



Intuit Inc. (INTU)

Updated May 28th, 2022 by Nikolaos Sismanis

Key Metrics

Current Price:	\$422	5 Year CAGR Estimate:	11.0%	Market Cap:	\$119.2 B
Fair Value Price:	\$375	5 Year Growth Estimate:	13.0%	Ex-Dividend Date:	07/08/2022
% Fair Value:	113%	5 Year Valuation Multiple Estimate:	-2.4%	Dividend Payment Date:	07/18/2022
Dividend Yield:	0.6%	5 Year Price Target	\$690	Years Of Dividend Growth:	10
Dividend Risk Score:	A	Retirement Suitability Score:	D	Rating:	Buy

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 \$119.2 billion company records more than \$9.6 billion in annual revenues and is headquartered in Mountain View, California.

On May 24th, 2022, Intuit reported its Q3-2022 results for the period ending April 30th, 2022. The company delivered another excellent quarter, growing its “Small business and Self-employed” revenue by 42% and its online ecosystem revenue by 67%. QuickBooks Online accounting revenues grew 32% year-over-year as well. Total revenues increased 35% to \$5.6 billion, with growth driven once again primarily by customer growth, mix shift, and higher effective prices.

Non-GAAP EPS came in at \$7.65 in Q3, up 26% compared to the prior-year period. 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.

Following results exceeding expectations, management raised its guidance for the full year. For FY2022, revenues are now expected to be between \$12.6 billion and \$12.7 billion (previously \$12.1 billion and 12.3 billion), implying a 30.5% growth rate year-over-year at the midpoint. Non-GAAP EPS is expected to be between \$11.68 and \$11.74 (previously \$11.48 and \$11.64). It implies year-over-year growth of 19% at the midpoint, which we have applied in our estimates.

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	\$11.71	\$21.57
DPS	\$0.60	\$0.68	\$0.76	\$1.00	\$1.20	\$1.36	\$1.56	\$1.88	\$2.12	\$2.36	\$2.72	\$5.01
Shares¹	296	297	285	281	262	257	256	273	265	273	282	230

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 forecast EPS and DPS growth of around 13% through 2027, to reflect Intuit’s strong momentum while assuming some degree of deceleration ahead. Overall, Intuit’s resilient revenues should continue to grow gradually 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. Finally, \$2.0 billion currently remains authorized under the company’s stock repurchase program, representing 1.6% of its market cap. Intuit repurchased \$489 million worth of shares during its latest quarter.

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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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	36.1	32.0
Avg. Yld.	1.0%	1.0%	1.1%	0.9%	1.3%	1.2%	1.1%	0.8%	0.8%	0.6%	0.6%	0.7%

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 features a P/E ratio of around 36 attached to its shares. Due to the company's fantastic moat, recession proof business model, and explosive growth, we can see the premium valuation lasting longer than expected before eventually compressing. To be prudent, however, we have set our medium-term fair P/E multiple at 32. 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%	23%	23%

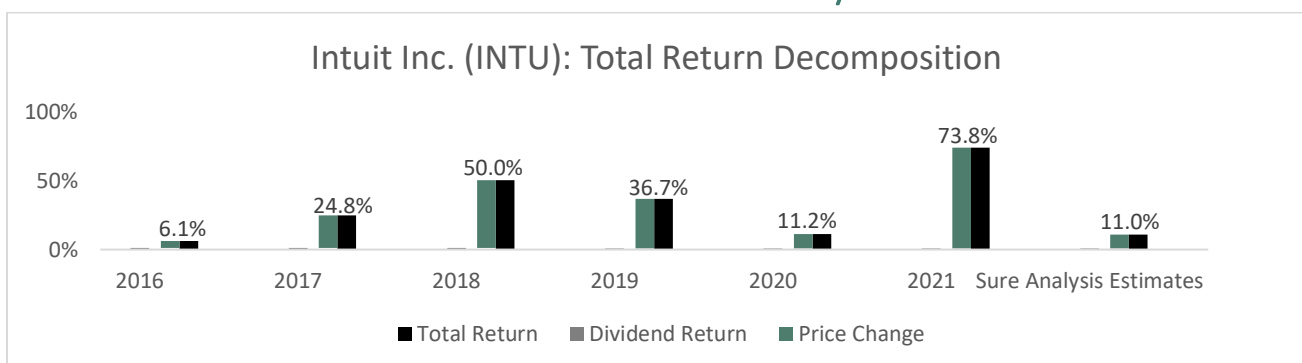
Intuit makes for a relatively trustworthy investment, as its revenues are primarily recession-proof, as proven by the robust sales growth despite the challenges resulting from COVID-19. While nothing is certain in life, it is safe to say that taxes won't be disappearing. The company has dominated its industry, closing more than 38 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 2007 to 2009 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 23% of the company's underling net income.

Final Thoughts & Recommendation

While Intuit shares have undergone a multiple contraction over the past year, in line with our projections, the stock has still delivered strong returns over the past several years. We forecast medium-term annualized returns of around 11%, powered mainly by our growth estimates, offset by further valuation headwinds. With a low yield, the stock may not appeal to 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 reduce too much of the growth returns. We rate shares as a buy due to projected returns.

Total Return Breakdown by Year



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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	10,931	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
LTD/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.

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