



THE
GREYSTONE
EQUITY FUND

INTUIT

Stock Pitch #2: Intuit Inc. (INTU)

Joseph Paolo & Elise Rosenthal

Company Overview

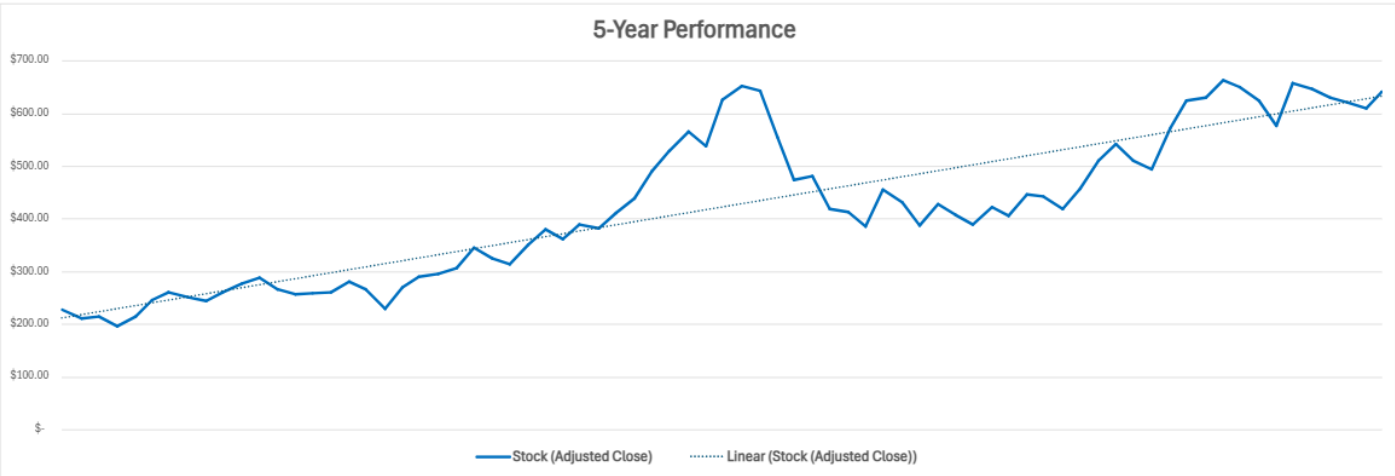


Company: Intuit Inc.
Ticker: INTU
Sub-Sector: Software & Tech Services

Market Cap: \$196.06B
Current Share Price (As of 11/6/24): \$649.52

52 Week High: \$557.29
52 Week Low: \$714.78

Price Projection: \$1,243.27 - **BUY**



Operations



Description: Intuit Inc., develops and markets business and financial management software solutions for small and medium sized businesses, financial institutions, consumers, and accounting professionals

Offerings:

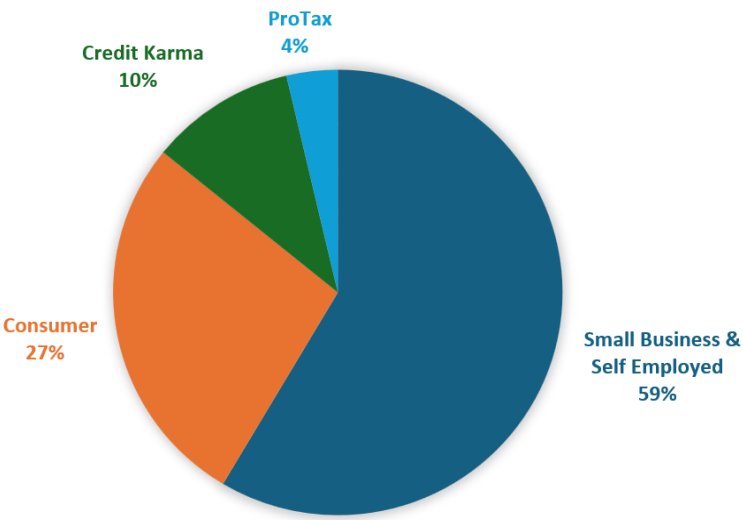
- QuickBooks
- TurboTax
- Credit Karma
- Mailchimp

Segments:

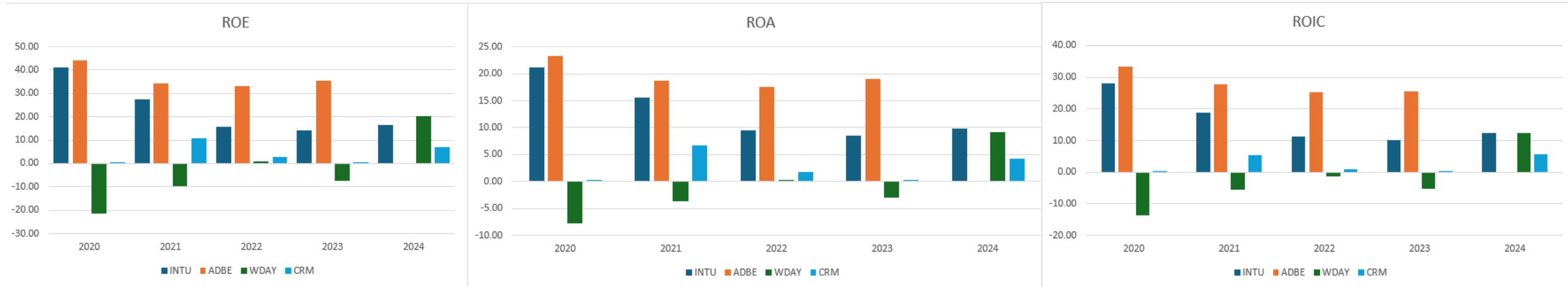
- Small Business and Self-Employed (58.54%)
- Consumer (27.30%)
- Credit Karma (10.49%)
- ProTax (3.68%)

Overseas Reach: less than 10% of revenues
- 88% in US, and 5% in Canada

REVENUE SEGMENT BREAKDOWN



Financial Metrics



- **Spending on AI:** increased investment in long-term growth initiatives, including substantial spending on AI-driven innovations and the integration of acquisitions like Mailchimp
- **Increased costs:** related to R&D, marketing, and acquisitions,
 - steady revenue generation from its core segments
- **Recovery:** Fiscal Year 2024 showed signs of investment payoff, after years of ratio declines due to increased expenses.
 - This recovery can be expected to continue, as research continues to pay off.
- Peers have not shown any sense of steadiness, whether steadily good or bad.
 - Adobe has strong ratios, but functions in a different industry

Overview

Operations

Financial
Metrics

Relative
Performance

EPS
Valuation

Impacts &
Drivers

News &
Outlook

Relative Performance

Security	Currency	Price Change	Total Return	Difference	Annual Eq
1) INTU US Equity	USD	169.05%	177.87%	-40.76%	22.65%
2) SSINFT Index	USD	203.95%	218.63%	--	26.05%
3) WDAY US Equity	USD	65.12%	65.12%	-153.51%	10.54%
4) CRM US Equity	USD	109.47%	110.41%	-108.21%	16.02%
5) VEEV US Equity	USD	61.25%	61.25%	-157.38%	10.02%
6)					

- Infotech index inflated by a small few huge earners (Nvidia), difficult to outperform.
 - o 218.63% Return
- Intuit vastly outperforms its individual peers (Workday, Salesforce, Veeva)
- Tends to be more volatile than the index – growth spike in 2021 far surpasses S5INFT but decline in 2022 is sharper too.



Overview

Operations

Financial
Metrics

Relative
Performance

EPS
Valuation

Impacts &
Drivers

News &
Outlook

DDM Valuation



Intuit Inc.

(INTU)

Current Share price

(As of 12/2/2024)

635.39

Cost of Equity

Long Term Growth

Current Dividend

Payout Ratio

Terminal P/E

9.18%

3.00%

3.6

34.02%

63

Beta

RF (10)

MRP

1.25

4.23%

3.96%

BUY

Version 1: Long term growth rate used to derive terminal value

Year	0	1	2	3	4	5	6	7	8	9	10	11
		18%	15%	15%	15%	13%	13%	10%	10%	9%	7%	3%
Curr Div	\$3.60	\$4.25	\$4.89	\$5.62	\$6.46	\$7.30	\$8.25	\$9.07	\$9.98	\$10.88	\$11.64	\$11.99
Term Val											\$194.03	
PV	\$122.78	\$3.89	\$4.10	\$4.32	\$4.55	\$4.71	\$4.87	\$4.91	\$4.94	\$4.94	\$85.46	

Version 2: Using P/E to derive terminal value

Year	0	1	2	3	4	5	6	7	8	9	10	P/E
		18%	15%	15%	15%	13%	13%	10%	10%	9%	7%	63
Curr Div	3.6	\$4.25	\$4.89	\$5.62	\$6.46	\$7.30	\$8.25	\$9.07	\$9.98	\$10.88	\$11.64	
Term Val											\$2,155.94	
PV	\$941.84	\$3.89	\$4.10	\$4.32	\$4.55	\$4.71	\$4.87	\$4.91	\$4.94	\$4.94	\$900.63	

- Somewhat viable price calculated when PE is considered.
- Uses LT growth rate of 3%, first 10 years descends starting at 18%.
- PE method gives price of \$941.84, which would offer a 48% return. Good, but definitely not their most important metric.



EPS Valuation

Assuming: Low PE		Hi PE	EPS Growth
		43	67 15.00%
High EPS	High Price	Low EPS	Low Price
\$21.28	\$1,425.77	\$10.58	\$454.94

Determining Prices

- Low PE and High PE derived from 5-year averages.
- EPS Growth rate found looking at EPS 5-and 10-year CAGR . Conservative given the CAGRs.
 - o appx. 16% (5 year) and 19% (10 year)
- Price of **\$1,425.77** offers a **124.39%** return.



STRONG BUY

Overview

Operations

Financial
Metrics

Relative
Performance

EPS
Valuation

Impacts &
Drivers

News &
Outlook

FCF Valuation



Intuit	INTU	635.39								
Year 1 Cash Flow		4,545								
Discount Rate		7%								
Growth Rate		18.0%								
Year 11 Growth		2.5%								
Capitalization Rate		5%								
Year	1	2	3	4	5	6	7	8	9	10
Prior Year Cash Flow	4,545	5,363	6,328	7,468	8,812	10,398	12,269	14,478	17,084	20,159
Growth Rate	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%
Cash Flow	5,363	6,328	7,468	8,812	10,398	12,269	14,478	17,084	20,159	23,788
Discount Factor	0.9346	0.8734	0.8163	0.7629	0.7130	0.6663	0.6227	0.5820	0.5439	0.5083
Year 11 Cash Flow										24,382
Terminal Value										541,833
PV Cash Flow	\$5,012.24	\$5,527.52	\$6,095.77	\$6,722.44	\$7,413.53	\$8,175.67	\$9,016.16	\$9,943.05	\$10,965.24	\$12,092.50
PV Terminal Value	-	-	-	-	-	-	-	-	-	275,440
Total PV	356,404									
Shares	280.2									
FCF/Share	\$ 1,271.96									

STRONG BUY

Determining Rates

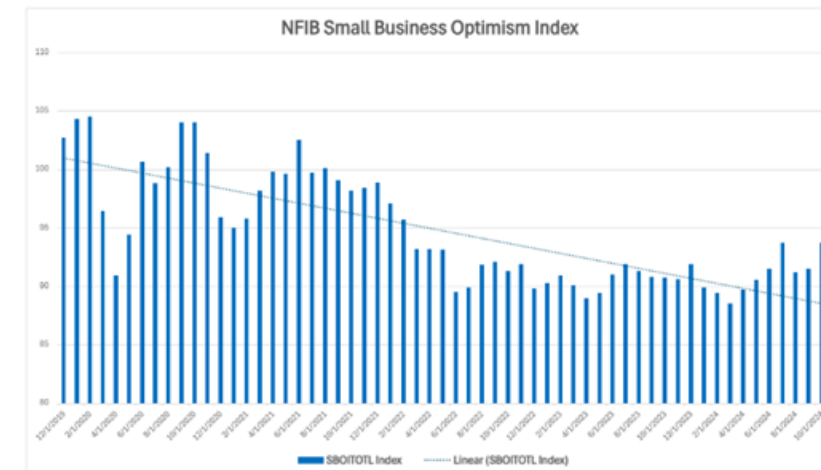
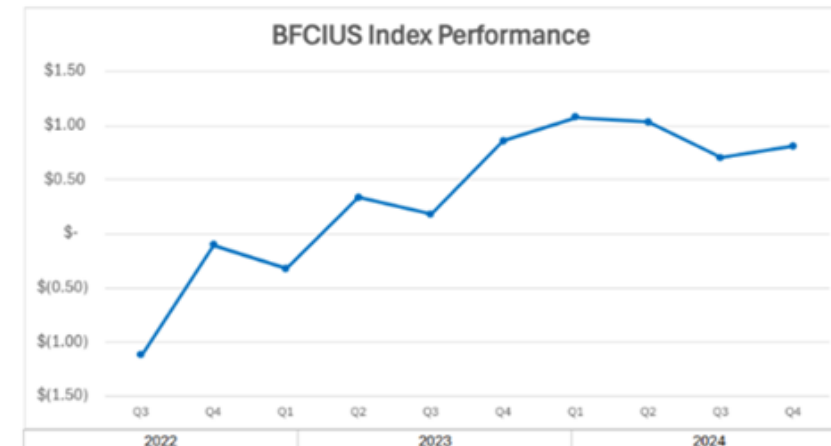
- Growth rates based on prior cash flow growth and CAGRs
- Shares outstanding have been stable, so this will further increase per-share-value in the future.
- Final Price of **\$1,271.96** offers a **100.16%** return.

UNDERVALUED



Economic Impacts

- **Regulatory Challenges:** Intuit faces potential headwinds from increasing tax service regulatory scrutiny
 - IRS's pilot program for a free direct filing system, could impact demand for TurboTax, which is a key revenue driver
- **Economic Sensitivity of Small Businesses:** reliance on small businesses exposes it to economic fluctuations
 - during economic downturns, small businesses may reduce spending on Intuit's products, affecting revenue



Overview

Operations

Financial
Metrics

Relative
Performance

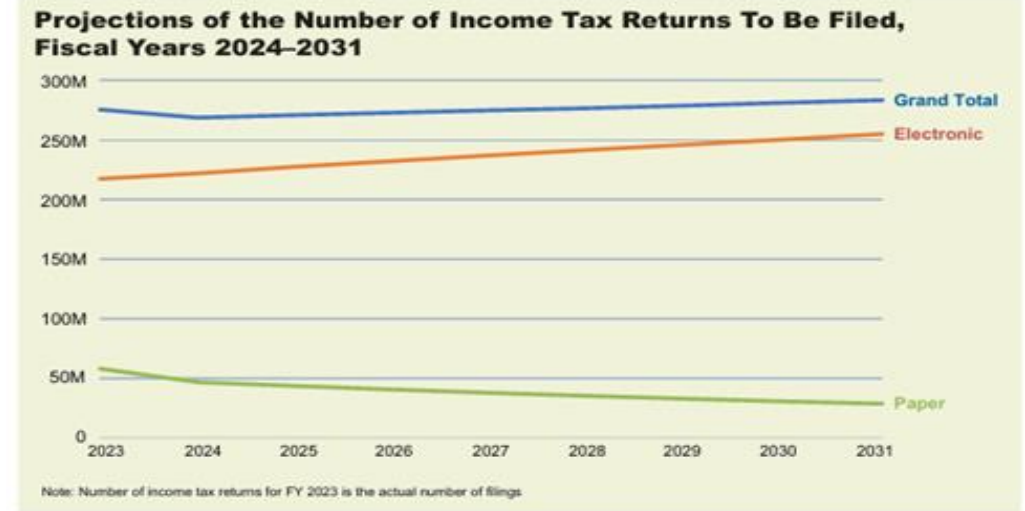
EPS
Valuation

Impacts &
Drivers

News &
Outlook

Industry Drivers

- **Increased Tax Returns**
 - Expected to increase for the foreseeable future
- **Expansion of Financial Services**
 - **Credit Karma**
 - **Mailchimp**
- **AI and Automation:** investment in AI-driven capabilities across products like QuickBooks and TurboTax positions it to deliver smarter, automated solution



8x Developer velocity increase in the past four years

10% Conversion uplift for personalized content for in-product discovery campaigns

15% Average productivity gains from overall GenAI experiments

50% Reduction in marketing production content creation time – greater workforce efficiency

Up to **30%** Faster coding in experiments with AI assistance

97% Content copy doesn't require edits after GenAI creation – greater workforce efficiency

Overview

Operations

Financial
Metrics

Relative
Performance

EPS
Valuation

Impacts &
Drivers

News &
Outlook

PRICE PROJECTION: \$1,243.27

Current Price: \$635.39

Potential Return: 95.67%

BUY

Optimism

- Continued constant demand for tax related products.
- AI investment and integration
 - Directly cut time to complete tax return
- Strong Market Share driven by small business and accounting professionals
- QuickBooks is unlikely to be replaced within 5-year time horizon
 - Integrated offering that allows seamless transfer of documents with clients
- Limited Global reach offers unlikely but potential growth

Concerns

- IRS Free File product will officially be available to the public starting this upcoming tax season (FY 2024)
 - Income < \$73.000
- Tax Software can be easily replicated
- AI-solutions are already capable of walking individuals through a basic tax return
- Tax preparation market share

Overview

Operations

*Financial
Metrics*

*Relative
Performance*

*EPS
Valuation*

*Impacts &
Drivers*

*News &
Outlook*