the FTC filed a motion for summary decision in the administrative action that, if granted by the Commissioners of the FTC, would decide that matter in whole or in part in favor of the FTC before a trial was held. On August 30, 2022, we filed our response to the FTC's motion and, on October 31, 2022, a hearing on the motion was held before the Commissioners. The Commissioners have set a deadline of December 30, 2022 to issue a decision on the motion. While we continue to believe that the allegations contained in the FTC's administrative complaint are without merit, the defense and resolution of this matter could involve significant costs to us. The state attorneys general did not join the FTC Actions and, on May 4, 2022, we entered into a settlement agreement with the attorneys general of the 50 states and the District of Columbia, admitting no wrongdoing, that resolved the states' inquiry, as well as actions brought by the Los Angeles City Attorney and the Santa Clara County (California) Counsel. As part of this agreement, we agreed to pay \$141 million and made certain commitments regarding our advertising and marketing practices. For the quarter ended April 30, 2022, we recorded this payment as a one-time charge.

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 licenses 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.

## 12. 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.

On November 1, 2021, we acquired Mailchimp in a business combination. Mailchimp is part of our Small Business & Self-Employed segment and its revenue is primarily included within Online Services in the revenue disaggregation below. We have included the results of operations of Mailchimp in our condensed consolidated statements of operations from the date of acquisition.

On August 1, 2022, to better align our personal finance strategy, our Mint offering moved from our Consumer segment to our Credit Karma segment. Revenue and operating results for Mint are not significant and the previously reported segment results have not been reclassified. Effective August 1, 2022, the operating results for Mint are included in the Credit Karma segment.

On August 1, 2022, we renamed our ProConnect segment as the ProTax segment. This segment continues to serve professional accountants.

**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 QuickBooks offerings include financial and business management online services and desktop software, payroll solutions, time tracking, merchant payment processing solutions, and financing for small businesses. Our Mailchimp offerings include e-commerce, marketing automation, and customer relationship management.

**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.

**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. Our Mint offering is a personal finance offering which helps customers track their finances and daily financial behaviors.

**ProTax:** 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 10% of consolidated net revenue for the three months ended October 31, 2022, and 6% for the three months ended October 31, 2021.

We include expenses such as corporate selling and marketing, product development, general and administrative, and non-employment related legal and litigation settlement costs, which are not allocated to specific segments, in unallocated corporate items as part of other corporate expenses. For our Credit Karma reportable segment, 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, goodwill and intangible asset impairment charges, and professional fees and transaction charges related to business combinations.

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, 2022 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.

	Three Months Ended	
	October 31, 2022	October 31, 2021
<i>(In millions)</i>		
<b>Net revenue:</b>		
Small Business & Self-Employed	\$ 1,988	\$ 1,443
Consumer	150	120
Credit Karma	425	418
ProTax	34	26
<b>Total net revenue</b>	<b>\$ 2,597</b>	<b>\$ 2,007</b>
<b>Operating income (loss):</b>		
Small Business & Self-Employed	\$ 1,179	\$ 921
Consumer	11	(11)
Credit Karma	94	169
ProTax	(6)	(11)
Total segment operating income	1,278	1,068
Unallocated corporate items:		
Share-based compensation expense	(422)	(280)
Other corporate expenses	(618)	(525)
Amortization of acquired technology	(41)	(15)
Amortization of other acquired intangible assets	(121)	(53)
Total unallocated corporate items	(1,202)	(873)
<b>Total operating income</b>	<b>\$ 76</b>	<b>\$ 195</b>

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

(In millions)

**Net revenue:**

	Three Months Ended	
	October 31, 2022	October 31, 2021
QuickBooks Online Accounting	\$ 668	\$ 519
Online Services	681	326
Total Online Ecosystem	1,349	845
QuickBooks Desktop Accounting	312	267
Desktop Services and Supplies	327	331
Total Desktop Ecosystem	639	598
<b>Small Business &amp; Self-Employed</b>	1,988	1,443
<b>Consumer</b>	150	120
<b>Credit Karma</b>	425	418
<b>ProTax</b>	34	26
<b>Total net revenue</b>	<b>\$ 2,597</b>	<b>\$ 2,007</b>

## 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, 2022.

On November 1, 2021, we acquired all of the outstanding equity of The Rocket Science Group LLC (Mailchimp). Mailchimp is part of our Small Business & Self-Employed segment. We have included the results of Mailchimp in our consolidated results of operations from the date of acquisition.

On August 1, 2022, to better align our personal finance strategy, our Mint offering moved from our Consumer segment to our Credit Karma segment. Revenue and operating results for Mint are not significant and the previously reported segment results have not been reclassified. Effective August 1, 2022, the operating results for Mint are included in the Credit Karma segment.

On August 1, 2022, we renamed our ProConnect segment as the ProTax segment. This segment continues to serve professional accountants.

### 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 and small businesses 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 ProTax.

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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 QuickBooks offerings include financial and business management online services and desktop software, payroll solutions, time tracking, merchant payment processing solutions, and financing for small businesses. Our Mailchimp offerings include e-commerce, marketing automation, and customer relationship management.

**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.

**Credit Karma:** This segment serves consumers with a personal finance platform that provides personalized recommendations of credit card, home, auto and personal loan, 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. Our Mint offering is a personal finance offering which helps customers track their finances and daily financial behaviors.

**ProTax:** 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 Business and 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 to help consumers and small businesses prosper. Our strategy for delivering on our bold goals is to be 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 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 lack of confidence. Even with current advances in technology that deliver personalized tools and insights, many customers 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 prioritize 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 use the power of data-driven customer insights to help deliver value instantly and aim to make interactions with our offerings frictionless, without the need for customers to manually enter data. We are accelerating the application of AI and investing in decentralized technologies such as blockchain and cryptocurrency, with a goal to revolutionize the customer experience and help customers put more money in their pockets faster. 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 connect 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.  
We are also expanding how we think about virtual experiences by exploring metaverse technologies and broadening the segments we serve beyond tax and accounting, to play a more meaningful role in our customers' lives.
- **Unlocking smart money decisions:** We are creating a comprehensive, self-driving financial platform that propels our members forward wherever they are on their financial journey, so our members can understand their financial picture, make smart financial decisions, and stick to their financial plan in the near and long term.
- **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 and retain customers, 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.

## 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 ProTax offerings have a significant and distinct seasonal pattern as sales and revenue from our income tax preparation products and services are typically concentrated in the period from November through April. This seasonal pattern results in higher net revenues during our second and third quarters ending January 31 and April 30, respectively.

We expect the seasonality of our Consumer and ProTax 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. Much of our future success also depends on our ability to continue to attract, retain and develop highly skilled employees in a highly competitive talent environment.

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.

We operate in industries that are experiencing an increasing amount of fraudulent activities by malicious third parties. We implement additional security measures, and we continue to work with state and federal governments to implement industry-wide security and anti-fraud measures, including sharing information regarding suspicious activity. 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.

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 approximately \$11 billion or 86% of our total revenue in fiscal 2022 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 2023 include the following:

Revenue of

**\$2.6 B**

up 29% from the same period of fiscal 2022

Small Business & Self-Employed revenue of

**\$2.0 B**

up 38% from the same period of fiscal 2022

Cash, cash equivalents, and investments of

**\$2.7 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, 2022 have the greatest potential impact on our financial statements, so we consider them to be our critical accounting policies and estimates. There were no significant changes in those critical accounting policies and estimates during the first three months of fiscal 2023. 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 FY23	Q1 FY22	\$ Change	% Change
Total net revenue	\$ 2,597	\$ 2,007	\$ 590	29 %
Operating income	76	195	(119)	(61)%
Net income	40	228	(188)	(82)%
Diluted net income per share	\$ 0.14	\$ 0.82	\$ (0.68)	(83)%

Total net revenue for the first quarter of fiscal 2023 increased \$590 million or 29% compared with the same quarter of fiscal 2022. Our Small Business & Self-Employed segment revenue increased during the quarter primarily due to growth in our Online Ecosystem revenue, which included \$264 million of revenue from Mailchimp. Revenue for our Credit Karma segment increased \$7 million in the first quarter of fiscal 2023 compared to the same quarter of fiscal 2022, primarily due to growth in our credit card vertical which was partially offset by decreases in our personal loan, home loan, auto insurance, and auto loan verticals. Revenue in our Consumer and ProTax segments was seasonally light, consistent with the same quarter of fiscal 2022. See "Segment Results" later in this Item 2 for more information about the results for all of our reportable segments.

Operating income decreased \$119 million for the first quarter of fiscal 2023 compared to the same quarter of fiscal 2022. The decrease in operating income was due to increases in expenses for staffing, share-based compensation, marketing, and amortization of other acquired intangible assets, partially offset by the increases in revenue described above. See "Cost of Revenue" and "Operating Expenses" later in this Item 2 for more information.

Net income decreased \$188 million for the first quarter of fiscal 2023 compared with in the same quarter of 2022. The decrease in net income was due to the decrease in operating income described above, an increase in interest expense due to borrowing \$4.7 billion on a term loan in the second quarter of fiscal 2022, and a \$39 million net gain on other long-term investments in the first quarter of fiscal 2022, which were partially offset by a decrease in the associated income tax expense. Diluted net income per share decreased to \$0.14 for the first quarter of fiscal 2023 compared to \$0.82 for the same quarter of fiscal 2022, in line with the decrease in net income.

### 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 12 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 10% for the three months ended October 31, 2022, and 6% for the three months ended October 31, 2021.

On November 1, 2021, we acquired Mailchimp in a business combination. Mailchimp is part of our Small Business & Self-Employed segment. We have included the results of operations of Mailchimp in our condensed consolidated results of operations from the date of acquisition.

On August 1, 2022, to better align our personal finance strategy, our Mnt offering moved from our Consumer segment to our Credit Karma segment. Revenue and operating results for Mnt are not significant and the previously reported segment results have not been reclassified. Effective August 1, 2022, the operating results for Mnt are included in the Credit Karma segment.

On August 1, 2022, we renamed our ProConnect segment as the ProTax segment. This segment continues to serve professional accountants. 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. We include expenses such as corporate selling and marketing, product development, general and administrative, and non-employment related legal and litigation settlement costs, which are not allocated to specific segments, in unallocated corporate items as part of other corporate expenses. For our Credit Karma reportable segment, 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, goodwill and intangible asset impairment charges, and professional fees and transaction charges related to business combinations. These unallocated corporate items for all segments totaled \$1.2 billion in the first three months of fiscal 2023 and \$873 million in the first three months of fiscal 2022. Unallocated corporate items increased in the fiscal 2023 period due to increases in share-based compensation expense, amortization of other acquired intangible assets, general and administrative expense, amortization of acquired technology, product development, and selling and marketing expense. See Note 12 to the condensed consolidated 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;
- QuickBooks Online Payroll
- Merchant payment processing services for small businesses who use online offerings;
- Mailchimp's e-commerce, marketing automation, and customer relationship management offerings;
- QuickBooks Commerce;
- QuickBooks Checking; and
- Financing for small businesses.

Our Desktop Ecosystem includes revenue from:

- 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;
- QuickBooks Point of Sale;
- 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 FY23	Q1 FY22	% Change
Product revenue	\$ 406	\$ 378	7 %
Service and other revenue	1,582	1,065	49 %
Total segment revenue	\$ 1,988	\$ 1,443	38 %
% of total revenue	77 %	72 %	
Segment operating income	\$ 1,179	\$ 921	28 %
% of related revenue	59 %	64 %	

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

(Dollars in millions)

**Net revenue:**

	Q1 FY23	Q1 FY22	% Change
QuickBooks Online Accounting	\$ 668	\$ 519	29 %
Online Services	681	326	109 %
Total Online Ecosystem	1,349	845	60 %
QuickBooks Desktop Accounting	312	267	17 %
Desktop Services and Supplies	327	331	(1)%
Total Desktop Ecosystem	639	598	7 %
<b>Total Small Business &amp; Self-Employed</b>	<b>\$ 1,988</b>	<b>\$ 1,443</b>	<b>38 %</b>

Revenue for our Small Business & Self-Employed segment increased \$545 million or 38% in the first quarter of fiscal 2023 compared with the same periods of fiscal 2022. The increase was primarily due to growth in Online Ecosystem revenue, which included \$264 million of revenue from Mailchimp for the first quarter of fiscal 2023.

[Online Ecosystem Revenue](#)

Online Ecosystem revenue increased 60% in the first quarter of fiscal 2023 compared with the same quarter of fiscal 2022. QuickBooks Online Accounting revenue increased 29% in the first quarter of fiscal 2023 compared with the same quarter of fiscal 2022, primarily due to an increase in customers, higher effective prices, and a shift in mix to our higher priced offerings. Online Services revenue increased 109% in the first quarter of fiscal 2023 compared with the same quarter of fiscal 2022, primarily due to additional revenue from the Mailchimp offerings and 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 higher priced offerings. Online payments revenue increased due to an increase in charge volume per customer and an increase in customers.

[Desktop Ecosystem Revenue](#)

Desktop Ecosystem revenue increased 7% in the first quarter of fiscal 2023 compared with the same quarter of fiscal 2022, due to the growth in our QuickBooks Desktop and Enterprise subscription offerings which was partially offset by a decrease in Desktop unit sales. In the first quarter of fiscal 2022, we discontinued our QuickBooks Desktop packaged software products and now sell predominantly on a subscription basis.

Small Business & Self-Employed segment operating income increased 28% in the first quarter of fiscal 2023 compared with the same quarter of fiscal 2022, primarily due to the increase in revenue described above, partially offset by higher expenses for staffing 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.

(Dollars in millions)

	Q1 FY23	Q1 FY22	% Change
Product revenue	\$ 7	\$ 7	— %
Service and other revenue	143	113	27 %
Total segment revenue	\$ 150	\$ 120	25 %
% of total revenue	6 %	6 %	
Segment operating income (loss)	\$ 11	\$ (11)	NM
% of related revenue	7 %	(9)%	

NM - Not meaningful

Revenue for our Consumer segment increased \$30 million or 25% in the first three months of fiscal 2023 compared with the same period of fiscal 2022. 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 returns for the previous tax year.

In the first three months of fiscal 2023 we recorded segment operating income of \$11 million, compared to a segment operating loss of \$11 million in the same period of fiscal 2022. The increase in revenue described above was partially offset by an increase in expenses.

Because of the seasonality of our Consumer revenue, we do not believe that the revenue or operating results for the first quarter of fiscal 2023 is indicative of trends for the current fiscal year. We will not have substantially complete results for the 2022 tax season until the third quarter of fiscal 2023.

Effective August 1, 2022, our Mint offering is part of our Credit Karma segment.

## 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. Credit Karma also includes revenue from our Mint offering.

(Dollars in millions)

	Q1 FY23	Q1 FY22	% Change
Product revenue	\$ —	\$ —	N/A
Service and other revenue	425	418	2 %
Total segment revenue	<u>\$ 425</u>	<u>\$ 418</u>	2 %
% of total revenue	16 %	21 %	
Segment operating income	<u>\$ 94</u>	<u>\$ 169</u>	(44)%
% of related revenue	22 %	40 %	

Revenue increased \$7 million in the first quarter of fiscal 2023 compared to the same period of fiscal 2022, primarily due to growth in our credit card vertical, which was partially offset by decreases in our personal loan, home loan, auto insurance, and auto loan verticals.

Credit Karma segment operating income decreased \$75 million in the first quarter of fiscal 2023 compared to the same period of fiscal 2022, primarily due to higher expenses for marketing and staffing, partially offset by the increase in revenue described above.

Effective August 1, 2022, our Mint offering is part of our Credit Karma segment.

## ProTax

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

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

(Dollars in millions)

	Q1 FY23	Q1 FY22	% Change
Product revenue	\$ 14	\$ 12	17 %
Service and other revenue	20	14	43 %
Total segment revenue	\$ 34	\$ 26	31 %
% of total revenue	1 %	1 %	
Segment operating loss	\$ (6)	\$ (11)	(45)%
% of related revenue	(18)%	(42)%	

Revenue for our ProTax segment revenue increased \$8 million or 31% in the first three months of fiscal 2023 compared with the same period of fiscal 2022. Due to the seasonal nature of our ProTax 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 returns for the previous tax year.

In our first fiscal quarter, our ProTax 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.

Because of the seasonality of our ProTax revenue, we do not believe that the revenue or operating results for the first quarter of fiscal 2023 is indicative of trends for the current fiscal year. We will not have substantially complete results for the 2022 tax season until the third quarter of fiscal 2023.

## Cost of Revenue

(Dollars in millions)

	Q1 FY23	% of Related Revenue	Q1 FY22	% of Related Revenue
Cost of product revenue	\$ 15	4 %	\$ 15	4 %
Cost of service and other revenue	620	29 %	387	24 %
Amortization of acquired technology	41	n/a	15	n/a
Total cost of revenue	<u>\$ 676</u>	26 %	<u>\$ 417</u>	21 %

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 2023 compared with the same period of fiscal 2022. 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 increased in the first quarter of fiscal 2023 compared with the same period of fiscal 2022. This increase is primarily due to an increase in share-based compensation expense and the lower revenue growth for Credit Karma described above.

## Operating Expenses

(Dollars in millions)

	Q1 FY23	% of Total Net Revenue	Q1 FY22	% of Total Net Revenue
Selling and marketing	\$ 795	31 %	\$ 550	27 %
Research and development	625	24 %	530	26 %
General and administrative	304	12 %	262	13 %
Amortization of other acquired intangible assets	121	5 %	53	3 %
Total operating expenses	<u>\$ 1,845</u>	71 %	<u>\$ 1,395</u>	70 %

Total operating expenses as a percentage of total net revenue increased slightly in the first quarter of fiscal 2023 compared to the same period of fiscal 2022.

Total net revenue for the first quarter of fiscal 2023 increased \$590 million or 29% due to the increases in revenue described above, while total operating expenses for the quarter increased \$450 million or 32%. Total operating expenses increased \$147 million for staffing due to higher headcount, \$103 million for marketing, \$83 million for share-based compensation, and \$68 million for amortization of other acquired intangible assets, which was primarily related to Mailchimp.

## Non-Operating Income and Expenses

### Interest Expense

Interest expense of \$49 million for the first three months of fiscal 2023 consisted primarily of interest on our senior unsecured notes, unsecured term loan, and secured revolving credit facilities. 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 and Other Income, Net

(In millions)

Interest income <sup>(1)</sup>	
Net gain (loss) on executive deferred compensation plan assets <sup>(2)</sup>	
Other <sup>(3)</sup>	
Total interest and other income, net	

	Q1 FY23	Q1 FY22
	\$ 14	\$ 5
	(10)	4
	1	41
	\$ 5	\$ 50

- (1) Interest income in the first quarter of fiscal 2023 increased compared to the same period of fiscal 2022 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 three months ended October 31, 2021, we recorded \$39 million of net gains on other long-term investments.

## 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 \$7 million and \$47 million in our provision for income taxes for the three months ended October 31, 2022 and 2021, respectively.

We recorded an \$8 million tax benefit on a pretax income of \$32 million for the three months ended October 31, 2022. Excluding discrete tax items primarily related to share-based compensation tax benefits including those mentioned above, our effective tax rate was approximately 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, 2021 was approximately 4%. Excluding discrete tax items primarily related to share-based compensation tax benefits including those 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.

A provision enacted as part of the 2017 Tax Cuts & Jobs Act requires companies to capitalize research and experimental expenditures for tax purposes in tax years beginning after December 31, 2021. This provision is applicable to our fiscal 2023. While this provision is not expected to have a material impact on our fiscal year 2023 effective tax rate, we expect our fiscal 2023 cash tax payments and related deferred tax asset positions to increase significantly compared to fiscal 2022, unless this provision is repealed or deferred.

The Inflation Reduction Act was enacted on August 16, 2022. This law, among other provisions, provides a corporate alternative minimum tax on adjusted financial statement income, which is effective for us beginning in fiscal 2024. We are continuing to evaluate the impact it may have on our financial position and results of operations.

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, 2022, our cash, cash equivalents and investments totaled \$2.7 billion, a decrease of \$557 million from July 31, 2022 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 facilities. 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:

<i>(Dollars in millions)</i>	October 31, 2022	July 31, 2022	\$ Change	% Change
Cash, cash equivalents, and investments	\$ 2,724	\$ 3,281	\$ (557)	(17)%
Long-term investments	98	98	—	—%
Short-term debt	499	499	—	—%
Long-term debt	6,486	6,415	71	1%
Working capital	1,229	1,417	(188)	(13)%
Ratio of current assets to current liabilities	1.4 : 1	1.4 : 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 \$2.7 billion at October 31, 2022. None of those funds were restricted and approximately 88% of those funds were located in the U.S.

On November 1, 2021, we terminated our amended and restated credit agreement dated May 2, 2019 and 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. On November 1, 2021, we borrowed the full \$4.7 billion under the unsecured term loan to fund a portion of the cash consideration for the acquisition of Mailchimp. See Note 6 to the financial statements in Part I, Item 1 of this Quarterly Report for more information.

Our secured revolving credit facilities are available to fund a portion of our loans to qualified small businesses. At October 31, 2022, \$300 million was outstanding under both secured revolving credit facilities.

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

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.

## 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 2023 and fiscal 2022. See the financial statements in Part I, Item 1 of this Quarterly Report for complete condensed consolidated statements of cash flows for those periods.

<i>(Dollars in millions)</i>	October 31, 2022	Three Months Ended October 31, 2021	\$ Change
Net cash provided by (used in):			
Operating activities	\$ 328	\$ 145	\$ 183
Investing activities	(256)	796	(1,052)
Financing activities	(913)	(786)	(127)
Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents	(16)	(2)	(14)
Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents	\$ (857)	\$ 153	\$ (1,010)



Our primary sources and uses of cash were as follows:

Three Months Ended	
October 31, 2022	October 31, 2021
<b>Sources of cash:</b> <ul style="list-style-type: none"> <li>• Operations</li> <li>• Net sales and maturities of corporate and customer fund investments</li> <li>• Issuance of common stock under employee stock plans</li> </ul>	<b>Sources of cash:</b> <ul style="list-style-type: none"> <li>• Operations</li> <li>• Issuance of common stock under employee stock plans</li> </ul>
<b>Uses of cash:</b> <ul style="list-style-type: none"> <li>• Repurchases of shares of our common stock</li> <li>• Payment of accrued bonuses for fiscal 2022</li> <li>• Payment of cash dividends and dividend rights</li> <li>• Capital expenditures</li> <li>• Net originations of term loans to small businesses</li> </ul>	<b>Uses of cash:</b> <ul style="list-style-type: none"> <li>• Repurchases of shares of our common stock</li> <li>• Payment of accrued bonuses for fiscal 2021</li> <li>• Payment of cash dividends and dividend rights</li> <li>• Capital expenditures</li> <li>• Net originations of term loans to small businesses</li> </ul>

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

As described in Note 10 to the financial statements in Part I, Item 1 of this Quarterly Report, during the first three months of fiscal 2023, we repurchased 1.2 million shares of our common stock under repurchase programs that our Board of Directors has authorized. On August 19, 2022, our Board approved an increased authorization to purchase up to an additional \$2 billion of our common stock under existing the existing stock repurchase program. At October 31, 2022, we had authorization from our Board of Directors to expend up to \$3.0 billion for stock repurchases. 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, 2022, we declared quarterly cash dividends that totaled \$0.78 per share of outstanding common stock for a total of \$225 million. In November 2022, our Board of Directors declared a quarterly cash dividend of \$0.78 per share of outstanding common stock payable on January 18, 2023 to stockholders of record at the close of business on January 10, 2023. 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, 2022, our maximum commitment for interest payments under the Notes was \$117 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, 2022, we were compliant with all covenants governing the Notes. See Note 6 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report for more information.

## Credit Facilities

### Unsecured Revolving Credit Facility and Term Loan

On November 1, 2021, we terminated our amended and restated credit agreement dated May 2, 2019 (2019 Credit Facility) and entered into a credit agreement with certain institutional lenders with an aggregate principal amount of \$5.7 billion, which includes a \$4.7 billion unsecured term loan that matures on November 1, 2024, and a \$1 billion unsecured revolving credit facility that matures on November 1, 2026 (2021 Credit Facility).

Under the 2021 Credit Facility 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 (i) the alternate base rate plus a margin that ranges from 0.0% to 0.1%, or (ii) the Secured Overnight Finance Rate (SOFR) 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, 2022, no amounts were outstanding under the unsecured revolving credit facility. We monitor counterparty risk associated with the institutional lenders that are providing the credit facility.

On November 1, 2021, we borrowed the full \$4.7 billion under the unsecured term loan to fund a portion of the cash consideration for the acquisition of Mailchimp. Under this agreement we may, subject to certain customary conditions, on one or more occasions increase commitments under the term loan in an amount not to exceed \$400 million in the aggregate. The term loan accrues interest at rates that are equal to, at our election, either (i) the alternate base rate plus a margin that ranges from 0.0% to 0.125% or (ii) SOFR plus a margin that range from 0.625% to 1.125%. Actual margins under either election are based on our senior debt credit ratings. At October 31, 2022, \$4.7 billion was outstanding under the term loan.

The 2021 Credit Facility 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. As of October 31, 2022, we were compliant with all required covenants.

### Secured Revolving Credit Facilities

On February 19, 2019, a subsidiary of Intuit entered into a secured revolving credit facility with a lender to fund a portion of our loans to qualified small businesses (the 2019 Secured Facility). The 2019 Secured Facility is secured by cash and receivables of the subsidiary and is non-recourse to Intuit Inc. We have entered into several amendments to this facility, most recently on July 18, 2022, primarily to increase the facility limit, extend the commitment term and maturity date and update the benchmark interest rate. Under the amended 2019 Secured Facility, the facility limit is \$500 million, of which \$300 million is committed and \$200 million is uncommitted. Advances accrue interest at adjusted daily simple SOFR 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 18, 2025, and the final maturity date is July 20, 2026. The agreement includes certain affirmative and negative covenants, including financial covenants that require the subsidiary to maintain specified financial ratios. As of October 31, 2022, we were compliant with all required covenants. At October 31, 2022, \$300 million was outstanding under the 2019 Secured Facility and the weighted-average interest rate was 4.65%, which includes the interest on the unused committed portion. The outstanding balance is secured by cash and receivables of the subsidiary totaling \$782 million.

On October 12, 2022, another subsidiary of Intuit entered into a secured revolving credit facility with a lender to fund a portion of our loans to qualified small businesses (the 2022 Secured Facility). The 2022 Secured Facility is secured by cash and receivables of the subsidiary and is non-recourse to Intuit Inc. Under the agreement, the facility limit is \$500 million, of which \$150 million is committed and \$350 million is uncommitted. Advances accrue interest at SOFR plus 1.3%. Unused portions of the committed credit facility accrue interest at a rate ranging from 0.2% to 0.4%, depending on the total unused committed balance. The commitment term is through October 12, 2024, and the final maturity date is October 13, 2025. The agreement includes certain affirmative and negative covenants, including financial covenants that require the subsidiary to maintain specified financial ratios. As of October 31, 2022, we were compliant with all required covenants. At October 31, 2022, no amounts were outstanding under the 2022 Secured Facility.

## Cash Held by Foreign Subsidiaries

Our cash, cash equivalents, and investments totaled \$2.7 billion at October 31, 2022. Approximately 12% 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, India, and Canada. We do not expect to pay incremental U.S. taxes on repatriation. We have recorded income tax expense for Canada, India, and Israel 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.

## Contractual Obligations

We presented our contractual obligations at July 31, 2022 in our Annual Report on Form 10-K for the fiscal year then ended. There were no material changes outside the ordinary course of business to our contractual obligations during the three months ended October 31, 2022.

## 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.

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## ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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There were no material changes to our quantitative and qualitative disclosures about market risk during the three months ended October 31, 2022. See Part II, Item 7A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2022 for a detailed discussion of our market risks.

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## ITEM 4 - CONTROLS AND PROCEDURES

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### *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 November 1, 2021, we completed the acquisition of Mailchimp. 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 Mailchimp from our evaluation for the period ended October 31, 2022. We are in the process of integrating Mailchimp 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, 2022 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.

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## PART II - OTHER INFORMATION

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### ITEM 1 - LEGAL PROCEEDINGS

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See Note 11 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

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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, reputation and credit rating, 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 effects of global developments, conditions or events like inflationary pressures, the Russia-Ukraine war and the COVID-19 pandemic, which have caused significant global economic instability and uncertainty.

*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, in fiscal 2020, had a temporary negative impact on our business. The severity and duration of the pandemic's impact on our business and financial performance will depend on many factors beyond our control, including the emergence and virulence of new variants of the COVID-19 virus, the related responses of governments and businesses, and the availability, effectiveness and adoption of vaccines and treatments. Potential and current negative impacts of the pandemic include, but are not limited to, the following:

- There are new and more frequent attempts by malicious third parties seeking to take advantage of our employees while working remotely to fraudulently gain access to our systems, which could cause us to expend significant resources to remediate and could damage our reputation.
- The complexity of resuming operations in our offices under a hybrid workplace model may adversely impact the productivity, health and well-being of our workforce and exacerbate security and execution risks that could cause us to 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, such as 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.
- 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

*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 our 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 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 Free File Program operates under an agreement that is scheduled to expire in October 2023. 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 on us.

***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. To meet the changing needs of our customers and partners and attract and retain top technical talent, we must continue to innovate, develop new products and features, and enhance our ability to solve customer problems with emerging technologies, such as artificial intelligence and blockchain. We have and will continue to devote significant resources to continue to develop our skills, tools and capabilities to capitalize on existing and emerging technologies.

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. 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 also provide additional customer benefits by utilizing customer data available to us through our existing offerings, and the growth of our business depends, in part, on our existing customers expanding their use of our products and services. If we are not able to effectively utilize our customers' data to provide them with value or develop and clearly demonstrate the value of new or upgraded products or services to our customers, our revenues may be harmed.

While we offer our products on a variety of hardware platforms, if we cannot continue adapting our products to tablet and mobile devices, or if our competitors can adapt their products more quickly than us, our business could be harmed. 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. 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 provide 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, if not properly addressed, may 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.

We have public environmental, social and governance (ESG) commitments, including our goals to increase the diversity of our workforce, create and prepare individuals for jobs and have a positive impact on the climate. Our ability to achieve these goals is subject to numerous risks that may be outside of our control. Our failure or perceived failure to achieve our ESG goals or maintain ESG practices that meet evolving stakeholder expectations could harm our reputation, adversely impact our ability to attract and retain employees or customers and expose us to increased scrutiny from the investment community and enforcement authorities. Our reputation also may be harmed by the perceptions that our customers, employees and other stakeholders have about our action or inaction on social, ethical, or political issues. 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 acquisition of 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 or anticipated benefits expected to result from an acquisition within the expected time frame or at all;
- 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, systems and data to be divested from the intellectual property, systems 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 or at all, there may be a material and adverse effect on the benefits that we expect to achieve as a result of the acquisition, and we could experience additional costs or loss of revenue. Moreover, adverse changes in market conditions and other factors, including those listed above, may cause an acquisition to be dilutive to Intuit's operating earnings per share for a period of time. 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

*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 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 caused by malicious third parties, acting alone or in groups, or more sophisticated organizations including nation-states or state-sponsored organizations, and the risks could be elevated in connection with the Russia-Ukraine war. 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 personal or financial information, like our digital money offerings, 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 require annual security training for our workforce, malicious third parties have in the past, and may in the future, 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 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 have and will continue to experience new and more frequent attempts by malicious third parties 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 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, our shift to a hybrid workplace model, where our workforce will spend a portion of their time working in our offices and a portion of their time working from home, introduces operational complexity that exacerbates our security-related risks.

Our efforts to protect data may also be unsuccessful due to software bugs (whether open source or proprietary code), break-ins, workforce 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 infrastructure, 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 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 malicious 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 the security and business controls of our third-party partners, we may not have the ability to effectively monitor or oversee the implementation of these control measures. Malicious third parties may be able to circumvent these security and business controls 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 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 malicious third parties, 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, payments, lending, marketing automation and personal financial management industries have been experiencing an increasing amount of fraudulent activities by malicious 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, marketing automation and personal financial management businesses, and the risk 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 may seriously harm our business and damage our brand. If we cannot adequately combat such fraudulent activity, governmental authorities may refuse to allow us to continue to offer the affected 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 is magnified as we increase the volume and speed of the transactions we process. 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 a disputed transaction between a merchant and its customer is not resolved in favor of the merchant, we may be required to pay those amounts to the payment or credit card network and these payments may exceed the amount of the customer reserves 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 have historically derived 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 shifted to operations under a hybrid workplace model where our workforce spends a portion of their time working in our offices and a portion of their time working from home. This model has introduced new execution risks and we may experience longer-term disruptions to our operations as we evolve our workplace model, any of which 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 global events like the Russia-Ukraine war and the COVID-19 pandemic, including the effects on their third-party partners. If our third-party partners are unable to help us operate our business, our business and financial results may be negatively impacted. 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 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.

***Competition for our key employees is intense and we may not be able to attract, retain and develop the highly skilled employees we need to support our strategic objectives.***

Much of our future success depends on the continued service and availability of skilled employees, including members of our executive team, and those in technical and other key positions. Experienced individuals with skill sets in software as a service, mobile technologies, data science, artificial intelligence and data security are in high demand and we have faced and will continue to face intense competition globally to attract and retain a diverse workforce with these and other skills that are critical to our success. This is especially the case in California and India where a significant number of our employees are located. The compensation and incentives we have available to attract, retain and motivate employees may not meet the expectations of current and prospective employees as the competition for talent intensifies. For example, our equity awards may become less effective if our stock price decreases or increases at a slower rate than our talent competitors'. In addition, if we were to issue significant additional equity to attract or retain employees, the ownership of our existing stockholders would be diluted and our related expenses would increase. Other factors may make it more challenging for us to continue to successfully attract, retain and develop key employees. For example, current and prospective employees may seek new or different opportunities based on mobility, location flexibility or any challenges we face in achieving our publicly stated workforce diversity goals.

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

Our customers rely on the accuracy of our offerings. 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. Moreover, as we continue to

incorporate emerging technologies, like AI and blockchain, into our offerings, they may not function as designed or have unintended consequences, any of which could subject us to competitive harm, legal liability or reputational harm.

***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 or severe weather events (including those caused or exacerbated by climate change), acts of war and terrorism (including the Russia-Ukraine war and any related political or economic responses), and public health emergencies, including divergent governmental responses thereto across the jurisdictions in which we operate;
- compliance with sanctions and import or export regulations, including those arising from the Russia-Ukraine war;
- 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.

***Climate change may have an impact on our business.***

While we seek to mitigate our business risks associated with climate change by establishing robust environmental programs and partnering with organizations that are also focused on mitigating their own climate-related risks, we recognize that there are inherent climate-related risks wherever business is conducted. Any of our primary workplace locations may be vulnerable to the adverse effects of climate change. For example, our offices globally have historically experienced, and are projected to continue to experience, climate-related events at an increasing frequency, including drought, water scarcity, heat waves, cold waves, wildfires and resultant air quality impacts and power shutoffs associated with wildfire prevention. Furthermore, it is more difficult to mitigate the impact of these events on our employees to the extent they work from home. Changing market dynamics, global policy developments and the increasing frequency and impact of extreme weather events on critical infrastructure in the U.S. and elsewhere have the potential to disrupt our business, the business of our third-party suppliers and the business of our customers, and may cause us to experience higher attrition, losses and additional costs to maintain or resume operations. Additionally, failure to uphold, meet or make timely forward progress against our public commitments and goals related to climate action could adversely affect our reputation with suppliers and customers, financial performance or ability to recruit and retain talent.

**LEGAL AND COMPLIANCE RISKS**

***Increasing and changing government regulation of our businesses may harm our operating results.***

We are subject to federal, state, local and international laws and regulations that affect our and our customers' activities, including, without limitation, 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-bribery and anti-corruption, insurance, 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 we expand our products and services and evolve our business models, both domestically and internationally, we may become subject to additional government regulation or increased regulatory scrutiny. For example, the regulation of emerging technologies that we may incorporate into our offerings, such as artificial intelligence and blockchain, is still an evolving area, and it is possible that we could become subject to new regulations that negatively impact our operations and results. 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. We are and may continue to be subject to pandemic-related protocols and restrictions that impact our workforce and workplaces. 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 regulation of 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 are continually evolving as federal, state and foreign governments adopt new or modify existing laws and regulations addressing data privacy, cybersecurity, the collection, processing, storage, transfer and use of data, and the use of AI. These include, for example, the EU's General Data Protection Regulation (GDPR), the California Consumer Protection Act (CCPA), the California Privacy Rights Act that will amend the CCPA in January 2023 and the Virginia Consumer Data Protection Act that will become effective in January 2023. These laws and regulations may be inconsistent across jurisdictions and are subject to evolving and differing (sometimes conflicting) interpretations. In our efforts to meet the various data privacy regulations that apply to us, 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 that 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 proceedings, claims and inquiries may arise in the future. The number and significance of these proceedings, 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

***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, as the tax filing deadline for the IRS and many states is traditionally in April. This seasonality has caused significant fluctuations in our quarterly financial results. In addition, the effects of these fluctuations have been and may in the future be further exacerbated by changes to the traditional 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 due to conditions created by the pandemic. Our financial results may also fluctuate from quarter to quarter and year to year due to a variety of other 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. In August 2022, the Inflation Reduction Act of 2022 was signed into law. This law, among other things, provides for a corporate alternative minimum tax on adjusted financial statement income (effective for us beginning in fiscal 2024), and an excise tax on corporate stock repurchases (effective for our share repurchases after December 31, 2022), and we are continuing to evaluate the impact it may have on our financial position and results of operations. There are several 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 conditions, and perceptions or expectations about current or future conditions, such as inflation, slowing growth, rising interest rates, rising unemployment and recession, could negatively affect our business and financial condition. These macroeconomic conditions or global events, such as the Russia-Ukraine war, have caused, and could, in the future, cause disruptions and volatility in global financial markets, increased rates of default and bankruptcy, decreases in consumer and small business spending and other unforeseen consequences. It is difficult to predict the impact of such events on our partners, customers, members, or economic markets more broadly, which have been and will continue to be highly dependent upon the actions of governments and businesses in response to macroeconomic events, and the effectiveness of those actions. For example, in response to increasing inflation, the U.S. Federal Reserve began to raise interest rates in March 2022 and signaled it expects additional rate increases in the future. Moreover, 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. Macroeconomic conditions, and perceptions or expectations about current or future conditions, 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 have decreased or suspended their activity on Credit Karma's platform and may continue to do so, and increased interest rates may make offers from Credit Karma's financial institution partners less attractive to Credit Karma's members. 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. Decreased consumer spending levels could also reduce payment processing volumes causing reductions in our payments revenue. High unemployment has 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. Adverse economic conditions may also increase the costs of operating our business, including vendor, supplier and workforce expenses. Any of the foregoing could harm our business and negatively impact 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, adverse macroeconomic conditions may have 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.

***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 \$556 million in fiscal 2022; \$196 million in fiscal 2021; and \$28 million in fiscal 2020. 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, 2022, we had \$13.7 billion in goodwill and \$6.9 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, 2022, we had an aggregate of \$7.0 billion of indebtedness outstanding under our senior unsecured notes, senior unsecured credit facility, and secured credit facilities. 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, adverse economic conditions or 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, security of our products, or legal proceedings can cause changes in our stock price. These factors, as well as general economic and political conditions, including the effects of a general slowdown in the global economy, the COVID-19 pandemic, the Russia-Ukraine war and inflationary pressures, 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, the Russia-Ukraine war and inflationary pressures have 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, 2022 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, 2022 through August 31, 2022	208,012	\$ 460.52	208,012	\$ 3,417,229,090
September 1, 2022 through September 30, 2022	497,899	\$ 416.96	497,899	\$ 3,209,626,056
October 1, 2022 through October 31, 2022	531,887	\$ 405.13	531,887	\$ 2,994,143,613
Total	1,237,798	\$ 419.20	1,237,798	

**Note:** On August 20, 2021, our Board approved an increased authorization under our existing stock repurchase program to purchase up to an additional \$2 billion of our common stock. On August 19, 2022, our Board approved an additional increase in the authorization under the existing stock repurchase program under which we are authorized to repurchase up to an additional \$2 billion of our common stock. All of the shares repurchased during the three months ended October 31, 2022 were purchased under this plan. At October 31, 2022, 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.

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## SIGNATURES

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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 29, 2022

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	<a href="#">Certification of Chief Executive Officer</a>	X	
31.02	<a href="#">Certification of Chief Financial Officer</a>	X	
32.01*	<a href="#">Section 1350 Certification (Chief Executive Officer)</a>	X	
32.02*	<a href="#">Section 1350 Certification (Chief Financial Officer)</a>	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.