

# INTU Earnings Call Transcript

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**Quarter: 3**

Operator: Please stand by. Your program is about to begin. Good day, everyone. My name is David, and I will be your conference operator. At this time, I would like to welcome everyone to Intuit Inc.'s Third Quarter Fiscal Year 2025 Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer period. If you would like to ask a question during that time, simply press star and the number one on your telephone keypad. If you would like to withdraw your question, you can press star and two. With that, I will now turn the call over to Kim Watkins, Intuit Inc.'s Vice President of Investor Relations. Ms. Watkins?

Kim Watkins: Thanks, David. Good afternoon, and welcome to Intuit Inc.'s third quarter fiscal 2025 conference call. I am here with Intuit Inc.'s CEO, Sasan Goodarzi, and our CFO, Sandeep Aujla. Before we start, I would like to remind everyone that our remarks will include forward-looking statements. There are a number of factors that could cause Intuit Inc.'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-Ks for fiscal 2024, and our other SEC filings. All of those documents are available on the Investor Relations page of Intuit Inc.'s website at [intuit.com](https://www.intuit.com). We assume no obligation to update any forward-looking statement. Some of the numbers in these remarks are presented on a non-GAAP basis. We have reconciled the comparable GAAP and non-GAAP numbers in today's press release. Unless otherwise noted, all growth rates refer to the current period versus the comparable prior year period, and the business metrics and associated growth rates refer to worldwide business metrics. A copy of our prepared remarks and supplemental financial information will be available on our website after this call ends. And with that, I will turn the call over to Sasan.

Sasan Goodarzi: Thanks, Kim, and thanks to all of you for joining us today. We delivered an exceptional quarter with revenue growth of 15% driven by outstanding performance across our platform. As a result, we are raising guidance across all total company metrics, including revenue, operating income, operating margin, and earnings per share. The strength across the company is driven by our global AI-driven expert platform strategy, powering prosperity for consumers, small and mid-market businesses, and accountants. Our pace of innovation is accelerating, enabling our virtual team of AI agents and AI-enabled human experts to redefine what is possible. Fueling the financial success of approximately 100 million customers by automating everyday tasks, managing complex workflows and processes, and solving challenges before they arise with predictive insights and taking action. Today, I will focus on three areas: our outstanding tax results, our innovation delivering done-for-you experiences on the business platform, and progress in the mid-market. Starting with tax, I am proud of the outstanding results we delivered and the learnings we gained that will help fuel durable growth in the future. We expect consumer group revenue to grow 10% this year. This is driven by an expected 24% growth in TurboTax Live customers, resulting in 47% growth in TurboTax Live revenue, well above our long-term expectation of 15% to 20% revenue growth. With our investment in data, AI, and AI-enabled human expertise, we are disrupting the assisted category with experiences that are resonating with customers across both consumer and business tax. We also made significant progress unlocking a seamless customer experience across TurboTax and Credit Karma, which is expected to deliver a point of consumer group revenue growth this year, showcasing the power of our consumer platform. The exceptional results are fueled by strong execution of our strategy to win as an AI-driven

expert platform by delivering the best experience, speed to money, and the best price for customers. This tax season, data and AI powered many elements of our customer experience. Our done-for-you experiences drove a 12% reduction in the average time a customer spent on their return, with more than half of our do-it-yourself and do-it-with-me customers completing their return in under one hour. This includes expanding data from over 200 partners to cover 90% of our customers' most common tax documents, up from 68% last year. Our AI capabilities also helped guide customers to the offering that was right for them, whether filing on their own or having our AI-enabled human experts complete their return for them in as little as two hours. Our data and AI platform capabilities had a profound impact on the productivity of our experts. By doing a lot of the work for them and helping them finish returns quickly and accurately, they spent more time engaging and onboarding customers. For our full-service offering, we saw double-digit improvement in conversion and an approximate 20% reduction in the amount of time experts spent preparing a return. Our results also demonstrate the incredible opportunity to win as one consumer platform with TurboTax and Credit Karma. Our seamless zero-click login was available to approximately 70% of Credit Karma members this season, up from 5% last season. This drove new customers to TurboTax, with 22% of these customers using our live offerings. In addition, we facilitated faster access to more than \$12 billion in refunds with our money innovation, including our up to five days early offer and refund advances in our consumer platform. This is the power of our platform at scale. I am proud of what the team delivered this year. We have new insights, momentum, and are well-positioned to disrupt the \$35 billion assisted tax category in the years ahead. Let me now turn to the business platform, where we are seeing strong momentum and making progress delivering done-for-you experiences with expertise. Our focus is on automating tasks, end-to-end workflows, and entire processes connecting customers to AI-enabled human experts for that last mile of decisions or to complete the work for them. Our done-for-you experiences are resonating with customers, with nearly a quarter of our invoicing customers now having used generated invoice reminders since we launched in November. With these capabilities, we are seeing more than a 10% higher payment conversion rate on overdue invoices when customers use AI-generated invoice reminders versus when they do not. We also saw a 2x increase in QuickBooks Live connecting customers to AI-enabled human experts. Let us now shift to the next chapter of growth. We are soon launching transformative innovations across our business platform to help our customers achieve success with less effort and complete confidence. To accomplish this, we will be introducing a broader set of end-to-end AI agents, including customer, payments, finance, project management, and accounting agents, to take the next large step in delivering done-for-you experiences. Coupled with insights and recommendations to grow and run a business, our goal is to solve challenges before they arise with predictive insights, take smart action on our customers' behalf, and seamlessly connect them to AI-enabled human experts when needed, with customers always in control. This includes AI agents specific to our mid-market offerings, doing the work for businesses and accountants, saving them time, delivering insights, and assisting with decisions to ultimately fuel their growth. We are building these AI agents to help customers get paid faster, uncover new growth opportunities, and improve productivity by reducing the tedious and repetitive tasks of running a business. We plan to introduce a refreshed end-to-end platform that completes key jobs all in one place with a virtual team of AI agents seeing much of the work side by side with our customers. With these new experiences, we are evolving our product lineup and pricing for value. This will be introduced in the coming weeks. Turning to mid-market, we continue to make strong progress serving mid-market customers, which represents an \$89 billion TAM. We are focused on winning as an AI-driven expert platform to fuel the customers with \$2.5 million to \$100 million in annual revenue with QBO Advanced, Intuit Enterprise Suites or IES, and our ecosystem of connected services. Businesses and accounting firms are over-digitized. They are paying too many solutions that do not talk to each other, and they are spending too much time trying to connect data to understand what is happening in their business without enough benefit. Intuit Inc.'s platform is becoming a one-stop shop where they can see the performance of their entire business in one place, giving them the insights they need to better run their business. This is why mid-market customers across industries, including construction, IT services, legal services, management consulting, finance, and insurance, are choosing Intuit Enterprise Suite. We recently signed a deal with an 18-entity title company. As a company outgrew QuickBooks, it switched to a larger competitive ERP

solution. However, just after two months after migrating, the company returned to Intuit Inc. to use Intuit Enterprise Suite, despite already making a significant investment in their new ERP solution. The company found significant value in Intuit Enterprise Suite, including a seamless integration with apps the company was previously using, and the consolidated reporting and other multi-entity features the company needed, all in one place, without unnecessary complexity. In addition, being able to add Mailchimp marketing capabilities strengthened the overall value proposition of Intuit Enterprise Suite for this customer. We are accelerating progress delivering innovation on IES through quarterly product releases, which we believe will help us more effectively penetrate a larger portion of our TAM and better serve customers across a variety of verticals. Our March product release added features to further accelerate how our customers manage their growth and profitability. These include new multi-entity expense allocation capabilities that reduce manual work by simplifying transaction management between entities, a new multi-entity hub where customers can easily monitor KPIs such as sales, expenses, and profits across entities all in one place, enabling them to make faster decisions, and new dimensional P&L; tools that help customers build more robust forecasts, help unlock more in-depth analysis, and better decision-making. We are also strengthening our partnership with the largest accounting firms as we evolve our go-to-market strategy. I have been meeting with many of these accounting firms and see firsthand the growing excitement for Intuit Enterprise Suite. The offering is helping accountants serve their business customers more efficiently and helping them grow their practice profitability. We are partnering with them to serve mid-market customers and are invested in their success. As a result, accountants have driven approximately 15% of all Intuit Enterprise Suite deals. Wrapping up, I am proud of the momentum in our business and the grit of our team, and more importantly, the inspiration we get every day from all the customers we serve. This quarter, we were recognized by Fortune as one of America's most innovative companies. And with our culture of builders igniting innovation, we are well-positioned to win as an end-to-end platform. Now let me hand it over to Sandeep.

Sandeep Aujla: Thanks, Sasan. We delivered a strong third quarter of fiscal 2025 across the company. Our third-quarter results include revenue of \$7.8 billion, up 15%, GAAP operating income of \$3.7 billion, up 20%, non-GAAP operating income of \$4.3 billion, up 17%, GAAP diluted earnings per share of \$10.02, up 19%, and non-GAAP diluted earnings per share of \$11.65, up 18%. Now turning to our business segments. Consumer group revenue of \$4 billion grew 11% in Q3, and we expect it to grow approximately 10% this year. This outstanding tax performance reflects strong execution against our strategy to win as an AI-driven expert platform by delivering the best experience, speed to money, and best price for customers. We made significant progress against our strategic priorities of disrupting the assisted tax category and winning in the DIY category. This year, we expect TurboTax Live customers to grow 24% and revenue to grow 47%, accelerating 13 and 30 points, respectively. Our outstanding results reflect success with AI-enabled personalized experiences that guide customers to the offering right for them and strong customer growth in our full-service consumer and business tax offerings, outpacing overall TurboTax Live growth. Our limited-time free mobile app offer resonated and brought new customers into the franchise, many of whom opted for our beneficial pay services. We expect total online paying units to grow 6% this year on share gains from higher ARPR filers. We saw strong monetization across simple and complex filers, driving an expected 13% increase in average revenue per return or ARPR as more customers choose our assisted offerings and fast access to refunds. We expect pay-nothing customers of approximately 8 million, down from over 10 million last fiscal year. This reduction is a result of optimizing marketing ROI and shifting our focus towards disrupting assisted tax, which resulted in yielding share with lower quality ARPR customers as anticipated. We expect online TurboTax units to decline approximately 1% this year and our share of total returns to decline approximately one point. In summary, I am incredibly proud of our performance this season, particularly the progress we made transforming assisted and the 47% growth we expect in TurboTax Live revenue, representing approximately 40% of our consumer group revenue. We see a long runway ahead for growth. Turning to the pro tax group, revenue grew 9% in Q3. For the full year, we expect ProTax Group revenue growth of 3% to 4%. Based on a strong performance in tax this season, we are raising our guidance for fiscal 2025 revenue growth for the consumer group to 10% from 7% to 8% previously. I am proud of the progress we made this season and the learnings we gained, which reinforce our

confidence in the future. Moving on to the business platform, Global Business Solutions Group revenue grew 19% during Q3, driven by online ecosystem revenue growth of 20% or 24% excluding Mailchimp. This momentum in our online ecosystem demonstrates the power of our business platform and the mission-critical nature of our offerings as customers look to grow their business and improve cash flow. Our robust growth was largely consistent with prior quarters and broad-based across online accounting and online services. QuickBooks online accounting revenue grew 21% in Q3, driven by higher effective prices, customer growth, and mix shift. We continue to prioritize disrupting the mid-market through ongoing focus on both go-to-market motions and product innovations, which we expect to continue to drive strong ERPC growth. Online services revenue grew 18% in Q3, or 29% excluding Mailchimp. Growth in Q3 was driven by money, which includes payments, capital, and bill pay, as well as payroll. Within money, revenue growth in the quarter reflects payments revenue growth, which was driven by customer growth, an increase in total payment volume per customer, and higher effective prices, as well as QuickBooks capital revenue growth. Total online payment volume growth in Q3 was 18%, or 20% excluding the leap day last year, representing an acceleration from Q2. Within payroll, revenue growth in the quarter reflects customer growth, mix shift, and higher effective prices. Within Mailchimp, revenue was relatively flat versus a year ago, as we have shared previously. We expect it to take several quarters to deliver improved outcomes at scale. In addition to ensuring the merchant offerings resonate with our core small business customers, we continue to make progress with mid-market customers where we can deliver the platform benefits such as the IES customers that Sasan cited earlier, that is also using Mailchimp. We remain confident in and are executing on a vision of an end-to-end business platform that integrates the power of Mailchimp and QuickBooks services, enabling our customers to both run and grow their business all in one place. As we have shared previously, we win as a platform. Our online ecosystem revenue growth reflects the progress we are making with a strategy of serving both small and mid-market businesses with more complex needs. This represents an addressable market of over \$180 billion, roughly half of which is mid-market. In Q3, online ecosystem revenue grew 20%, including approximately 40% growth in online ecosystem revenue for QBO Advanced and Intuit Enterprise Suite, the service mid-market. Online ecosystem revenue for small businesses and the rest of the base grew a strong 17%. We are excited about our progress in serving mid-market customers while continuing to focus on smaller businesses. Looking ahead, we expect online ecosystem revenue growth to accelerate to approximately 21% in Q4 and to grow approximately 20% in fiscal 2025. Turning to desktop, during Q3, desktop ecosystem revenue grew 18% and QuickBooks desktop enterprise revenue grew in the high twenties. As a reminder, quarterly desktop ecosystem revenue growth trends in fiscal 2025 reflect the offering changes we made in early fiscal 2024 to complete the transition to a recurring subscription model, including more frequent product updates. We expect desktop ecosystem revenue to grow in the mid-single digits in fiscal 2025. Based on strong progress throughout the year, we now expect GBSG revenue in the upper band of our previous guidance, representing 16% revenue growth for fiscal 2025. This guidance reflects more than a point of headwind from lower merchant revenue growth than we anticipated at the start of the fiscal year. Excluding Mailchimp, we are seeing strong performance across the rest of our business platform. Moving to Credit Karma, Credit Karma revenue grew 31% in Q3, reflecting strength in credit cards, personal loans, and auto insurance. On a product basis, credit cards accounted for 14 points of growth, personal loans accounted for 12 points, and auto insurance accounted for three points. As a reminder, in Q3, we began lapping the strong growth in auto insurance that began a year ago. As Sasan mentioned earlier, we expect Credit Karma to drive a point of consumer group revenue growth this fiscal year as we execute on our vision of one consumer platform with a seamless customer experience across TurboTax and Credit Karma. Based on continued strong momentum in Credit Karma, we are raising our guidance for fiscal 2025 revenue growth to 28% from 5% to 8% previously. In summary, I am pleased with the momentum this fiscal year and our opportunities ahead. Shifting to our balance sheet and capital allocation, our financial principles guide our decisions that remain our long-term commitment and are unchanged. We finished the quarter with approximately \$6.2 billion in cash and investments and \$6.4 billion in debt on our balance sheet. We repurchased \$754 million of stock during the third quarter. Depending on market conditions and other factors, our aim is to be in the market each quarter to offset dilution from share-based compensation over a three-year period. The board approved

a quarterly dividend of \$1.04 per share payable on July 18, 2025. This represents a 16% increase per share versus last year. Moving on to guidance, we are increasing our fiscal 2025 total revenue, operating income, implied operating margin, and earnings per share guidance. This includes revenue growth of 15%, up from prior guidance of 12% to 13% growth. GAAP operating income growth of 35%, up from prior guidance of 28% to 30% growth and reflecting a 390 basis points of margin expansion versus prior year. Non-GAAP operating income growth of 18%, up from prior guidance of 13% to 14% growth and reflecting 100 basis points of margin expansion versus prior year. GAAP diluted earnings per share growth of 26% to 27%, up from prior guidance of 18% to 20% growth and non-GAAP diluted earnings per share growth of 18% to 19%, up from prior guidance of 13% to 14% growth. Our guidance for the fourth quarter of fiscal 2025 includes total company revenue growth of 17% to 18%, GAAP earnings per share of \$0.84 to \$0.89, and non-GAAP earnings per share of \$2.63 to \$2.68. We continue to leverage AI to operate more efficiently and increase productivity across the company. The impact we are seeing from implementing AI capabilities across our platform bolsters our confidence in our ability to continue to grow operating income faster than revenue, including the 100 basis point margin improvement we expect this fiscal year while investing in growth. You can find our full fiscal 2025 and Q4 guidance details in our press release and on our fact sheet. Now, before I close, I want to share my thoughts on the uncertain macro environment. We are consistently hearing from customers that the mission-critical nature of our offerings is helping them grow their business, make better decisions, and improve cash flow. With the breadth of our platform, diversity of our customer base, and the insights we gain from our data, we are confident in our ability to manage through uncertainty. I am proud of the strong growth we are delivering this fiscal year. Our progress using AI across our platform gives us further confidence in our ability to grow our revenue and operate more efficiently over time, enabling us to invest in growth while continuing to expand margins in fiscal 2025 and beyond. With that, I will turn it back over to Sasan.

Sasan Goodarzi: Thank you, Sandeep. Intuit Inc. is on its way to becoming a one-stop shop powering the prosperity of consumers, businesses, and accountants with our AI-driven expert platform delivering done-for-you experiences. Given our early bets on AI, the significant investments we have made in the last decade in data, AI, and AI-enabled human experts, we are positioned extremely well to fuel our customers' growth and save them money. We see an incredible opportunity ahead to further penetrate our massive \$300 billion total addressable market and particularly to accelerate serving small and mid-market businesses. With that context, we are doubling down on our focus on the three most critical areas in the global business solutions group, including small business, mid-market, and services, which include money and workforce solutions. Going forward, each of these areas will be led by a proven leader reporting directly to me. Mariana Tessel has done an incredible job setting us up to win as an end-to-end platform, and going forward, she will lead small business, which includes our QuickBooks and Mailchimp businesses. Ashley Still will lead mid-market. She joined us from Adobe, where she held senior leadership roles for more than ten years. During her tenure, she grew document cloud into Adobe's second-largest business. Most recently, she led the creative cloud business to \$13 billion in revenue, growing double digits and serving a range of customers from individual creators to large businesses. David Hahn is a strong leader with decades of experience leading business and product teams at scale. Over the last eighteen months, under his leadership, we have brought to market critical innovation to our customers across our money offerings, delivering nearly 40% online revenue growth year to date. Moving forward, David will lead services consisting of money and workforce solutions serving both small and mid-market businesses. Together, they remain part of our global business solutions group reporting segment. These changes will drive increased focus and velocity on our biggest growth opportunities to help us accelerate winning as a business platform. Wrapping up, we have exceptional momentum across the company. Our platform is increasingly becoming more critical than ever to our customers. We are confident in our long-term growth strategy, including double-digit revenue growth and operating income growing faster than revenue. And we have a long runway ahead of us. Now let us open it up to your questions.

Operator: Absolutely. Ladies and gentlemen, if you would like to ask a question, please press star and one on your telephone keypad. If you would like to withdraw your question, please press star and two. We would like to get as many people as we can. We will take our first question from Siti Panigrahi with

Mizuho. Please go ahead. Your line is open.

Siti Panigrahi: Thank you, and congratulations. It is a great quarter. Sasan, I think, outstanding consumer tax business. So my question is, you know, of course, the last two years, we delivered sub-8% growth, now double-digit growth. And even the live revenue, 47%. And if I heard correctly, full service within Outplay stack. So what have you learned this year in your strategy, and how sustainable is this given that you are barely penetrated in the assist tech category to further drive this kind of double-digit growth?

Sasan Goodarzi: Yeah. Thank you, Siti. You know, first of all, I want to just commend our team across the entire company with the grit and the focus to deliver for our customers. Siti, I would just say, a lot of things worked. Really, the focus that we had was to win on experience, to win on price, and to win on fastest access to money. And, you know, the investments that we have been making on the platform, where data AI agents and AI-powered human experts can do the work for our customers really knocked the ball out of the park. Our conversion was up double digits. As you heard from Sandeep and I, full-service consumer and business tax had outsized growth. Credit Karma contributed to a point of growth based on all of the seamless experience improvements that we made. Over 20% of those customers were TurboTax Live customers. And a lot of the work that we did in our go-to-market in terms of how we shaped the category, how we showed up on air, how we showed up digitally, how we showed up locally. And as you saw, you know, this year in the IRS data, assisted actually grew faster than DIY, and we had a hand in that. So I feel very good about our progress. It was truly a breakthrough adoption year that we have been waiting for. And we are really excited about the future not just because of our results but because actually of what did not work. There is a lot of work that we did that created a lot of traffic from prior assisted customers, but there is a lot we learned where there was still a lot of friction in their experience. To use an example, when you Google a tax pro near me and we showed up, you ended up falling on a landing page. And the first thing you had to do was authenticate. The first thing you need to do is connect to an expert. And so that is just an illustrative example. Where although we improved the experience in a superior way compared to last year, there is still so much that we can do to make the end-to-end experience seamless, and that is what gives us a lot of confidence looking ahead and the sustainability of what is possible when we think about the consumer group performance.

Siti Panigrahi: That is great. Thank you, Sasan.

Sasan Goodarzi: You are very welcome.

Operator: We will take our next question from Brad Zelnick with Deutsche Bank. Please go ahead. Your line is open.

Brad Zelnick: Great. Thank you so much, and congrats again on a spectacular end to tax season and guide for the full year. I want to follow up on Siti's question and specifically drill into the 47% growth in live in full service. Just well exceeded our expectations and seems to really validate your assisted strategy. Can you maybe further unpack the performance just to understand what really drove this? And maybe within that, the TurboTax offices and local strategy, and maybe where you might be constructively dissatisfied and what remains an opportunity?

Sasan Goodarzi: Yeah, Brad. First of all, thank you for your kind words and your question. I would really put it in the context of typically customers that we may have lost in the past because there was a life change. They bought a home or they sold more stock, and they just felt like, you know, I am not sure I can do my taxes this year. We just did a lot of work to make sure that our own customers actually are aware that our platform now comes with experts. Whether you just want a holding hand or you want somebody to do it for you. So we saw adoption within our base. I think the second thing I would just say is we saw breakthrough adoption of new customers in full service across both, by the way, consumer and business. We see business tax as a massive opportunity along with consumer tax. So that really we saw outsized growth and impact this year. To answer your question of what we are constructively dissatisfied with, there are two sides of a coin. A lot of what we did in our go-to-market campaign to bring interest from those that last year had somebody else do their taxes for them worked. We saw unprecedented traffic. But as I mentioned in answering Siti's question, it was very basic things that we learned. Although we significantly improved the platform, so once you got to us, you immediately got engaged with an expert. Where we have room to improve is if you did a search or if you saw that we

have a local office, you know, the first thing you needed to do is to authenticate. And, you know, these prior year assisted customers are not used to the first thing they need to do is authenticate. That is a software approach versus a service-led approach. So that is an example, but it is a big example of where we saw a lot of fall-off this year. And we know exactly what we need to do to improve that experience. We have actually, by the way, started improving it towards the end of tax season. That is an area where we are constructively dissatisfied and an area that gives us a lot of, I would say, inspiration in terms of what is possible as we look ahead.

Brad Zelnick: Fantastic. That was really helpful. Thanks again.

Sasan Goodarzi: Yep. Thank you, Brad.

Operator: We will take our next question from Alex Zukin with Wolfe Research. Please go ahead. Your line is open.

Alex Zukin: Hey, guys. Thanks for taking the question and congrats to Mr. Zelnick for the constructively dissatisfied. I am going to have to take that one and use it for other questions. But, Sasan, I am going to ask you the AI question, and I am going to ask it two ways. First, maybe just clarify the launch around these new agentic offerings, the opportunity set that this brings you into, what kind of pricing model you are contemplating? Is there a broader pricing opportunity that you now have on the small business solution segment? And on the OpEx side, you know, how persistent is the current level of headcount? Because to some extent, you are certain to reap the benefits of AI from an efficiency gain perspective. So maybe just walk through how that helps you bend the curve on OpEx going forward from here.

Sasan Goodarzi: Sure. I will get us started, and we will just invite Sandeep if he wants to add anything to the great set of questions. First of all, the launch that I alluded to is a really big deal. And what we are about to launch is extremely hard. Because in essence, what we are launching is the next step in creating a one-stop shop where we do the work for our customers. And what we are launching is a set of AI agents and AI-enabled human experts that are doing the work for customers. Very specifically, we are launching a customer AI agent, a payment AI agent, a project management AI agent, an accounting AI agent. And what is remarkable about the work that the team has done is that these agents talk to each other. That is not an easy thing to pull off. And so what that will do for the customer is the customer agent, for instance, will be able to go into a customer's email and decipher the hot leads for them and create a pipeline for them and help them manage those customers through the selling cycle. The payments agent actually focuses on cash flow and will optimize money in and money out. What does that mean? The payments agent will do things like ensure that the customer has access to a line of credit or instant deposit. Or go remind customers that invoices are due or will create an estimate invoice and get the customer paid. The agents will do the work for the customer, but the agents also know how far it can go. And it will interact with a human, the accounting agent, where it does a lot of the categorization for the customer, that agent has the ability to engage a human expert to ask follow-up questions so they know what to categorize certain things correctly. So that machine learns the next time it knows how to categorize something that was vague, appropriately going forward. So the net-net, if you pull back, this is in context what we declared more than a year ago. And it is the next phase of now done-for-you where we can do the work for our customers. Which gets to the second point, and that is that the work the team has been hard at work in terms of the benefit orientation of and the impact and the ROI of what we are launching. And evolving our lineup with not only the benefits of what you get based on what you pick and what AI agents you get based on what SKU that you are in, but also pricing that for value. Because the biggest thing that we have learned by talking to customers and being in market and doing testing is that what we are about to launch helps customers eliminate the use of other apps. Which means in essence, they are getting more for their money, more benefits, and actually spending less money on other apps and spending it in one place with us. So one element is just pricing for value one for one. The other element, which will, I think, show up more in our mid-market offering across QBO Advanced and Intuit Enterprise Suite, is there will be certain modules. I will not name what they are. Just well, you will need to wait for our launches coming up. Where based on the customer use, the customer will actually pay additionally for that module. So there is price one for one. Then there is actually consumption and paying for the benefits of a module. That is ultimately how we are thinking through pricing. The last thing I would say is, you know, we have been very consistent in the last whatever, decade, but particularly in the last several years that we are investing in data and AI

for two reasons. One, we want to reinvent the experiences for customers. And we want to reinvent how we do the work internally. So we have a lot of based on just what you heard from Sandeep, right, we have a lot of platform leverage based on all of our automation, all of our AI investments. To not only make our own folks productive and how we manage OPEX, ensuring that we are investing enough in growth, but also expanding our margins. And we just view these as continue to be the early days of what is possible. But let me invite Sandeep to see what he would add.

Sandeep Aujla: Hey, Alex. Love your question. Let me open up the aperture a bit more on the question about AI and efficiencies. I will open up to our conference and continue to expand margins. As we demonstrated this year, our ability to expand our margin by 100 basis points while bringing new innovation such as the AI agents that Sasan just walked through. While scaling assisted tax to 47% revenue growth, while building a mid-market go-to-market capabilities are all a testament to us using technology, whether it is AI, whether it is automation, is testament to our ongoing spend discipline, and that is what gives me the confidence. It should give you the confidence in our ability to adhere to our principle to grow operating income faster than revenue. So I continue to feel good about it. We feel we have the right level of staffing. And I think this ongoing efficiency will help us reduce our scaling of headcount, less than what would have been without these efficiencies in the years to come.

Alex Zukin: Excellent. Thank you, guys.

Sandeep Aujla: Thank you, Alex.

Operator: We will take our next question from Raimo Lenschow with Barclays.

Raimo Lenschow: Thank you. Congrats from me as well. I wanted to switch over to Credit Karma. And, obviously, like, very, very strong results. Like, if you think about where you started guiding the year, where it is you are coming out, that it would be, like, a very, very big positive delta. Can you speak a little bit about, you know, you mentioned the drivers as well, but, like, you know, that seems like a big step up. And in a way, what did you learn about visibility for that business unit? Thank you.

Sandeep Aujla: Thank you for the question, Raimo. On Credit Karma, there are two things that are really driving this. One is the continued stability in the macro. But to a larger point, the majority of the results is driven by our execution. The teams work on integrating AI that is driving better connection of the right offers for the customer and the partners yielding higher ARPC. It is also helping us with the innovations such as Lightbox, TakeShare, our partner spend across credit card and personal loan, and continue to innovate us take in share in new segments such as insurance. So this is what I internally refer to as generating management alpha. And it is that management alpha that has set this business on a very different trajectory than what we were talking about twelve months ago.

Raimo Lenschow: Okay. Perfect. Thank you.

Sandeep Aujla: Mhmm. You are very welcome.

Operator: We will take our next question from Kash Rangan with Goldman Sachs. Please go ahead. Your line is open.

Kash Rangan: Hi. Thank you very much. It is super hard to go out for Sandeep and still get to ask all the good questions that I have got to think really, really hard. And after that, the rabble, especially. But I want to say, first of all, that the granularity, the openness, and the level of detail of the presentation is best in class. So really nice job there, Sasan. With that, thank you for the question. So when you look at the cycle ahead, Sasan, we certainly have AI as a tailwind for you. You have got the pricing as a tailwind. The company is arguably in a much stronger position today than it was two or three years ago. If we are to enter a downturn, what do you think is the pricing power of Intuit Inc., especially in the small and medium business space? And how resilient is the Intuit Inc. business? That you see that I do not have, like, taxes, not asking a tax question because you guys crushed it. But how resilient is the company from an SME standpoint? This time around versus the rising inflation, rising rates, issues that we all uncomfortably dealt with three years ago. Congratulations. Thank you so much.

Sasan Goodarzi: Hey, Kash. First of all, thank you for the kind words. We will pass it on to the team, and great questions. Let me answer your question in three buckets, and let me just try to be brief about it. The first bucket is if you look at Intuit Inc., more than 90% of the company is recurring revenue and subscription-based. And we are mission-critical to what customers need to do to manage their life, whether it is actually as a consumer, their taxes, and getting access to money. And as a business, we are the core platform that they use to grow and run their business. So that is sort of the first bucket. And

we are actually in many ways, more resilient than we were years ago. We may be serving the same customers, but we are serving a larger, more diversified set of customers. And 90% of the company is recurring and subscription-based. So that is bucket one. The second bucket that I would tell you is when we look at the assisted tax segment, both consumers and businesses and mid-market, we are actually the low-cost disruptor. You know, as I am out there talking to large accounting firms and larger businesses, they are over-digitized. They are overspending on a bunch of different apps. Their data is locked up in a bunch of different apps. They do not know how their business is performing. They are spending more time trying to figure out what is going on and more money. And we are maybe even more conviction around what is possible, around disrupting mid-market and moving even faster because we actually save our customers money. We increase their ROI, and they pay us less than they pay for all the apps that they use today. That 18-entity title company we use as an example was just one example of a customer that falls exactly into that bucket. And the same thing when it comes to taxes. For businesses and for consumers. We win on experience. We win on price. We win on access to your refund, to your money. And so when you look at those three things that I mentioned, recurring subscription-based, the assisted tax segment, and mid-market, we are incredibly resilient because we are actually the price disruptor, and therefore, we have a lot of ARPC tailwinds as we look ahead. So that is the way we think about the way we run the company, and that is how we think about our resiliency.

Operator: We will take our next question from Kirk Materne with Evercore ISI. Please go ahead. Your line is open.

Kirk Materne: Yeah. I will echo the congrats on a really strong quarter. Sasan, I was wondering, or I guess, like, the example you gave on Intuit Enterprise Services about the Boomerang customer was an interesting one because I think a lot of us think about the sort of upper market for you all sort of keeping churn at a and keeping your customers in your ecosystem. Now that you have had this product in the market for longer, are you starting to see more opportunities like that where you can go and reclaim customers that might have left the ecosystem six, twelve months ago, maybe even start to, you know, replace, you know, other vendors that are out in the market? I was just kind of curious, you know, if your perspective on that has changed at all over the last six, you know, six months or so. Thanks.

Sasan Goodarzi: Yeah. Kirk, thanks for your question. I think the short answer is no. Perspective has not changed. And let me just refresh our focus areas. You know, we have a huge base of customers that have the opportunity to upgrade either to QuickBooks Advanced, which we view as mid-market, as emerging mid-market, or Intuit Enterprise Suite, and all the ecosystem of services that comes with it. These are customers in the \$2.5 million in revenue to \$100 million in revenue. And, really, that has been the focus as we built out our platform capabilities. That has been the focus as we built out our Salesforce, which is actually covering our own base. In parallel, we are starting to build out our go-to-market to actually start hunting outside of our base. The example of that 18-entity title company is simply word-of-mouth. They heard about Intuit Enterprise Suite. And they started thinking about, well, now that that is available, it is the very reason why I left Intuit Inc., I should reconsider going back to Intuit Inc. And then when they assessed, well, why would I go back? They realized we are superior on experience. We are superior on price. And we are superior on the total cost of ownership. When you think about what it takes to upgrade or migrate to other ERP systems, that was just an example of word-of-mouth. That is starting to happen more and more. It is still a smaller part of where our growth is coming from. But it is just an indication why, which is why we used it in the earnings script to talk about what is possible as we start hunting for new outside of our base. But I will end with where I started. What we have been sharing with you all, which is where our focus is, is unchanged.

Kirk Materne: Thank you.

Sasan Goodarzi: Yep. Very welcome.

Operator: We will take our next question from Alan Virkofsky with Scotiabank. Please go ahead. Your line is open.

Alan Virkofsky: Hey, guys. Thanks so much for taking the question. I will add another one to the congratulations bucket. It is a truly fantastic quarter. Sasan, you gave a lot of great color on the AI agents you are rolling out. The different ways you are going to monetize them. Can you talk about how you are thinking about general pricing increases going forward in the context of the macro? And

separately, maybe just update us on your confidence and the drivers behind being able to continue to grow GBSG revenue over 15%?

Sasan Goodarzi: Yeah. Well, let me address your question in a couple of ways, and I will go back to one of the comments that I made earlier, which is I think the most important comment to take away, and that is customers actually, particularly the larger customers, are actually saving money as they migrate more of their platform to us. And to be very specific without naming other apps, these larger customers can be using anywhere between three up to fifteen applications to run their business. And they are paying for each of those apps. And then what they have realized is they are actually now worse off than they were before when they were manual because they have got their data trapped in all these apps. They do not really know how their business is performing. They are actually getting less benefit and spending more money. So when you think about what I just articulated that we are rolling out, yes, we are going to create value by, in some cases, one-for-one pricing increases. But from a customer lens, in some cases, in fact, in most cases, they are actually paying less. Because they have now the option to stop using other applications. Because ultimately, what we are trying to do with this refreshed platform and the AI agents that are going to be doing the work is to actually create a business intelligence layer where a customer can see how they are performing all in one place, which is the power of the platform. So that gives us a lot of pricing opportunity because of the innovation, from a customer lens. They are actually in many cases spending less money. That is really important as you think about what our pricing power is as we think about customers that are even \$500,000 to \$1.5 million in revenue, you go above that, we are actually a price disruptor. So we have a lot of leverage to be able to think about higher ARPC and higher pricing. You know, the combination, you know, of all of that, which is winning and serving small businesses, winning in mid-market, all the services capability that we have, and then getting Mailchimp to be accretive to growth, that is what gives us confidence around, you know, long-term sustainability of the growth of the business franchise.

Alan Virkofsky: Very clear and exciting. Thank you, Sasan.

Sasan Goodarzi: Thank you.

Operator: We will take our next question from Brent Thill with Jefferies.

Brent Thill: Thanks. Sasan, the TurboTax breakthroughs that you have highlighted and good to see on CNBC earlier, what would you characterize as the most impactful thing that really drove this magnitude of positive upside? Was there one or two things? Was there multiple things? How would you unpack that?

Sasan Goodarzi: Yeah, Brent. I would tell you a little bit of everything we have been doing. Not just this year, but over the years based on what we have learned and what we implemented works. It is not just one thing. Full-service consumer and business tax really delivered in an outsized way. You know, better conversion, better expert productivity, well above where we were, you know, this time last year. The breakthrough adoption of our experts in our own base and a lot of it just go-to-market changes that we made. Just about a little bit of everything worked. And I just want to emphasize the reason why we acquired Credit Karma. Credit Karma was a big contributor, not only in terms of the point of growth in tax but just the early access to money which really creates a platform where customers are engaging year-round. And so as I said earlier, what we are most excited about, because just a little bit of everything worked, actually the things that did not work and what gives us confidence as we look ahead.

Brent Thill: And that durability for next year, what gives you confidence that we just got through this and you want to take a victory lap for what you just accomplished, but the sense of durability now with TurboTax Live into next year, what gives you that confidence as I know we are a ways out, but what is giving you that continued confidence that we are in a better position now with tax?

Sasan Goodarzi: Well, listen. We did our victory lap on April 16th. We are over it. We have been on to next year while we were in tax season. So thank you for reminding us of the victory lap, but we have done the laps around the buildings and we are done. We have moved on to the future. Listen. It is continuing to really do several big things. But it all starts with we want to win on experience. We want to win on price. And we want to win on immediate and early access to your money. And those are the end-to-end platform capabilities that allowed us to be where we are this year and what is possible looking ahead. So there is a lot of work. In fact, Sandeep and I were with the TurboTax team all day

yesterday. Reviewing all the great work that they are doing to improve the platform. And I commend the team because most of the day was focused on where they are constructively dissatisfied. Where we need to move faster. And listen, the thing you all need to think about to just end with really the essence of the question you are asking is TurboTax Live is now 40% of the franchise. And we always said when it gets to 50% plus, right, the growth formula flips. And it changes. And so what we said is we are going to grow TurboTax Live between 15% to 20%. We have a lot of confidence in that range. We had an outsized year this year. Our focus is always to have an outsized year like the year we just had. Please know that we are very focused on next year, and that focus started almost, you know, several years ago. So we have a lot of confidence as we think about the run rate here.

Brent Thill: Great. Thanks.

Sasan Goodarzi: You are very welcome.

Operator: We will take our next question from Michael Turrin with Wells Fargo Securities. Please go ahead. Your line is open.

Michael Turrin: Yeah. Great. Thanks very much. Appreciate you taking the question. Just on EPS growth, we are not seeing many high teens growth rates there. Sandeep, would be good to hear you just speak through the impact you are seeing across segments, whether any of the headcount optimization you entered the year with is presenting a bigger expansion opportunity this year or just how you are thinking about the margin progression both this year and into the future? Thank you.

Sandeep Aujla: Yep. Thanks for the good question, Michael. As I think about this year, the strength we saw in the margin was really across the board. Of course, the strong revenue performance across each one of our businesses, all the business in essence hitting on all cylinders helped. And then when it came to the operating expenses, we have embedded utilizing technology, utilizing AI, utilizing automation throughout how Intuit Inc. works. Last quarter, I shared the productivity gains we saw on the customer success organization. But beyond that, that was just one example. We are seeing productivity gains in our technology organization where developers are being able to code up to 40% faster. We are embedding it across throughout the finance organization, throughout the marketing organization, through the sales organization. And this is really still in the early chapters. So that is where it is giving me the confidence that we have the ability to continue to scale this business, continue to invest in growth, and continue to have expenses grow, sorry, operating income grow faster than revenue and deliver margin expansion to you all.

Michael Turrin: Thank you.

Operator: We will take our next question from Scott Schneeberger with Oppenheimer. Please go ahead. Your line is open.

Scott Schneeberger: In the tax category, essentially, two questions here. Sasan, could you touch on the assisted category, the outsized growth, for the industry? I do not think any of us saw that coming this year. And your role in it. You have touched on it, but it would be great if you could elaborate a little bit more there. And then also on your marketing spend this year, specifically in the consumer category, I think it was a little bit earlier. It might have been a little bit higher. What were the learnings from what you did, and did it play the way you expected? Thanks so much.

Sasan Goodarzi: Yeah. Thanks for the question, Scott. I will tag team this with Sandeep. You know, on the assisted category, you know, listen. You all know our story and what we are trying to do. You know, when you talk to customers, consumers, and businesses that for the most part, have others do their taxes for them, it is extremely manual. It is a long process. There is a lot of back and forth. There is a lack of transparency in terms of just knowing how much am I going to pay, and it is just sort of a box. You do not know what is happening. And what we are doing is creating a new way of what is possible and being disruptive. And disruptive in terms of really enabling consumers and businesses to focus on their life while they while we virtually collaborate in an extremely seamless way. To get their taxes done for them. But also guarantee them that they are going to pay less than they paid somewhere else. And that we are going to give them early access or immediate access to their money. So I know I just played back our focus and the customer problem, but really as we continue to do that, you know, there are going to be ebbs and flows of DIY versus assisted. Our platform serves the entire category. And our focus is serving the quality of the type of customers we want to serve across the category, and I just think we are going to continue to have a bigger hand in transforming and disrupting how taxes get

done. For consumers and businesses. So we are excited about the role that we were able to play this year, but listen, it is a \$35 billion category. And we are just getting started.

Sandeep Aujla: And on your question about marketing spend, Scott, we did, you know, as we do it every year, our marketing spend does increase slightly, but it was not an outsized marketing increase. And what we really leaned into this time was the timing of the spend. If you recall, we shared that we were going to start spending marketing earlier because we realized that about 30% of the assisted customers decide who they are going to use to do the taxes prior to the end of December. And that was a change in how the consumer group would think about marketing. We focused on marketing messaging towards the assisted category about now this is how you get taxes done. So when we think about marketing, we are always looking at how do we maximize ROI on that, and I continue to feel very good about the ROI we are getting on our marketing spend in the tax business where your question was. But I will expand that to say I feel really good about the ROI we are getting on our marketing spend across the entire business. Across both the business platform as well as the consumer platform.

Scott Schneeberger: Excellent. Thank you, both.

Sasan Goodarzi: You are very welcome.

Operator: We will take our last question today from Daniel Jester with BMO Capital Markets. Please go ahead. Your line is open.

Daniel Jester: Great. Thanks for taking my question and squeezing me in. I think, Sasan, you have touched on this a couple of times in the conversation today, but maybe just to double-click on it. In terms of IES, where do we stand in terms of maturing your go-to-market motion there? And it was great to hear the commentary about the accounting channel and how much they are helping you build out this business. How important is that channel going to be in the overall success of IES going forward? Thank you so much.

Sasan Goodarzi: Yeah. Thanks for the question, Daniel. Just to reground, when we talk about mid-market, it is customers that are between \$2.5 million in revenue up to about \$100 million. We are not going to stop there, but that is our focus at this point in time. And that means that some are fit for QuickBooks Advanced. And all the services, payments, payroll, etcetera, that come with it. And some are fit for Intuit Enterprise Suite. To answer your question, I would tell you we are still in the early days of the go-to-market. You know, we are learning, adjusting, improving every single day. And so the way to think about it is we are not yet a finely tuned machine. Which should, by the way, make you feel that the opportunity is massive and still ahead of us. Which is, by the way, why we continue to bolster our mid-market team, particularly with Ashley Still joining us, where she has built individual creator businesses but large businesses, and we hope to accelerate with the single-threaded focus that we have across the company in mid-market. Last thing is I would just say we do not view our accounting partners as a channel. We view them as our partners because not only do we need to serve them so they can run their firm more effectively and efficiently, but partner with them in terms of how they serve their end customers. And they are extremely critical to the future of business success and our success. So and that is something where I would say we are still, we have served accountants for years, but we are at the very early innings of now how we partner to serve mid-market together. We are excited about the future. It is why I am spending a lot of time out in the field with our large firms.

Daniel Jester: Great. Thank you.

Sasan Goodarzi: You are very welcome. And I think with that, that was, I believe, the last question. I know we are out of time. I just want to thank everyone for joining. Until next time. Bye, everybody.

Operator: Ladies and gentlemen, thank you for your participation. This concludes today's conference call. You may now disconnect.

Kim Watkins: Goodbye.