



Intuit Inc. (INTU)

Updated November 27th, 2024 by Nikolaos Sismanis

Key Metrics

Current Price:	\$639	5 Year CAGR Estimate:	9.9%	Market Cap:	\$179.0 B
Fair Value Price:	\$539	5 Year Growth Estimate:	13.0%	Ex-Dividend Date:	01/09/2025
% Fair Value:	118%	5 Year Valuation Multiple Estimate:	-3.3%	Dividend Payment Date:	01/17/2025
Dividend Yield:	0.7%	5 Year Price Target	\$994	Years Of Dividend Growth:	13
Dividend Risk Score:	A	Retirement Suitability Score:	C	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 \$179.0 billion company recorded \$16.3 billion in revenues last year and is headquartered in Mountain View, California.

On November 21st, 2024, Intuit published its fiscal Q1 results for the period ending October 31st, 2024. This was another solid quarter, with “Global Business Solutions Group” revenues rising 9% year-over-year. Specifically, QuickBooks Online Accounting revenues grew 21% year-over-year, driven by customer growth, higher effective prices, and mix-shift. Online Services revenues grew 19%, driven by growth in money, payroll, and Mailchimp offerings. Finally, total international ecosystem revenue grew 10% on a constant-currency basis. Thus, total revenues for the quarter reached \$3.28 billion, up 10% year-over-year.

Adjusted EPS for the quarter grew by 1% to \$2.50 compared to FQ1 2024. Management reiterated its revenue and non-GAAP EPS guidance for FY2025. Revenues are expected to be in a range of \$18.160 billion to \$18.347 billion, implying a growth rate between 12% and 13% from last year. Adjusted EPS is expected to be between \$19.16 and \$19.36. This implies a year-over-year growth of 18% to 19%. We have applied the midpoint of this range in our estimates.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.30	\$3.74	\$3.83	\$5.19	\$5.99	\$6.92	\$9.74	\$11.85	\$14.40	\$16.94	\$19.26	\$35.49
DPS	\$1.00	\$1.20	\$1.36	\$1.56	\$1.88	\$2.12	\$2.36	\$2.72	\$3.12	\$3.60	\$4.16	\$7.66
Shares¹	281	262	257	256	260	261	270	280	281	280	280	260

EPS CAGR over the past decade has been about 18%, while DPS CAGR has been about 15% 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 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 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.

In both FY2023 and FY2024, Intuit repurchased \$2.0 billion in stock each year. Following the company's Q4 and FY2024 results, the board approved a further \$3.0 billion repurchase authorization, raising the total authorization to \$4.9 billion.

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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	29.5	58.2	45.3	39	47.1	48.7	44.5	39.6	29.4	32.2	33.2	28.0
Avg. Yld.	0.9%	1.3%	1.2%	1.1%	0.8%	0.8%	0.6%	0.6%	0.7%	0.7%	0.7%	0.8%

Intuit's valuation has traded at rich premiums in recent years, as the company has dominated the tax-reporting software market. With its growth remaining robust, the stock currently trades at a P/E ratio of 33.2 Due to Intuit'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 retain our medium-term fair P/E multiple at a more modest 28. 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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	77%	32%	36%	30%	31%	31%	24%	23%	22%	21%	22%	22%

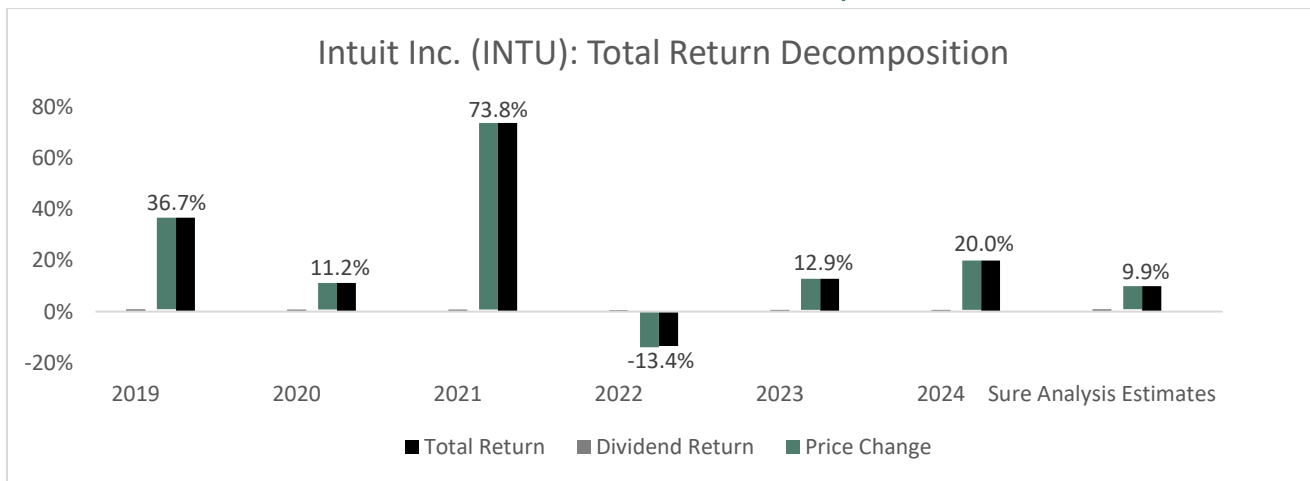
Intuit makes for a relatively trustworthy investment, as its revenues are primarily recession-proof, as proven by the robust sales growth despite the challenges resulting from COVID-19. While nothing is certain in life, it is safe to say that taxes won't be disappearing. The company has dominated its industry, closing more than 46 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 entered FY2025 with strong momentum, while management's guidance points to another exciting year ahead. We forecast annualized returns of around 9.9% through 2030, driven primarily by our growth estimates, which, however, may be partially offset by valuation headwinds. With a low yield, the stock may not appeal to income investors. That said, given the strong dividend hikes, Intuit stock could end up being a moderate source of income in later years. We rate shares as a buy due to projected returns and the quality of the business.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	4,192	4,694	5,196	6,025	6,784	7,679	9,633	12,730	14,370	16,280
Gross Profit	3,467	3,942	4,386	5,047	5,617	6,301	7,950	10,320	11,220	12,820
Gross Margin	82.7%	84.0%	84.4%	83.8%	82.8%	82.1%	82.5%	81.1%	78.1%	78.7%
SG&A Exp.	1,771	1,807	1,968	2,295	2,524	2,727	3,626	4,986	5,062	5,706
D&A Exp.	231	238	236	253	225	218	363	746	806	789
Operating Profit	886	1,242	1,418	1,560	1,854	2,176	2,500	2,571	3,141	3,877
Operating Margin	21.1%	26.5%	27.3%	25.9%	27.3%	28.3%	26.0%	20.2%	21.9%	23.8%
Net Profit	365	979	985	1,329	1,557	1,826	2,062	2,066	2,384	2,963
Net Margin	8.7%	20.9%	19.0%	22.1%	23.0%	23.8%	21.4%	16.2%	16.6%	18.2%
Free Cash Flow	1,328	938	1,369	1,988	2,169	2,277	3,125	3,660	4,786	4,634
Income Tax	299	397	405	237	324	372	494	476	605	587

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4,968	4,250	4,068	5,134	6,283	10,931	15,520	27,730	27,780	32,120
Cash & Equivalents	808	638	529	1,464	2,116	6,442	2,562	2,796	2,848	3,609
Accounts Receivable	91	108	103	98	87	149	391	446	405	457
Goodwill & Int. Ass.	1,353	1,326	1,317	1,672	1,709	1,682	8,865	20,800	20,200	19,660
Total Liabilities	2,636	3,089	2,714	2,318	2,534	5,825	5,647	11,290	10,510	13,700
Accounts Payable	190	184	157	178	274	305	623	737	638	721
Long-Term Debt	500	1,000	488	438	436	3,369	2,034	6,914	6,120	6,038
Shareholder's Equity	2,332	1,161	1,354	2,816	3,749	5,106	9,869	16,440	17,270	18,440
LTD/E Ratio	0.21	0.86	0.36	0.16	0.12	0.66	0.21	0.42	0.35	0.33

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	7.2%	21.2%	23.7%	28.9%	27.3%	21.2%	15.6%	9.6%	8.6%	9.9%
Return on Equity	13.5%	56.1%	78.3%	63.7%	47.4%	41.2%	27.5%	15.7%	14.1%	16.6%
ROIC	11.4%	39.2%	49.2%	52.2%	41.9%	28.8%	20.2%	11.7%	10.2%	12.4%
Shares Out.	281	262	257	256	262	262	273	284	283	284
Revenue/Share	14.66	17.71	19.91	23.08	25.70	29.09	35.29	44.81	50.77	57.34
FCF/Share	4.64	3.54	5.25	7.62	8.22	8.63	11.45	12.89	16.91	16.32

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

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