



Intuit Inc. (INTU)

Updated May 27th, 2021 by Nikolaos Sismanis

Key Metrics

Current Price:	\$432	5 Year CAGR Estimate:	9.4%	Market Cap:	\$118B
Fair Value Price:	\$374	5 Year Growth Estimate:	12.0%	Ex-Dividend Date:	07/09/2021
% Fair Value:	116%	5 Year Valuation Multiple Estimate:	-2.8%	Dividend Payment Date:	07/20/2021
Dividend Yield:	0.5%	5 Year Price Target	\$659	Years Of Dividend Growth:	9
Dividend Risk Score:	B	Retirement Suitability Score:	D	Last Dividend Increase:	11.3%

Overview & Current Events

Intuit is a cloud-based accounting and tax preparation software giant, headquartered in Mountain View, California. Its products provide financial management, compliance, and services for consumers, small businesses, self-employed workers, and accounting professionals worldwide. Its most popular platforms include QuickBooks, TurboTax, Mint, and TSheets. Cumulatively they serve more than 52 million customers. The \$118 billion company records more than \$8.8 billion in annual revenues and is headquartered in Mountain View, California.

On May 25th, 2021, Intuit reported its Q3-2021 results for the period ended April 30th, 2021. The company delivered another strong quarter, growing its “Small business and Self-employed” revenues by 20% and its online ecosystem revenues by 22%. International revenues also performed greatly, expanding by 38% on a constant currency basis. Combined with excellent performance in online services driven by QuickBooks, total sales grew by 39% to \$4.17 billion.

EPS came in at \$6.07, up 35% vs. the comparable period last year, following the top line’s strong performance. Management remains focused on its acceleration of innovation-driven AI strategy and its 5 Big Bets, including connecting its customers with professionals, unlocking smart money decisions with Credit Karma, and disrupting the small business mid-market with QuickBooks by offering tailor-made solutions. The company is seeing strong momentum and accelerating innovation, as per the CEO’s comments. Finally, management reassured investors of its overall robust performance, raising its previous guidance. For FY2021, revenues are expected to be between \$9.36-9.40 billion (previously \$8.81-8.95 billion), implying a ~22% growth rate YoY and non-GAAP EPS of \$9.32 to \$9.37, a growth rate of approximately 19%. We forecast FY2021 EPS of \$9.35, which is the midpoint of management’s guidance, though the company has the tendency to raise and outperform its given outlooks consistently, resulting in stronger results.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
EPS	\$2.07	\$2.68	\$2.89	\$3.18	\$1.30	\$3.74	\$3.83	\$5.19	\$5.99	\$6.92	\$9.35	\$16.48
DPS	---	\$0.60	\$0.68	\$0.76	\$1.00	\$1.20	\$1.36	\$1.56	\$1.88	\$2.12	\$2.36	\$4.16
Shares¹	307	296	297	285	281	262	257	256	273	265	273	225

EPS CAGR over the past decade has been around 14.4%, while DPS CAGR has been about 17.6% since its initiation. Consistent earnings growth has resulted from multiple acquisitions that have allowed the company to expand its portfolio of products. We raise our EPS and DPS growth expectations from 11% to 12% in the medium term to reflect Intuit’s better-than-expected revenue and EPS guidance. Overall, its resilient revenues should continue to grow rapidly due to its non-stop acquisitions, which can unlock significant economies of scale over time in the bottom line. We have mentioned more than once that our estimates might be quite prudent, and actual results are likely to be stronger, as was once again the case. Still, we remain conservative against a potential deceleration and unforeseen headwinds, and adjust our estimates accordingly. Finally, the company’s stock repurchase program currently has \$1.8 billion remaining,

¹ Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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representing 1.5% of its market cap. The company repurchased \$380 million worth of shares during the quarter, though the share count stands higher YoY as a result of Intuit's acquisitions, which were partially paid in stock.

Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	23.3	26.4	26.2	24.9	29.5	58.2	45.3	39.0	47.1	48.7	46.2	40.0
Avg. Yld.	---	1.0%	1.0%	1.1%	0.9%	1.3%	1.2%	1.1%	0.8%	0.8%	0.5%	0.6%

Intuit's valuation has seen a significant premium over the past five years, as the company has dominated the tax-reporting software market. By showcasing robust, growing cash flows, even during times of uncertainty, the company currently has a P/E ratio of around 46 attached to its shares. We retain our medium-term P/E ratio to 40. With rates near 0, investors' increased appetite and capital allocation towards tech stocks, and the company growing in the double-digits, we can see the premium valuation lasting longer than expected before eventually compressing. The dividend yield should remain relatively low, despite its rapid growth and the moderate payout ratio. We expect investors to enjoy total returns mainly from share price appreciation, boosted by EPS growth and share buybacks.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	---	22%	24%	24%	77%	32%	36%	30%	31%	31%	25%	25%

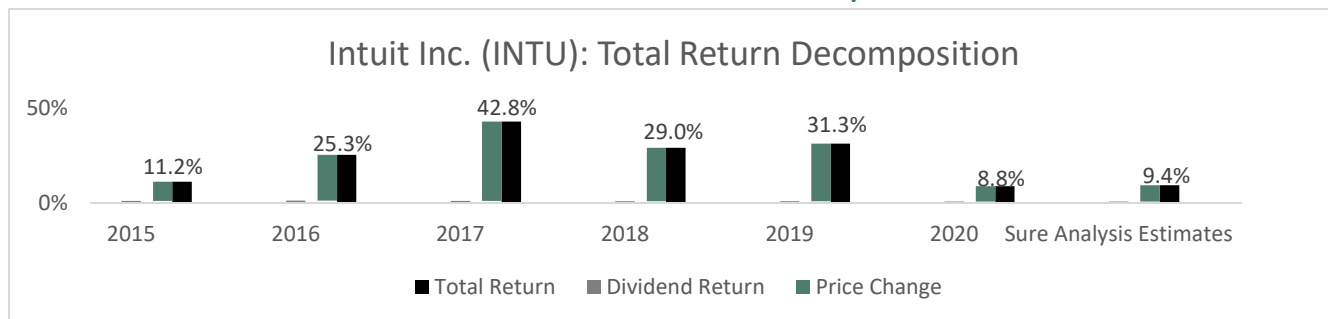
Intuit makes for an incredibly safe investment, as its revenues are primarily recession-proof, as proven by the robust sales growth despite the challenges resulting from COVID-19. While nothing is certain in life, it is safe to say that taxes won't be disappearing. The company has dominated its industry, closing more than 32 acquisitions over the past few years. With non-meaningful levels of worrying competition, its suite of products will be there to help people pay their inevitable taxes, while the company enjoys a recurring stream of revenues.

To highlight its sales resilience, even in the midst of the Great Financial Crisis, the company managed to grow earnings by around 7%. We consider Intuit to be an incredible sector-leader, while its future acquisitions should further strengthen its portfolio of products, hence its rich valuation. The stock's dividend remains very safe, reflecting only around 25% of the company's underlying net income.

Final Thoughts & Recommendation

Intuit's stock has been delivering jaw-dropping returns over the past five years, beating the popular market indices by a wide margin. We expect medium-term annualized returns of around 9.4%, modestly pressured by the potential for a valuation compression. The stock may not have the most attractive characteristics for income investors. However, its rapidly growing dividend and cash flow resilience could end up being a moderate source of income in the long-term if valuation headwinds don't eat up too much of the growth returns. We rate shares a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	3,449	3,808	3,946	4,243	4,192	4,694	5,196	6,025	6,784	7,679
Gross Profit	2,959	3,223	3,406	3,622	3,467	3,942	4,386	5,047	5,617	6,301
Gross Margin	85.8%	84.6%	86.3%	85.4%	82.7%	84.0%	84.4%	83.8%	82.8%	82.1%
SG&A Exp.	1,300	1,414	1,534	1,601	1,771	1,807	1,968	2,295	2,524	2,727
D&A Exp.	241	242	232	197	231	238	236	253	225	218
Operating Profit	1,082	1,168	1,208	1,300	886	1,242	1,418	1,560	1,854	2,176
Operating Margin	31.4%	30.7%	30.6%	30.6%	21.1%	26.5%	27.3%	25.9%	27.3%	28.3%
Net Profit	634	792	858	907	365	979	985	1,329	1,557	1,826
Net Margin	18.4%	20.8%	21.7%	21.4%	8.7%	20.9%	19.0%	22.1%	23.0%	23.8%
Free Cash Flow	785	1,050	1,171	1,260	1,328	938	1,369	1,988	2,169	2,277
Income Tax	354	374	378	447	299	397	405	237	324	372

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	5,110	4,684	5,486	5,201	4,968	4,250	4,068	5,134	6,283	10,931
Cash & Equivalents	722	393	1,009	849	808	638	529	1,464	2,116	6,442
Accounts Receivable	171	142	130	115	91	108	103	98	87	149
Goodwill & Int. Ass.	2,066	1,493	1,395	1,456	1,353	1,326	1,317	1,672	1,709	1,682
Total Liabilities	2,494	1,940	1,955	2,123	2,636	3,089	2,714	2,318	2,534	5,825
Accounts Payable	129	139	137	145	190	184	157	178	274	305
Long-Term Debt	999	499	499	499	500	1,000	488	438	436	3,369
Shareholder's Equity	2,616	2,744	3,531	3,078	2,332	1,161	1,354	2,816	3,749	5,106
D/E Ratio	0.38	0.18	0.14	0.16	0.21	0.86	0.36	0.16	0.12	0.66

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	12.3%	16.2%	16.9%	17.0%	7.2%	21.2%	23.7%	28.9%	27.3%	21.2%
Return on Equity	23.3%	29.6%	27.3%	27.4%	13.5%	56.1%	78.3%	63.7%	47.4%	41.2%
ROIC	17.1%	23.1%	23.6%	23.8%	11.4%	39.2%	49.2%	52.2%	41.9%	28.8%
Shares Out.	307	296	297	285	281	262	257	256	262	262
Revenue/Share	10.88	12.49	13.02	14.58	14.66	17.71	19.91	23.08	25.70	29.09
FCF/Share	2.48	3.44	3.86	4.33	4.64	3.54	5.25	7.62	8.22	8.63

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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