Intuit Inc. (INTU)

Updated February 28th, 2023 by Nikolaos Sismanis

Key Metrics

Current Price:	$409	**5 Year CAGR Estimate:**	10.8%	**Market Cap:**	$114.8 B
Fair Value Price:	$357	**5 Year Growth Estimate:**	13.0%	**Ex-Dividend Date:**	04/06/2023
% Fair Value:	114%	**5 Year Valuation Multiple Estimate:**	-2.6%	**Dividend Payment Date:**	04/18/2023
Dividend Yield:	0.8%	**5 Year Price Target**	$658	**Years Of Dividend Growth:**	11
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 $114.8 billion company recorded $12.7 billion in revenues last year and is headquartered in Mountain View, California4

On February 23rd, 2023, Intuit reported its Q2 2023 results for the period ending January 31st, 2023. The company posted another robust quarter, growing its "Small business and Self-employed" revenue by 20% and its online ecosystem revenue by 24%. QuickBooks Online accounting revenues also grew 27% year-over-year as well. Total revenues for the quarter reached $3.04 billion, up 13.8% year-over-year.

Non-GAAP EPS for the quarter also grew greatly, up 42% to $2.20 compared to FQ2 2022. Management remains focused on its acceleration of innovation-driven AI strategy and its 5 Big Bets, including revolutionizing speed-to-benefit, connecting people to experts, unlocking smart money decisions, being the center of small business growth, and disrupting the small business mid-market.

Following robust momentum entering fiscal 2023, management reiterated its revenue and non-GAAP EPS guidance. Revenues are expected to be between $14.04 billion and $14.25 billion, implying an 11% growth rate year-over-year at the midpoint. Non-GAAP EPS is expected to be between $13.59 and $13.89. This implies year-over-year growth of 16% at the midpoint, which we have applied to our estimates.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	$2.89	$3.18	$1.30	$3.74	$3.83	$5.19	$5.99	$6.92	$9.74	$11.85	***$13.74***	***$25.32***
DPS	$0.68	$0.76	$1.00	$1.20	$1.36	$1.56	$1.88	$2.12	$2.36	$2.72	***$3.12***	***$5.75***
Shares[1]	297	285	281	262	257	256	273	265	273	282	***281***	***250***

EPS CAGR over the past decade has been around 17%, while DPS CAGR has been about 15.4% 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 Inuit'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 help earnings growth amid unlocking efficiencies over time.

Our estimates might be quite prudent, and actual results are likely to be stronger. This has been the case in every single report since initiating coverage on INTU. Still, we remain conservative against a potential deceleration and unforeseen headwinds. Finally, $2.5 billion currently remains authorized under Intuit's repurchase program, representing 2.2% of its market cap. Intuit repurchased $1.9 billion worth of stock last year and $500 million in Q2 of FY2023.

[1] Share count is in millions.

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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	26.2	24.9	29.5	58.2	45.3	39	47.1	48.7	44.5	39.6	***29.7***	***26.0***
Avg. Yld.	1.0%	1.1%	0.9%	1.3%	1.2%	1.1%	0.8%	0.8%	0.6%	0.6%	***0.8%***	***0.9%***

Intuit's valuation has seen a significant premium over the past five years, as the company has dominated the tax-reporting software market. After showcasing robust and growing cash flows, even during times of uncertainty, the stock currently has a P/E ratio of 29.7. 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 26. 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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	24%	24%	77%	32%	36%	30%	31%	31%	24%	23%	***23%***	***23%***

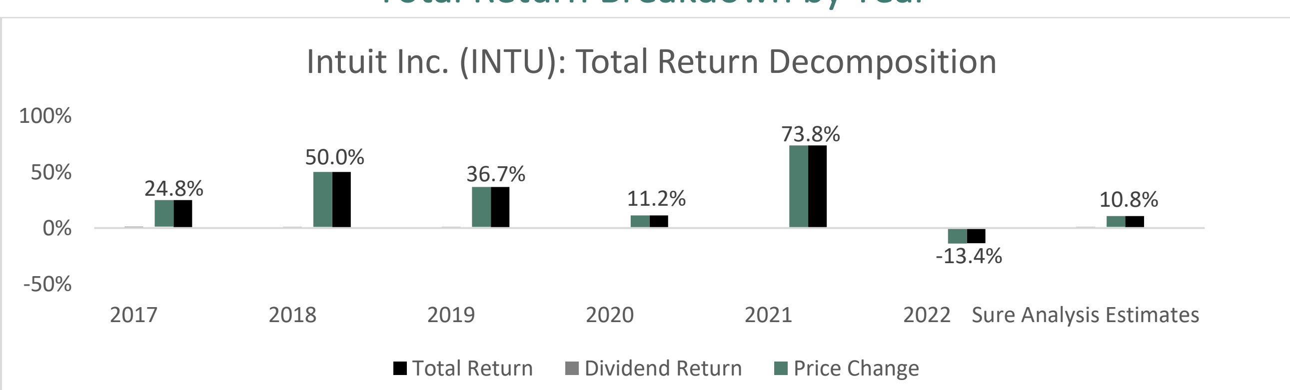
Intuit makes for a relatively trustworthy investment, as its revenues are primarily recession-proof, as proven by the robust sales growth despite the challenges resulting from COVID-19. While nothing is certain in life, it is safe to say that taxes won't be disappearing. The company has dominated its 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

Intuit end the first half of its fiscal 2023 with strong results, and is thus set to meet or even exceed its already optimistic guidance. We forecast annualized returns of around 10.8% through 2028, driven 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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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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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	3,946	4,243	4,192	4,694	5,196	6,025	6,784	7,679	9,633	12,730
Gross Profit	3,406	3,622	3,467	3,942	4,386	5,047	5,617	6,301	7,950	10,320
Gross Margin	86.3%	85.4%	82.7%	84.0%	84.4%	83.8%	82.8%	82.1%	82.5%	81.1%
SG&A Exp.	1,534	1,601	1,771	1,807	1,968	2,295	2,524	2,727	3,626	4,986
D&A Exp.	232	197	231	238	236	253	225	218	363	746
Operating Profit	1,208	1,300	886	1,242	1,418	1,560	1,854	2,176	2,500	2,571
Operating Margin	30.6%	30.6%	21.1%	26.5%	27.3%	25.9%	27.3%	28.3%	26.0%	20.2%
Net Profit	858	907	365	979	985	1,329	1,557	1,826	2,062	2,066
Net Margin	21.7%	21.4%	8.7%	20.9%	19.0%	22.1%	23.0%	23.8%	21.4%	16.2%
Free Cash Flow	1,171	1,260	1,328	938	1,369	1,988	2,169	2,277	3,125	3,660
Income Tax	378	447	299	397	405	237	324	372	494	476

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	5,486	5,201	4,968	4,250	4,068	5,134	6,283	10931	15,520	27,730
Cash & Equivalents	1,009	849	808	638	529	1,464	2,116	6,442	2,562	2,796
Accounts Receivable	130	115	91	108	103	98	87	149	391	446
Goodwill & Int. Ass.	1,395	1,456	1,353	1,326	1,317	1,672	1,709	1,682	8,865	20,800
Total Liabilities	1,955	2,123	2,636	3,089	2,714	2,318	2,534	5,825	5,647	11,290
Accounts Payable	137	145	190	184	157	178	274	305	623	737
Long-Term Debt	499	499	500	1,000	488	438	436	3,369	2,034	6,914
Shareholder's Equity	3,531	3,078	2,332	1,161	1,354	2,816	3,749	5,106	9,869	16,440
LTD/E Ratio	0.14	0.16	0.21	0.86	0.36	0.16	0.12	0.66	0.21	0.42

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	16.9%	17.0%	7.2%	21.2%	23.7%	28.9%	27.3%	21.2%	15.6%	9.6%
Return on Equity	27.3%	27.4%	13.5%	56.1%	78.3%	63.7%	47.4%	41.2%	27.5%	15.7%
ROIC	23.6%	23.8%	11.4%	39.2%	49.2%	52.2%	41.9%	28.8%	20.2%	11.7%
Shares Out.	297	285	281	262	257	256	262	262	273	284
Revenue/Share	13.02	14.58	14.66	17.71	19.91	23.08	25.70	29.09	35.29	44.81
FCF/Share	3.86	4.33	4.64	3.54	5.25	7.62	8.22	8.63	11.45	12.89

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