Intuit Inc. (INTU)

Updated August 26th, 2023 by Nikolaos Sismanis

Key Metrics

Current Price:	$520	**5 Year CAGR Estimate:**	9.2%	**Market Cap:**	$145.5 B
Fair Value Price:	$424	**5 Year Growth Estimate:**	13.0%	**Ex-Dividend Date:**	10/05/2023
% Fair Value:	122%	**5 Year Valuation Multiple Estimate:**	-4.0%	**Dividend Payment Date:**	10/17/2023
Dividend Yield:	0.7%	**5 Year Price Target**	$782	**Years Of Dividend Growth:**	12
Dividend Risk Score:	A	**Retirement Suitability Score:**	D	**Rating:**	Hold

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 $145.5 billion company recorded $14.4 billion in revenues last year and is headquartered in Mountain View, California.

On August 24th, 2023, Intuit reported its Q4 and full results for the period ending July 31st, 2023. The company posted another robust quarter, growing its "Small business and Self-employed" revenue by 22% and its online ecosystem revenue by 21%. QuickBooks Online accounting revenues also grew 22% year-over-year as well. Total revenues for the quarter reached $2.7 billion, up 12% year-over-year.

Non-GAAP EPS for the quarter also grew massively, up 50% to $1.65 compared to FQ4 2022. For the year, non-GAAP EPS was $14.40, up 22% compared to fiscal 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 closing fiscal 2023, management introduced its revenue and non-GAAP EPS guidance for fiscal 2024. Revenues are expected to be between $15.80 and $16.11, implying an 11.5% growth rate year-over-year at the midpoint. Non-GAAP EPS is expected to be between $16.17 and $16.47. This implies year-over-year growth of 13% at the midpoint, which we have applied to our estimates. Note that INTU tends to boost its outlook throughout the year.

Along with its full-year report, Intuit announced a 15% increase to its dividend to a quarterly rate of $0.90.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$3.18	$1.30	$3.74	$3.83	$5.19	$5.99	$6.92	$9.74	$11.85	$14.40	$16.32	***$30.07***
DPS	$0.76	$1.00	$1.20	$1.36	$1.56	$1.88	$2.12	$2.36	$2.72	$3.12	$3.60	***$6.63***
Shares[1]	285	281	262	257	256	260	261	270	280	281	281	***250***

EPS CAGR over the past decade has been around 18%, while DPS CAGR has been about 14.6% 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 2029 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, $1.5 billion currently remains authorized under Intuit's repurchase program. Intuit repurchased $465 million of stock during Q4-2023 and $2 billion during FY2023.

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[1] Share count is in millions.

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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	24.9	29.5	58.2	45.3	39	47.1	48.7	44.5	39.6	29.4	***31.8***	***26.0***
Avg. Yld.	1.1%	0.9%	1.3%	1.2%	1.1%	0.8%	0.8%	0.6%	0.6%	0.7%	***0.7%***	***0.8%***

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 31.8. 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	24%	77%	32%	36%	30%	31%	31%	24%	23%	22%	***22%***	***22%***

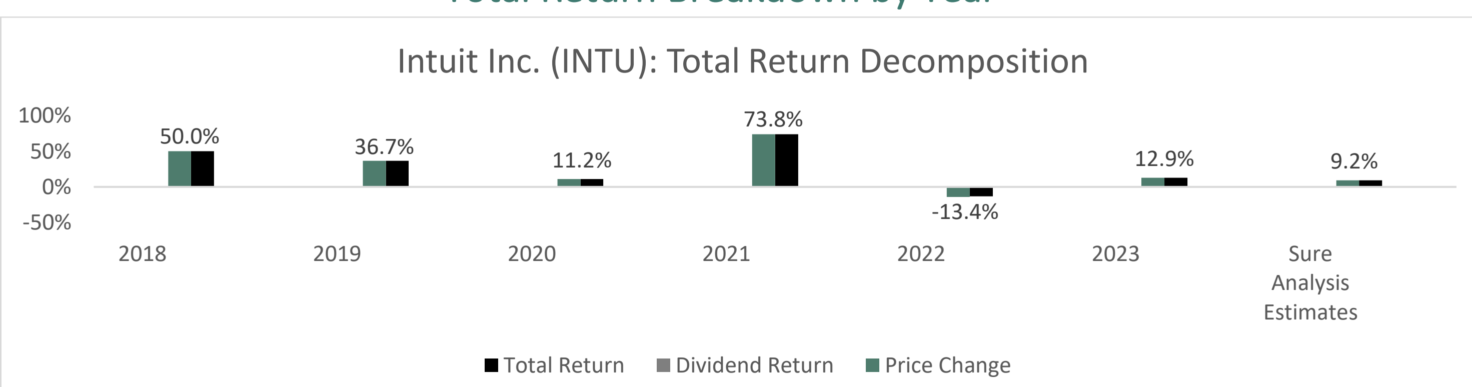
Intuit makes for a relatively trustworthy investment, as its revenues are primarily recession-proof, as proven by the robust sales growth despite the challenges resulting from COVID-19. While nothing is certain in life, it is safe to say that taxes won't be disappearing. The company has dominated its 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 22% of the company's adjusted net income.

Final Thoughts & Recommendation

Intuit ended fiscal 2023 with strong momentum, resulting in management introducing a strong fiscal 2024 guidance. We forecast annualized returns of around 9.2% 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 hold 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.