

Intuit Inc.
First-Quarter Fiscal 2007
Conference Call Remarks

November 16, 2006

Introduction

Good afternoon and welcome to the Intuit first-quarter 2007 conference call. I'm here with Steve Bennett, Intuit's president and CEO, Kiran Patel, our CFO, and Scott Cook, our founder.

Before we get started, I'd like to remind everyone that our remarks will include forward-looking statements. There are a number of factors that could cause Intuit's results to differ materially from our expectations. You can learn more about these risks in the press release we issued earlier this afternoon, our Form 10-K for fiscal 2006 and our other SEC filings. All of those documents are available on the Investor Relations page of Intuit's website at intuit.com. We assume no obligation to update any forward-looking statement.

Some of the numbers in this presentation will be presented on a non-GAAP basis. The most directly comparable GAAP financial measures and the reconciliation of the non-GAAP financial measures to GAAP are provided in today's press release.

After this call concludes, a copy of our prepared remarks and supplemental financial information will be available on our web site.

As you know, Intuit typically reports a seasonal loss in our first quarter when revenue from the tax business is low and expenses are relatively fixed across our quarters.

With that, I'll turn the call over to Steve Bennett.

First-Quarter Overview

Thanks, Bob ... and thanks to everyone for joining us.

As you've read in our press release, Intuit just delivered another terrific quarter, with revenue up 19 percent year-over-year, led by strong small business performance... in both the QuickBooks segment as well as the Payroll & Payments segment. Non-GAAP EPS was a loss of 12 cents... in line with our expectations.

I'm pleased with our position as we move into the next two quarters, traditionally our busiest. We're seeing positive early results with QuickBooks 2007 and are pleased with our small business momentum. In addition, we have a great new lineup of TurboTax products that will be available in retail stores starting November 21. We expect another solid year in consumer tax.

Now let me turn it over to Kiran who will walk us through the quarter in more details. Kiran...

First-Quarter 2007 Financial Highlights

Thanks, Steve. Let me start with a summary of the first quarter's results. Revenue of \$362 million was up 19 percent year-over-year. Non-GAAP loss of 12 cents per share was 1 cent better than last year's first quarter loss of 13 cents per share. On a GAAP basis, we had a loss of 17 cents per share.

	Non-GAAP			GAAP		
	Q1 06	Q1 07	Change	Q1 06	Q1 07	Change
Revenue	\$304.1	\$362.1	+19%	\$304.1	\$362.1	+19%
Operating Loss	(\$75.5)	(\$77.5)	N/A	(\$102.6)	(\$101.5)	N/A
EPS	(\$0.13)	(\$0.12)	N/A	(\$0.13)	(\$0.17)	N/A

Business Segment Results

Turning to business segment results, QuickBooks had an outstanding quarter, with revenue of \$134 million, or growth of 28%. We estimate that about \$20 million of revenue shifted from the second quarter into the first quarter because of the timing of the QuickBooks 2007 launch, without which revenue would have grown about 9 percent.

QuickBooks unit sales during the quarter were 280 thousand, or year-over-year growth of 8 percent. Note that QuickBooks revenue growth during the quarter was driven in part by sell-in, while our reported unit sales reflect sell-through. Included in this total, we saw continued growth in total new QuickBooks Online Edition and QuickBooks Desktop subscriptions. At the end of the quarter, we had 85 thousand QuickBooks Online subscribers, up 52 percent versus a year ago, and 160 thousand QuickBooks Desktop subscribers.

We also had strong growth in our Payroll & Payments business with revenues of \$126 million, up 21 percent year over year. Revenue from our payments business grew 48 percent, driven by 26% growth in customers and 14% growth in transaction volume per customer. Revenue from our payroll business grew 12 percent, driven by a 7% increase in customers and favorable mix as more customers chose Enhanced and Assisted Payroll.

Our Consumer Tax, Professional Tax, and Other Businesses segments reported revenue of \$13 million, \$10 million, and \$80 million, respectively.

Non-GAAP operating expenses increased \$60 million, or 16 percent, compared to the first quarter of fiscal 2006. We continue to invest in research and development, related both to core Small Business and Consumer Tax products and to new initiatives including Health Care. We also saw increased general and administrative expenses, some of which was due to one-time events during the quarter.

Balance Sheet and Stock Repurchase Program

Moving to the balance sheet, Intuit ended the first quarter with \$1.1 billion in cash and short-term investments. Capital expenditures were \$29 million during the first quarter.

We did not repurchase any stock during the first quarter. As you know, we currently have \$507 million authorized for further stock repurchases, and we continue to view stock buybacks as an efficient means of returning excess cash to our shareholders. We are considering implementing a 10(b)5-1 plan to allow us to repurchase our stock more consistently over time.

Second-Quarter 2007 Guidance

We are reaffirming our previous revenue and earnings per share guidance and providing initial operating income guidance for our fiscal second quarter, which ends January 31, 2007. We expect the following:

- Revenue of \$743 - \$760 million, or year-over-year growth of 0%-2%
- Non-GAAP operating income of \$211 - \$230 million
- GAAP operating income of \$185 - \$204 million
- Non-GAAP diluted EPS of \$0.39 - \$0.42.
- GAAP diluted EPS of \$0.34 - \$0.37.

As we have previously discussed, we expect revenue growth in the second quarter to be affected by several timing-related factors, including the launch of QuickBooks 2007 in the first quarter, the introduction of new bundled offerings in our Professional Tax business which is expected to cause some revenue to be deferred until the third quarter, and expected continuing rapid growth in TurboTax Online, which generates revenue primarily in the third quarter instead of the second quarter.

We are also reaffirming guidance for our fiscal third quarter, fourth quarter, and full year, which you can find in the fact sheet available on our web site.

This season, we are planning to change the frequency of our updates on TurboTax unit sales in order to strike a balance between transparency and relevance. Our new plan beginning next quarter is to issue three updates through the season. We expect to include the first update with our second quarter earnings in February, followed by a further update in March and a final update following the April 15 filing deadline.

With that, I'll turn the call back over to Steve.

Business Perspective

Thanks, Kiran.

Before we get to your questions, I'd like to provide some thoughts about the quarter behind us and the year ahead.

We continue to execute on our growth strategy of being in good businesses and attractive new markets that have large unmet or underserved needs that we can solve well. We then apply Customer Driven Innovation to solve those problems ... with right for me solutions that are easier and a better value than other alternatives. We continually improve our existing offerings, as well as create new offerings that solve additional customer pain points....

This is the same strategy we have been executing for the last 4-5 years... and we continue to learn and get better... there is an experience curve for an organization... and we continue to learn and improve our execution of this growth strategy.

That's why we believe we're positioned for another strong year: In Small Business we released QuickBooks 2007 a few weeks ago to enthusiastic reviews, with PC Magazine giving it 5/5 stars and calling it a "strongly-recommended upgrade." Our recent partnership with Google broadens our relationship with our small business customers, helping them on their most-important task – acquiring new customers. And we're excited about the growth we've seen in Payroll and Payments – particularly 27 percent customer growth in our Assisted Payroll customer base.

In Consumer Tax we have our strongest product line up ever, with a more differentiated, right-for-me product line and greater ease-of-use. We expect to continue to enjoy the tailwind of software being the fastest-growing tax preparation method. We're entering the second year of a four-year Free-File agreement and are pleased that the FFA is placing more emphasis on the historic philanthropic intent of the program.

While we are confident in our ability to grow our core businesses, we continue to look for important new problems that we can solve well in the areas of Healthcare and with Financial Institutions so we can accelerate our long term growth rate

Thanks to all the Intuit employees who delivered a great quarter and to our shareholders for your support.

Now to your questions...

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About Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures. These measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with Generally Accepted Accounting Principles ("GAAP"). These non-GAAP financial measures do not reflect a comprehensive system of accounting, differ from GAAP measures with the same names and may differ from non-GAAP financial measures with the same or similar names that are used by other companies.

We believe that these non-GAAP financial measures provide meaningful supplemental information regarding Intuit's operating results primarily because they exclude amounts that we do not consider part of ongoing operating results when assessing the performance of the organization, our operating segments or our senior management. Segment managers are not held accountable for share-based compensation expenses, acquisition-related costs, or the other excluded items that may impact their business units' operating income (loss) and, accordingly, we exclude these amounts from our measures of segment performance. We also exclude these amounts from our budget and planning process. We believe that our non-GAAP financial measures also facilitate the comparison of results for current periods and guidance for future periods with results for past periods.

We refer to these non-GAAP financial measures in assessing the performance of Intuit's ongoing operations and for planning and forecasting in future periods. These non-GAAP financial measures also facilitate our internal comparisons to Intuit's historical operating results. We have historically reported similar non-GAAP financial measures and believe that the inclusion of comparative numbers provides consistency in our financial reporting. We compute non-GAAP financial measures using the same consistent method from quarter to quarter and year to year.

The tables that accompany the press release filed by Intuit on November 16, 2006 provide more details on Intuit's historical performance and financial projections, a description of our non-GAAP financial measures, including the reasons management uses each measure, and reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures. A copy of the press release can be found on the investor relation's page of Intuit's web site at www.intuit.com/about_intuit/investors.

Cautions About Forward-Looking Statements

These remarks contain forward-looking statements, including forecasts of our expected financial results. Other statements relating to the future are also forward-looking, including: our prospects for the business in fiscal 2007 and beyond; our expectations regarding future stock repurchases; our guidance for fiscal 2007, including all of the statements under the heading "Second Quarter 2007 Guidance;" our belief that we are positioned for a strong year and that we will have a solid year in consumer tax; our assessment of potential growth opportunities; our expectation that we will benefit from general growth in the software tax preparation market; and our expectations regarding the launch of new or improved products and services.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause our actual results to differ materially from the expectations expressed in the forward-looking statements. These factors include, without limitation, the following: product introductions and price competition from our competitors, including Microsoft, can have unpredictable negative effects on our revenue, profitability and market position; governmental encroachment in our tax businesses or other governmental activities regulating the filing of tax returns could negatively effect our operating results and market position; we may not be able to successfully introduce new products and services to meet our growth and profitability objectives, and current and future products and services may not adequately address customer needs and may not achieve broad market acceptance, which could harm our operating results and financial condition; any failure to maintain reliable and responsive service levels for our offerings could cause us to lose customers and negatively impact our revenues and profitability; any significant product quality problems or delays in our products could harm our revenue, earnings and reputation; our participation in the Free File Alliance may result in lost revenue due to potential customers filing free federal returns and electing not to pay for state filing or other services and cannibalization of our traditional paid franchise; any failure to properly use and protect personal customer information could harm our revenue, earnings and reputation; our revenue and earnings are highly seasonal and the timing of our revenue between quarters is difficult to predict, which may cause significant quarterly fluctuations in our financial results; predicting tax-related revenues is challenging due to the heavy concentration of activity in a short time period; we have implemented, and are continuing to upgrade, new information systems and any problems with these new systems could interfere with our ability to ship and deliver products and gather information to effectively manage our business; our financial position may not make repurchasing shares advisable or we may issue additional shares in an acquisition causing our number of outstanding shares to grow; and litigation involving intellectual property, antitrust, shareholder and other matters may increase our costs.. More details about these and other risks that may impact our business are included in our Form 10-K for fiscal 2006 and in our other SEC filings. You can locate these reports through our website at http://www.intuit.com/about_intuit/investors. Forward-looking statements are based on information as of November 16, 2006, and we do not undertake any duty to update any forward-looking statement or other information in these remarks.