

Intuit Inc. (INTU)

\$342.34 (As of 08/26/20)

Price Target (6-12 Months): **\$360.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 07/07/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:B

Value: D

Growth: A

Momentum: D

Summary

Intuit reported impressive fourth-quarter fiscal 2020 results as both earnings and revenues grew year over year. The company witnessed expansion of the Do-It-Yourself (DIY) category in the reported quarter. Intuit also grew its share of total returns and its customer-base expansion was noteworthy. Small Business and Self-Employed Group revenues increased, primarily driven by solid growth in customers for QuickBooks Online. Sturdy momentum in the company's lending product QuickBooks Capital was a positive as well. Moreover, the company's strategy of shifting its business to cloud-based subscription model will help generate stable revenues over the long run. Nonetheless, Intuit's near-term prospect looks gloomy as the global lockdown amid the coronavirus crisis has affected small businesses, posing risks to its top-line growth.

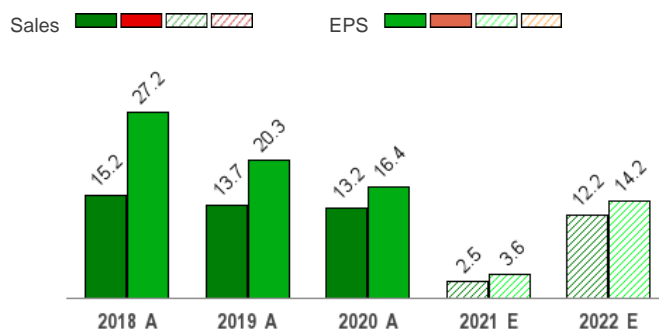
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$360.00 - \$187.68
20 Day Average Volume (sh)	1,093,390
Market Cap	\$89.3 B
YTD Price Change	30.7%
Beta	1.03
Dividend / Div Yld	\$2.12 / 0.6%
Industry	Computer - Software
Zacks Industry Rank	Top 25% (64 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	49.6%
Last Sales Surprise	15.6%
EPS F1 Est- 4 week change	0.9%
Expected Report Date	11/19/2020
Earnings ESP	0.0%
P/E TTM	43.5
P/E F1	41.8
PEG F1	2.6
P/S TTM	11.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,303 E	1,961 E	4,170 E	1,293 E	8,832 E
2021	1,130 E	1,731 E	3,846 E	1,112 E	7,871 E
2020	1,165 A	1,696 A	3,002 A	1,816 A	7,679 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.41 E	\$1.33 E	\$7.38 E	\$0.18 E	\$9.30 E
2021	\$0.35 E	\$1.19 E	\$6.55 E	-\$0.04 E	\$8.14 E
2020	\$0.41 A	\$1.16 A	\$4.49 A	\$1.81 A	\$7.86 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/26/2020. The reports text is as of 08/27/2020.

Overview

Headquartered in Mountain View, CA, Intuit Inc. is a business and financial software company that develops and sells financial, accounting and tax preparation software and related services for small businesses, consumers and accounting professionals globally. The company has offices in the United States, Canada, India, the United Kingdom, Singapore, Australia, and other locations.

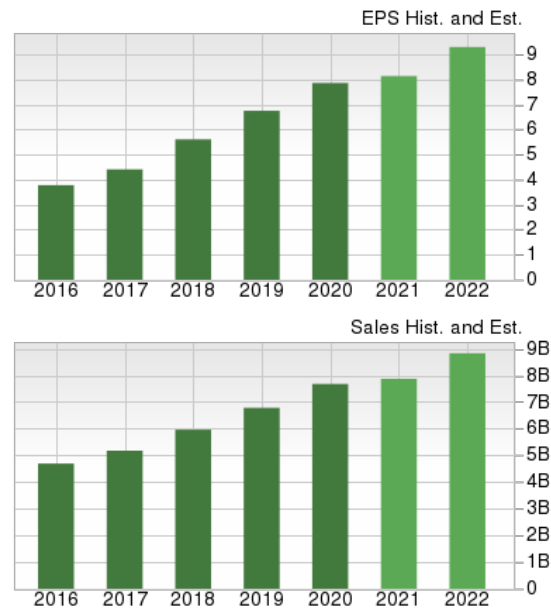
In fiscal 2020, Intuit generated total revenues of \$7.68 billion. The company has three reportable segments: Small Business and Self-Employed Group, Consumer, and Strategic Partner.

Small Business and Self-Employed Group (52.7% of fiscal 2020 revenues) segment serves small businesses and self-employed people around the world, and the accounting professionals who serve and advise them. Intuit's offerings include QuickBooks financial and business-management online services and desktop software, payroll solutions, merchant payment-processing solutions, and financing for small businesses.

Consumer (40.8% of fiscal 2020 revenues) segment offers DIY and assisted TurboTax income-tax preparation products and services. These solutions are sold in the United States and Canada. Intuit's Mint and Turbo offerings serve consumers and help them understand and improve their financial lives by offering a view of their financial health.

Strategic Partner (6.5% of fiscal 2020 revenues) serves professional accountants in the United States and Canada, who are essential to both small businesses' success and tax preparation and filing. Intuit's professional tax offerings include Lacerte, ProSeries, ProFile, and ProConnect Tax Online.

In the Small Business and Self-Employed segment, Intuit competes with companies such as The Sage Group. In payroll, it competes with Automatic Data Processing and Paychex, among others. In the area of merchant services, the company's rivals are financial institutions like Wells Fargo, JP Morgan Chase and Bank of America. In the Consumer Segment, Intuit faces intense competition from tax preparation service provider H&R Block.



Reasons To Buy:

- ▲ Intuit has two main products – QuickBooks, which offers financial and business management online services and desktop software to small businesses, and TurboTax, which offers income tax preparation products and services. The space in which Intuit operates has huge growth opportunity. There are over 29 million small and medium businesses in the U.S. alone. Moreover, the company with its QuickBooks Online Advanced solution is now targeting the midmarket. Furthermore, the number of individuals preferring to file their income tax themselves is increasing rapidly, thereby increasing the scope for Intuit's TurboTax software.
- ▲ For the last few years, Intuit is trying to shift its business model from selling software to cloud-based subscription providers. Cloud-based solutions, as against software-based ones, have gained popularity as they offer anywhere, anytime access. Cloud is a flourishing part of the technology space and has been gaining momentum in recent years. It is a process by which data or software is stored outside of a computer and is accessible from anywhere any time via the Internet. This revolutionary idea can lower IT costs of companies by cutting down the need for servers and staff. Per Gartner's latest projections, the global software as a service (SaaS) market is expected to grow to 2.6% year over year to \$104.67 billion in 2020. With its SaaS-based QuickBooks and Online Tax applications, we think that Intuit is well-positioned to lead the market.
- ▲ Over the last few years, Intuit has divested some of its non-core businesses including Quicken, QuickBase and Demandforce in a move to focus more on its core tax and accounting businesses. We believe that Intuit's initiatives have provided it the much needed funds to invest in and focus more on the fast-growing online businesses. The company looks forward to add more recurring revenues within its Consumer Tax and Small Business segments, capitalizing on the ongoing shift toward digital solutions. Intuit's efforts to convert itself into a cloud-based tax and accounting solution provider are encouraging.
- ▲ Over the past few years, Intuit is trying to expand its international operations. The company has expanded in France, Brazil and India. With its market leading product portfolio that includes QuickBooks and TurboTax, we believe the company is well poised to penetrate in new regions and increase its international contribution to the total revenue.

We are positive about Intuit's growing SMB exposure and believe that its strategic acquisitions will boost the segment. Increased adoption of its cloud-based services and products is another positive.

Reasons To Sell:

- ▼ Intuit's near-term prospect looks gloomy as the global lockdown amid the coronavirus crisis has affected small businesses, consequently posing risks to the company's revenue growth. Small businesses are pushing back their payroll-related investments due to global economic and business uncertainty caused by the pandemic.
- ▼ Intuit's high costs and expenses remain a major concern. The company has increased investments in engineering and marketing to grab the growing opportunity globally, making us cautious about the company's bottom-line results.
- ▼ Intuit's market share and revenues necessarily depend on client relationships and the number of contracts it secures. This, along with the limited scope for product differentiation, makes the renegotiation of large contracts extremely important. As a result, competition from strong companies like H&R Block and Microsoft is a concern. This also increases pricing pressure.
- ▼ Intuit's business is seasonal in nature and typically generates stronger sales during the second and third quarters, which are characterized by the U.S. tax season. As a result, the company is exposed to significant risks if the seasons fail to deliver expected operating performance. Furthermore, in the first and fourth quarters, the company incurs losses as revenues from the tax business remain at their lowest point during these periods. However, its operating expenses remain consistent throughout the year.

Rising costs and expenses owing to higher investments in engineering and marketing is anticipated to hurt Intuit's near-term profitability. Also, heightening competition from other payroll solution providers is a concern.

Last Earnings Report

Intuit Q4 Earnings & Revenues Beat, Increase Y/Y

Intuit reported fourth-quarter fiscal 2020 non-GAAP earnings of \$1.81 per share, which beat the Zacks Consensus Estimate by 49.59%. The company had reported loss of 9 cents per share in the year-ago quarter.

Moreover, revenues of \$1.82 billion outpaced the consensus mark by 15.6%. The figure surged 83% year over year.

Intuit witnessed expansion of Do-It-Yourself ("DIY") category in the reported quarter. The company estimates that excluding stimulus filings of approximately 7 to 8 million, the DIY category share grew over 2 points this tax-filing season.

Further, the company grew its share of total returns and posted 11% customer growth, the strongest in four years.

Quarter in Detail

Small Business and Self-Employed Group revenues increased 16% year over year to \$1.05 billion. This rise was primarily driven by solid growth in customers for QuickBooks Online. Excluding nonrecurring Paycheck Protection Program ("PPP") revenues, it grew 13%.

Moreover, revenues from Consumer Group were \$710 million compared with \$74 million reported in the year-ago quarter.

Strategic Partner Group revenues of \$57 million surged 280% year over year.

Both TurboTax Online and total TurboTax units increased 11% year over year. Excluding stimulus-only filings, estimated TurboTax share of total tax returns grew more than 1.5 points and TurboTax share of the DIY category was unchanged.

Moreover, TurboTax Live customers grew approximately 70%.

Total Online Ecosystem revenues rose 28.8% year over year to \$591 million. Excluding non-recurring PPP revenues, it grew 25%.

QuickBooks Online Accounting revenues were up 34.2% year over year to \$365 million. Online services revenues, including payroll, payments, time tracking and capital, grew 21% year over year to \$226 million. Online Services revenues excluding PPP revenues grew 12% year over year.

Sturdy momentum in the company's lending product QuickBooks Capital was a positive as well. At the end of the quarter, net loans receivable balance was \$40 million.

As of Jul 31, 2020, Intuit and its bank partners helped make available more than \$1.2 billion of approved small-business loans to customers from the PPP through QuickBooks Capital. This resulted in approximately \$30 million in non-recurring revenues in the quarter under review, with nearly \$16 million included in online services revenues and \$14 million included in desktop services revenues.

At the end of the fourth quarter, Intuit held \$98 million net loans receivable for PPP which the company intends to sell.

Total Desktop-ecosystem revenues climbed 2.2% year over year to \$458 million. Within the Desktop ecosystem, revenues from QuickBooks Desktop Accounting inched up 5.3% to \$178 million. Desktop Services and Supplies revenues increased 1.1% year over year to \$280 million.

Intuit's non-GAAP operating income was \$616 million against operating loss of \$47 million in the year-ago quarter.

Balance Sheet and Cash Flow

As of Jul 31, 2020, Intuit's cash and cash equivalents were \$6.44 billion compared with \$3.37 billion as of Apr 30, 2020.

In June, Intuit issued \$2 billion in senior notes to fund a portion of the Credit Karma acquisition and for other general corporate purposes.

The company did not repurchase any stock during the reported quarter. Intuit has approximately \$2.4 billion remaining on its authorization.

Fiscal 2021 Outlook

Intuit offered three scenarios related to Small Business and Self-Employed Group. In the first scenario, where the pace of economic recovery continues at current pace, revenues are expected to grow high single-digits.

In the second scenario that assumes a more gradual opening of the economy and a W-shaped recovery, Small Business and Self-Employed Group revenues are expected to grow mid single-digits.

The third scenario assumes a choppy economic recovery (a double W-shaped recovery). Small Business and Self-Employed Group revenues are expected to be flat and low single-digits.

Intuit expects slower Small Business and Self-Employed revenue growth in the first half as compared to the second half of fiscal 2021.

Over the long term, Intuit expects revenue growth of 8-12% for the Consumer Group and 10-15% for the Small Business and Self-Employed Group. The company continues to expect Online Ecosystem revenue growth of more than 30%.

Quarter Ending 07/2020

Report Date	Aug 25, 2020
Sales Surprise	15.60%
EPS Surprise	49.59%
Quarterly EPS	1.81
Annual EPS (TTM)	7.87

Recent News

On Aug 6, Intuit and Bill.com announced an extension of their long-standing partnership. The enhanced partnership will add advanced bill-payment and workflow-automation capabilities for QuickBooks Online Advanced (QBOAV) customers as part of Intuit's application ecosystem, in addition to continued support for the Simple Bill Pay service in QuickBooks Online. Beginning Aug 17, Bill.com and Intuit will be offering a three-month subscription-free promotion to QBOAV customers signing up for Bill.com, running through Nov 20.

On Jul 29, Intuit launched QuickBooks Cash, a business bank account that earns high-yield interest. QuickBooks Cash has no account-opening fees, maintenance fees, minimum balances, overdraft fees, or other recurring fees.

On Jun 25, Intuit announced the pricing of senior notes offering worth \$2 billion.

On Apr 13, Intuit launched Intuit Aid Assist, a free website that would help consumers and small businesses access and navigate U.S. Government aid and relief programs.

On Apr 10, Intuit revealed that its subsidiary Intuit Financing Inc. has been approved as Paycheck Protection Program (PPP) lender. With this approval, small businesses and other eligible applicants would be able to apply for PPP relief through the company's QuickBooks Capital systems.

On Apr 4, Intuit's online tax preparation service, TurboTax launched Stimulus Registration product. The free product is designed to help Americans, who are not required to file a tax return, can easily register with the IRS to get their stimulus money.

Valuation

Shares of Intuit have increased 30.7% in the year-to-date (YTD) period and 21.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer & Technology sector grew 32.1% and 25.6%, respectively, YTD. Over the past year, the Zacks sub-industry and the Zacks Computer & Technology sector have gained 48.3% and 43.3%, respectively.

The S&P 500 Index has gained 6.9% year to date and 19.6% in the past year.

The stock is currently trading at 41.81X forward 12-month earnings, which compares to 33.73X for the Zacks sub-industry, 27.23X for the Zacks sector and 23.12X for the S&P 500 Index.

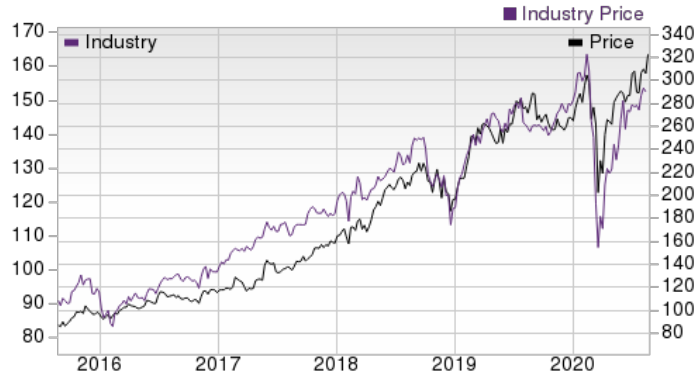
Over the past five years, the stock has traded as high as 52.15X and as low as 28.36X with a 5-year median of 36.55X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$360 price target reflects 43.90X forward 12-month earnings.

The table below shows the summary valuation data for INTU

Valuation Multiples - INTU					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	41.81	33.73	27.23	23.12
	5-Year High	52.15	33.73	27.23	23.12
	5-Year Low	28.36	18.62	16.72	15.25
	5-Year Median	36.55	25.13	19.60	17.58
P/S F12M	Current	11.27	7.83	4.24	3.77
	5-Year High	11.27	8	4.24	3.77
	5-Year Low	4.93	3.88	2.32	2.53
	5-Year Median	7.17	5.63	3.14	3.05
P/B TTM	Current	18.83	11.28	5.72	4.66
	5-Year High	43.3	11.28	5.84	4.66
	5-Year Low	9.94	4.19	3.16	2.83
	5-Year Median	21.79	7.35	4.44	3.76

As of 08/26/2020

Industry Analysis Zacks Industry Rank: Top 25% (64 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
PayPal Holdings, Inc. (PYPL)	Outperform	3
Bank of America Corporation (BAC)	Neutral	3
JPMorgan ChaseCo. (JPM)	Neutral	3
Paychex, Inc. (PAYX)	Neutral	3
Rosetta Stone (RST)	Neutral	2
Square, Inc. (SQ)	Neutral	3
Wells FargoCompany (WFC)	Neutral	4
Automatic Data Processing, Inc. (ADP)	Underperform	4

Industry Comparison Industry: Computer - Software				Industry Peers		
	INTU	X Industry	S&P 500	ADP	BAC	PAYX
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	4	3	3
VGM Score	B	-	-	B	F	C
Market Cap	89.27 B	1.75 B	23.69 B	60.03 B	221.45 B	27.21 B
# of Analysts	9	3	14	10	9	12
Dividend Yield	0.62%	0.00%	1.65%	2.61%	2.82%	3.27%
Value Score	D	-	-	C	C	D
Cash/Price	0.05	0.07	0.07	0.03	4.50	0.04
EV/EBITDA	41.28	17.85	13.37	12.49	-9.02	14.47
PEG Ratio	2.60	2.57	3.04	2.33	2.25	3.45
Price/Book (P/B)	17.48	6.88	3.17	10.43	0.91	9.78
Price/Cash Flow (P/CF)	45.80	23.52	12.78	14.97	6.97	17.90
P/E (F1)	41.75	35.59	21.63	27.90	15.72	27.61
Price/Sales (P/S)	11.63	4.87	2.50	4.11	2.08	6.73
Earnings Yield	2.40%	2.63%	4.44%	3.58%	6.38%	3.63%
Debt/Equity	0.44	0.24	0.75	0.17	1.08	0.32
Cash Flow (\$/share)	7.48	1.17	6.94	9.33	3.67	4.24
Growth Score	A	-	-	A	F	A
Hist. EPS Growth (3-5 yrs)	23.70%	9.39%	10.41%	17.30%	21.29%	10.82%
Proj. EPS Growth (F1/F0)	4.30%	10.00%	-4.92%	-15.47%	-40.89%	-8.44%
Curr. Cash Flow Growth	14.79%	6.56%	5.22%	7.82%	3.02%	5.65%
Hist. Cash Flow Growth (3-5 yrs)	9.68%	9.63%	8.50%	17.96%	27.50%	12.12%
Current Ratio	2.26	1.51	1.34	1.05	0.93	1.23
Debt/Capital	30.61%	28.91%	44.18%	14.85%	49.62%	24.32%
Net Margin	23.78%	6.61%	10.25%	16.91%	19.09%	27.18%
Return on Equity	40.79%	10.54%	14.66%	46.66%	9.11%	40.76%
Sales/Assets	0.97	0.60	0.50	0.34	0.04	0.46
Proj. Sales Growth (F1/F0)	2.50%	2.07%	-1.45%	-2.72%	-5.24%	-3.64%
Momentum Score	D	-	-	D	B	D
Daily Price Chg	1.76%	0.00%	-0.18%	-1.03%	-1.69%	-0.01%
1 Week Price Chg	5.46%	0.61%	-1.45%	-0.63%	-5.63%	-0.54%
4 Week Price Chg	13.29%	4.02%	2.10%	1.82%	1.15%	3.11%
12 Week Price Chg	18.01%	7.48%	3.61%	-7.96%	-1.65%	1.40%
52 Week Price Chg	21.42%	34.42%	3.61%	-16.51%	-4.80%	-6.41%
20 Day Average Volume	1,093,390	132,381	1,883,291	2,518,182	56,017,876	1,506,284
(F1) EPS Est 1 week change	0.88%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.88%	0.00%	0.93%	-11.99%	2.95%	0.00%
(F1) EPS Est 12 week change	0.88%	2.64%	3.41%	-11.99%	13.48%	-0.21%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	-11.59%	4.08%	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	A
Momentum Score	D
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

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