Intuit Inc. (INTU)

Updated August 26th, 2021 by Nikolaos Sismanis

Key Metrics

Current Price:	$555	**5 Year CAGR Estimate:**	7.7%	**Market Cap:**	$151.8B
Fair Value Price:	$446	**5 Year Growth Estimate:**	12.0%	**Ex-Dividend Date:**	10/07/2021
% Fair Value:	124%	**5 Year Valuation Multiple Estimate:**	-4.3%	**Dividend Payment Date:**	10/18/2021
Dividend Yield:	0.5%	**5 Year Price Target**	$786	**Years Of Dividend Growth:**	10
Dividend Risk Score:	B	**Retirement Suitability Score:**	D	**Last Dividend Increase:**	15.2%

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 100 million customers. The $151.8 billion company records more than $9.5 billion in annual revenues and is headquartered in Mountain View, California.

On August 24th, 2021, Intuit reported its Q4-2021 results for the period ended July 31st, 2021. The company delivered another excellent quarter, growing its "Small business and Self-employed" revenues by 19% and its online ecosystem revenues by 30%. QuickBooks Online accounting revenues grew 28% year-over-year as well. Growth was driven primarily by customer growth, mix shift, and higher effective prices. Consequently, the company ended its FY2021 with $9.6 billion in revenues, 25.4% higher than the prior year. Non-GAAP EPS came in at $1.97 in Q4, up 9% vs. the comparable period last year, following the top line's strong performance. For the full year, this figure landed at $9.74, or 24% higher, vs. FY2020. 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 noted in its latest conference call. Finally, management shared its uplifting confidence moving forward, providing bold guidance. For FY2022, revenues are expected to be between $11.05-11.20 billion, implying a ~15.5% growth rate year-over-year, and non-GAAP EPS to be $11.05 to $11.25, a growth rate of approximately 13%-16%. We forecast FY2021 EPS of $11.15, which is the midpoint of management's guidance, though the company has the tendency to rise and outperform its given outlooks consistently, resulting in stronger results. The quarterly dividend was also raised by 15.2% to $0.68, following strong earnings.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	$2.68	$2.89	$3.18	$1.30	$3.74	$3.83	$5.19	$5.99	$6.92	$9.74	***$11.15***	***$19.65***
DPS	$0.60	$0.68	$0.76	$1.00	$1.20	$1.36	$1.56	$1.88	$2.12	$2.36	***$2.72***	***$4.79***
Shares[1]	296	297	285	281	262	257	256	273	265	273	***273***	***225***

EPS CAGR over the past decade has been around 15.4%, while DPS CAGR has been about 17.6% during the period. Consistent earnings growth has resulted from multiple acquisitions that have allowed the company to expand its portfolio of products. We retain our EPS and DPS growth expectations at 12% in the medium term to reflect Inuit's strong momentum. 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

[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.

remain conservative against a potential deceleration and unforeseen headwinds. Finally, the company's stock repurchase program was boosted, currently with $3.3 billion authorized, representing 2.1% of its market cap.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	26.4	26.2	24.9	29.5	58.2	45.3	39.0	47.1	48.7	44.5	***49.8***	***40.0***
Avg. Yld.	1.0%	1.0%	1.1%	0.9%	1.3%	1.2%	1.1%	0.8%	0.8%	0.6%	***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 49.8 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, powered by EPS growth and share buybacks.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	22%	24%	24%	77%	32%	36%	30%	31%	31%	24%	***24%***	***24%***

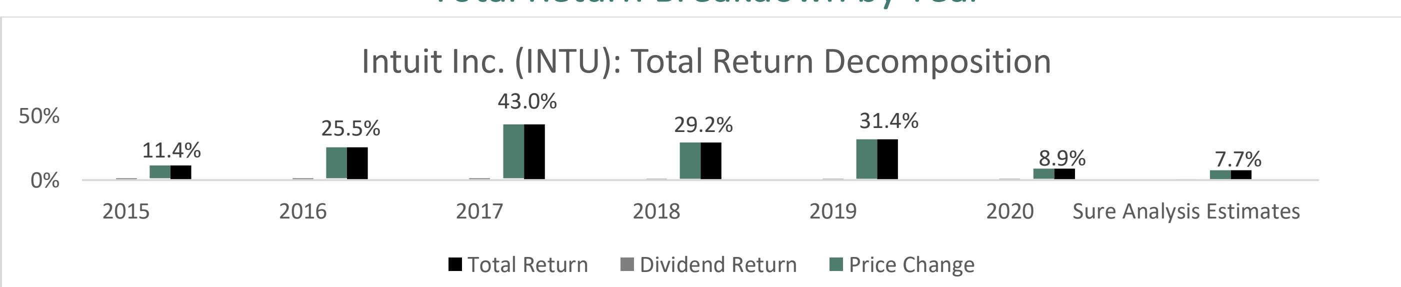
Intuit makes for an incredibly safe investment, as its revenues are primarily recession-proof, as proven by the robust sales growth despite the challenges resulting from COVID-19. While nothing is certain in life, it is safe to say that taxes won't be disappearing. The company has dominated its industry, closing more than 34 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 24% of the company's underling 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 7.7%, significantly 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



[Click here to rate and review this research report. Your feedback is important to us.]

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.

Intuit Inc. (INTU)

Updated August 26th, 2021 by Nikolaos Sismanis

Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	3,808	3,946	4,243	4,192	4,694	5,196	6,025	6,784	7,679	9,633
Gross Profit	3,223	3,406	3,622	3,467	3,942	4,386	5,047	5,617	6,301	7,950
Gross Margin	84.6%	86.3%	85.4%	82.7%	84.0%	84.4%	83.8%	82.8%	82.1%	82.5%
SG&A Exp.	1,414	1,534	1,601	1,771	1,807	1,968	2,295	2,524	2,727	3,626
D&A Exp.	242	232	197	231	238	236	253	225	218	363
Operating Profit	1,168	1,208	1,300	886	1,242	1,418	1,560	1,854	2,176	2,500
Operating Margin	30.7%	30.6%	30.6%	21.1%	26.5%	27.3%	25.9%	27.3%	28.3%	26.0%
Net Profit	792	858	907	365	979	985	1,329	1,557	1,826	2,062
Net Margin	20.8%	21.7%	21.4%	8.7%	20.9%	19.0%	22.1%	23.0%	23.8%	21.4%
Free Cash Flow	1,050	1,171	1,260	1,328	938	1,369	1,988	2,169	2,277	3,125
Income Tax	374	378	447	299	397	405	237	324	372	494

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	4,684	5,486	5,201	4,968	4,250	4,068	5,134	6,283	10931	15,520
Cash & Equivalents	393	1,009	849	808	638	529	1,464	2,116	6,442	2,562
Accounts Receivable	142	130	115	91	108	103	98	87	149	391
Goodwill & Int. Ass.	1,493	1,395	1,456	1,353	1,326	1,317	1,672	1,709	1,682	8,865
Total Liabilities	1,940	1,955	2,123	2,636	3,089	2,714	2,318	2,534	5,825	5,647
Accounts Payable	139	137	145	190	184	157	178	274	305	623
Long-Term Debt	499	499	499	500	1,000	488	438	436	3,369	2,034
Shareholder's Equity	2,744	3,531	3,078	2,332	1,161	1,354	2,816	3,749	5,106	9,869
D/E Ratio	0.18	0.14	0.16	0.21	0.86	0.36	0.16	0.12	0.66	0.21

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	16.2%	16.9%	17.0%	7.2%	21.2%	23.7%	28.9%	27.3%	21.2%	15.6%
Return on Equity	29.6%	27.3%	27.4%	13.5%	56.1%	78.3%	63.7%	47.4%	41.2%	27.5%
ROIC	23.1%	23.6%	23.8%	11.4%	39.2%	49.2%	52.2%	41.9%	28.8%	20.2%
Shares Out.	296	297	285	281	262	257	256	262	262	273
Revenue/Share	12.49	13.02	14.58	14.66	17.71	19.91	23.08	25.70	29.09	35.29
FCF/Share	3.44	3.86	4.33	4.64	3.54	5.25	7.62	8.22	8.63	11.45

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