INTUIT INC
Form 10-Q
December 01, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

R	Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended October 31, 2011
OR	
o	Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from ____________ to ____________ .

Commission File Number 0-21180
INTUIT INC.
(Exact name of registrant as specified in its charter)

Delaware (State of incorporation)	77-0034661 (IRS employer identification no.)

2700 Coast Avenue, Mountain View, CA 94043
(Address of principal executive offices)

(650) 944-6000
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes R No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes R No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer R	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No R

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date. 297,248,622 shares of Common Stock, $0.01 par value, were outstanding at November 23, 2011.

INTUIT INC.
FORM 10-Q
INDEX

EX-101.CAL XBRL Taxonomy Extension Calculation Linkbase
EX-101.LAB XBRL Taxonomy Extension Label Linkbase
EX-101.PRE XBRL Taxonomy Extension Presentation Linkbase
EX-101.DEF XBRL Taxonomy Extension Definition Linkbase

Table of Contents

PART I
ITEM 1
FINANCIAL STATEMENTS

INTUIT INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(In millions, except per share amounts)	Three Months Ended October 31, 2011	October 31, 2010
Net revenue:		
Product	$222	$216
Service and other	372	316
Total net revenue	594	532
Costs and expenses:		
Cost of revenue:		
Cost of product revenue	32	32
Cost of service and other revenue	136	123
Amortization of acquired technology	4	4
Selling and marketing	236	220
Research and development	167	156
General and administrative	92	90
Amortization of other acquired intangible assets	21	11
Total costs and expenses	688	636
Operating loss	(94)	(104)
Interest expense	(15)	(15)
Interest and other income, net	11	8
Loss before income taxes	(98)	(111)
Income tax benefit	(34)	(41)
Net loss	$(64)	$(70)
Basic net loss per share	$(0.21)	$(0.22)
Shares used in basic per share calculations	300	316
Diluted net loss per share	$(0.21)	$(0.22)
Shares used in diluted per share calculations	300	316
Dividends declared per common share	$0.15	$—

See accompanying notes.

Table of Contents

INTUIT INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	October 31, 2011	July 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$333	$722
Investments	718	699
Accounts receivable, net	166	171
Income taxes receivable	139	72
Deferred income taxes	110	94
Prepaid expenses and other current assets	93	82
Current assets before funds held for customers	1,559	1,840
Funds held for customers	321	414
Total current assets	1,880	2,254
Long-term investments	59	63
Property and equipment, net	560	561
Goodwill	1,886	1,886
Acquired intangible assets, net	151	180
Long-term deferred income taxes	41	55
Other assets	106	111
Total assets	$4,683	$5,110
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$500	$500
Accounts payable	168	129
Accrued compensation and related liabilities	140	215
Deferred revenue	379	406
Other current liabilities	128	141
Current liabilities before customer fund deposits	1,315	1,391
Customer fund deposits	321	414
Total current liabilities	1,636	1,805
Long-term debt	499	499
Other long-term obligations	187	190
Total liabilities	2,322	2,494
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Common stock and additional paid-in capital	2,919	2,886
Treasury stock, at cost	(4,484)	(4,316)
Accumulated other comprehensive income	9	15
Retained earnings	3,917	4,031
Total stockholders' equity	2,361	2,616
Total liabilities and stockholders' equity	$4,683	$5,110

See accompanying notes.

4

INTUIT INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

(In millions, except shares in thousands)	Shares of Common Stock	Common Stock and Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
Balance at July 31, 2011	300,597	$2,886	$(4,316)	$ 15	$4,031	$2,616
Components of comprehensive net loss:						
Net loss	—	—	—	—	(64)	(64)
Other comprehensive loss, net of tax	—	—	—	(6)	—	(6)
Comprehensive net loss						(70)
Issuance of treasury stock under employee stock plans	3,219	(37)	87	—	(5)	45
Stock repurchases under stock repurchase programs	(5,211)	—	(255)	—	—	(255)
Cash dividends declared ($0.15 per share)	—	—	—	—	(45)	(45)
Tax benefit from share-based compensation plans	—	30	—	—	—	30
Share-based compensation expense	—	40	—	—	—	40
Balance at October 31, 2011	298,605	$2,919	$(4,484)	$ 9	$3,917	$2,361

(In millions, except shares in thousands)	Shares of Common Stock	Common Stock and Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
Balance at July 31, 2010	313,861	$2,728	$(3,315)	$ 11	$3,397	$2,821
Components of comprehensive net loss:						
Net loss	—	—	—	—	(70)	(70)
Other comprehensive income, net of tax	—	—	—	1	—	1
Comprehensive net loss						(69)
Issuance of treasury stock under employee stock plans	7,049	(33)	159	—	—	126
Stock repurchases under stock repurchase programs	(7,308)	—	(330)	—	—	(330)
Tax benefit from share-based compensation plans	—	32	—	—	—	32
Share-based compensation expense	—	35	—	—	—	35
Balance at October 31, 2010	313,602	$2,762	$(3,486)	$ 12	$3,327	$2,615

See accompanying notes.

Table of Contents

INTUIT INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Three Months Ended October 31, 2011	October 31, 2010
Cash flows from operating activities:		
Net loss	$(64)	$(70)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	44	37
Amortization of acquired intangible assets	28	19
Share-based compensation expense	40	35
Deferred income taxes	(5)	25
Tax benefit from share-based compensation plans	30	32
Excess tax benefit from share-based compensation plans	(29)	(27)
Other	(6)	5
Total adjustments	102	126
Changes in operating assets and liabilities:		
Accounts receivable	5	(12)
Prepaid expenses, income taxes receivable and other assets	(78)	(134)
Accounts payable	39	5
Accrued compensation and related liabilities	(74)	(82)
Deferred revenue	(25)	(29)
Income taxes payable	1	(13)
Other liabilities	(16)	(2)
Total changes in operating assets and liabilities	(148)	(267)
Net cash used in operating activities	(110)	(211)
Cash flows from investing activities:		
Purchases of available-for-sale debt securities	(197)	(428)
Sales of available-for-sale debt securities	136	638
Maturities of available-for-sale debt securities	41	134
Net change in money market funds and other cash equivalents held to satisfy customer fund obligations	93	(26)
Net change in customer fund deposits	(93)	26
Purchases of property and equipment	(44)	(51)
Acquisitions of intangible assets	—	(3)
Other	14	(5)
Net cash (used in) provided by investing activities	(50)	285
Cash flows from financing activities:		
Net proceeds from issuance of treasury stock under employee stock plans	45	126
Purchases of treasury stock	(255)	(330)
Cash dividends paid to stockholders	(45)	—
Excess tax benefit from share-based compensation plans	29	27
Net cash used in financing activities	(226)	(177)
Effect of exchange rates on cash and cash equivalents	(3)	1
Net decrease in cash and cash equivalents	(389)	(102)
Cash and cash equivalents at beginning of period	722	214
Cash and cash equivalents at end of period	$333	$112

See accompanying notes.

Table of Contents

INTUIT INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Intuit Inc. provides business and financial management solutions for small and medium-sized businesses, consumers, accounting professionals and financial institutions. Our flagship products and services, including QuickBooks, TurboTax and Quicken, simplify small business management including payment and payroll processing, tax preparation and filing, and personal finance. Lacerte and ProSeries are Intuit's tax preparation offerings for professional accountants. Our Financial Services business provides online banking solutions and services to banks and credit unions. Incorporated in 1984 and headquartered in Mountain View, California, we sell our products and services primarily in the United States.

Basis of Presentation

These condensed consolidated financial statements include the financial statements of Intuit and its wholly owned subsidiaries. We have eliminated all significant intercompany balances and transactions in consolidation. We have included all adjustments, consisting only of normal recurring items, which we considered necessary for a fair presentation of our financial results for the interim periods presented. These unaudited condensed consolidated financial statements and accompanying notes should be read together with the audited consolidated financial statements in Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2011. Results for the three months ended October 31, 2011 do not necessarily indicate the results we expect for the fiscal year ending July 31, 2012 or any other future period.

Seasonality

Our QuickBooks, Consumer Tax and Accounting Professionals businesses are highly seasonal. Revenue from our QuickBooks software products tends to be highest during our second and third fiscal quarters. Sales of income tax preparation products and services are heavily concentrated in the period from November through April. Seasonal patterns mean that our total net revenue is usually highest during our second quarter ending January 31 and third quarter ending April 30. We typically report losses in our first quarter ending October 31 and fourth quarter ending July 31, when revenue from our tax businesses is minimal while operating expenses continue at relatively consistent levels.

Significant Accounting Policies

We describe our significant accounting policies in Note 1 to the financial statements in Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2011. There have been no changes to our significant accounting policies during the first three months of fiscal 2012.

Computation of Net Income (Loss) Per Share

We compute basic net income or loss per share using the weighted average number of common shares outstanding during the period. We compute diluted net income per share using the weighted average number of common shares and dilutive potential common shares outstanding during the period. Dilutive potential common shares include shares issuable upon the exercise of stock options and upon the vesting of restricted stock units (RSUs) under the treasury stock method.

We include stock options with combined exercise prices, unrecognized compensation expense and tax benefits that are less than the average market price for our common stock, and RSUs with unrecognized compensation expense and tax benefits that are less than the average market price for our common stock, in the calculation of diluted net income per share. We exclude stock options with combined exercise prices, unrecognized compensation expense and tax benefits that are greater than the average market price for our common stock, and RSUs with unrecognized compensation expense and tax benefits that are greater than the average market price for our common stock, from the calculation of diluted net income per share because their effect is anti-dilutive. Under the treasury stock method, the amount that must be paid to exercise stock options, the amount of compensation expense for future service that we have not yet recognized for stock options and RSUs, and the amount of tax benefits that will be recorded in additional paid-in capital when the awards become deductible are assumed to be used to repurchase shares.

In loss periods, basic net loss per share and diluted net loss per share are the same since the effect of potential common shares is anti-dilutive and therefore excluded.

Table of Contents

The following table presents the composition of shares used in the computation of basic and diluted net income per share for the periods indicated.

(In millions, except per share amounts)	Three Months Ended October 31, 2011	October 31, 2010
Numerator:		
Net loss	$(64)	$(70)
Denominator:		
Shares used in basic and diluted per share amounts:		
Weighted average common shares outstanding	300	316
Basic and diluted net loss per share:		
Basic net loss per share	$(0.21)	$(0.22)
Diluted net loss per share	$(0.21)	$(0.22)
Shares excluded from computation of diluted net loss per share:		
Weighted average stock options and restricted stock units that would have been included in the computation of dilutive common equivalent shares outstanding if net income had been reported in the period	28	33
Weighted average stock options and restricted stock units excluded from calculation due to anti-dilutive effect	3	5

Concentration of Credit Risk and Significant Customers

No customer accounted for 10% or more of total net revenue in the three months ended October 31, 2011 or October 31, 2010. No customer accounted for 10% or more of total accounts receivable at October 31, 2011 or July 31, 2011.

Recent Accounting Pronouncements

ASU 2011-04, “Fair Value Measurement (Topic 820)”

On May 12, 2011 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" (ASU 2011-04). This update amends Accounting Standards Codification (ASC) Topic 820, “Fair Value Measurement and Disclosure.” ASU 2011-04 clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. ASU 2011-04 is effective for annual and interim reporting periods beginning on or after December 15, 2011, which means that it will be effective for our fiscal quarter beginning February 1, 2012. The new guidance is to be adopted prospectively and early adoption is not permitted. We do not believe that adoption of ASU 2011-04 will have a significant impact on our consolidated financial statements.

ASU 2011-05, “Presentation of Comprehensive Income”

On June 16, 2011 the FASB issued ASU No. 2011-05, “Comprehensive Income (Topic 220): Presentation of Comprehensive Income” (ASU 2011-05). This update amends ASC Topic 220, “Comprehensive Income” to provide that total comprehensive income will be reported in one continuous statement or two separate but consecutive statements of financial performance. Presentation of total comprehensive income in the statement of stockholders' equity or the footnotes will no longer be allowed. The calculation of net income and basic and diluted net income per share will not be affected. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2011, which means that it will be effective for our fiscal year beginning August 1, 2012. Retrospective adoption is required and early adoption is permitted. We do not believe that adoption of ASU 2011-05 will have a significant impact on our consolidated financial statements.

8

Table of Contents

ASU 2011-08, “Testing Goodwill for Impairment”

On September 15, 2011, the FASB issued ASU No. 2011-08, “Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment” (ASU 2011-08)." This update amends ASC Topic 350, “Intangibles - Goodwill and Other” to give companies the option to perform a qualitative assessment that may allow them to skip the annual two-step test and reduce costs. ASU 2011-08 is effective for fiscal years beginning after December 15, 2011, which means that it will be effective for our fiscal year beginning August 1, 2012. Early adoption is permitted. We are in the process of evaluating this update and therefore have not yet determined the impact that adoption of ASU 2011-08 will have on our consolidated financial statements.

2. Fair Value Measurements

The authoritative guidance defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. When determining fair value, we consider the principal or most advantageous market for an asset or liability and assumptions that market participants would use when pricing the asset or liability. In addition, we consider and use all valuation methods that are appropriate in estimating the fair value of an asset or liability.

The authoritative guidance establishes a fair value hierarchy that is based on the extent and level of judgment used to estimate the fair value of assets and liabilities. In general, the authoritative guidance requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. An asset or liability’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of its fair value. The three levels of input defined by the authoritative guidance are as follows:

- Level 1 uses unadjusted quoted prices that are available in active markets for identical assets or liabilities.
- Level 2 uses inputs other than quoted prices included in Level 1 that are either directly or indirectly observable through correlation with market data. These include quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs to valuation models or other pricing methodologies that do not require significant judgment because the inputs used in the model, such as interest rates and volatility, can be corroborated by readily observable market data for substantially the full term of the assets or liabilities.
- Level 3 uses one or more significant inputs that are supported by little or no market activity and that are significant to the determination of fair value. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques and significant management judgment or estimation.

Table of Contents

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes financial assets and financial liabilities that we measured at fair value on a recurring basis at the dates indicated, classified in accordance with the fair value hierarchy described above.

	October 31, 2011				July 31, 2011			
(In millions)	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
Assets:								
Cash equivalents, primarily money market funds	$333	$—	$—	$333	$854	$—	$—	$854
Available-for-sale debt securities:								
Municipal bonds	—	397	—	397	—	434	—	434
Municipal auction rate securities	—	—	54	54	—	—	59	59
Corporate notes	—	333	—	333	—	288	—	288
U.S. agency securities	—	163	—	163	—	152	—	152
Total available-for-sale debt securities	—	893	54	947	—	874	59	933
Total assets measured at fair value on a recurring basis	$333	$893	$54	$1,280	$854	$874	$59	$1,787
Liabilities:								
Senior notes (1)	$—	$1,077	$—	$1,077	$—	$1,084	$—	$1,084

(1) Carrying value on our balance sheets at October 31, 2011 and July 31, 2011 was $999 million. See Note 5.

The following table summarizes our cash equivalents and available-for-sale debt securities by balance sheet classification and level in the fair value hierarchy at the dates indicated.

	October 31, 2011				July 31, 2011			
(In millions)	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents:								
In cash and cash equivalents	$187	$—	$—	$187	$615	$—	$—	$615
In funds held for customers	146	—	—	146	239	—	—	239
Total cash equivalents	$333	$—	$—	$333	$854	$—	$—	$854
Available-for-sale debt securities:								
In investments	$—	$718	$—	$718	$—	$699	$—	$699
In funds held for customers	—	175	—	175	—	175	—	175
In long-term investments	—	—	54	54	—	—	59	59
Total available-for-sale debt securities	$—	$893	$54	$947	$—	$874	$59	$933

We value our Level 1 assets, consisting primarily of money market funds, using quoted prices in active markets for identical instruments. Financial assets whose fair values we measure on a recurring basis using Level 2 inputs consist of municipal bonds, corporate notes and U.S. agency securities. We measure the fair values of these assets using quoted prices in active markets for similar instruments. Financial liabilities whose fair values we measure using Level 2 inputs consist of debt. See Note 5. We measure the fair value of our senior notes based on their trading prices and the interest rates we could obtain for

Table of Contents

other borrowings with similar terms. Financial assets whose fair values we measure using significant unobservable (Level 3) inputs consist of municipal auction rate securities that are no longer liquid. These securities are included in long-term investments on our balance sheets at October 31, 2011 and July 31, 2011 based on the maturities of the underlying securities. There were no significant transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy during the three months ended October 31, 2011.
The following table presents a reconciliation of activity for our Level 3 assets for the three months ended October 31, 2011.

(In millions)	Three Months Ended October 31, 2011
Beginning balance	$59
Settlements at par	(5)
Ending balance	$54

We estimated the fair values of these municipal auction rate securities at October 31, 2011 and July 31, 2011 using a discounted cash flow model that we prepared. Using our discounted cash flow model we determined that the fair values of the municipal auction rate securities we held at October 31, 2011 were approximately equal to their par values. As a result, we recorded no decrease in the fair values of those securities for the three months then ended. We do not intend to sell our municipal auction rate securities and it is not more likely than not that we will be required to sell them before recovery at par, which may be at maturity. Based on our expected operating cash flows and our other sources of cash, we do not believe that the reduction in liquidity of our municipal auction rate securities will have a material impact on our overall ability to meet our liquidity needs.

3. Cash and Cash Equivalents, Investments and Funds Held for Customers
We consider highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Cash equivalents consist primarily of AAA-rated money market funds in all periods presented. Investments consist of available-for-sale investment-grade debt securities that we carry at fair value. Funds held for customers consist of cash and cash equivalents and available-for-sale investment-grade debt securities. Long-term investments consist primarily of municipal auction rate securities that we carry at fair value. See Note 2. Except for direct obligations of the United States government, securities issued by agencies of the United States government, and money market funds, we diversify our investments by limiting our holdings with any individual issuer.
The following table summarizes our cash and cash equivalents, investments and funds held for customers by balance sheet classification at the dates indicated.

	October 31, 2011		July 31, 2011	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Classification on balance sheets:				
Cash and cash equivalents	$333	$333	$722	$722
Investments	718	718	698	699
Funds held for customers	321	321	413	414
Long-term investments	59	59	63	63
Total cash and cash equivalents, investments and funds held for customers	$1,431	$1,431	$1,896	$1,898

Table of Contents

The following table summarizes our cash and cash equivalents, investments and funds held for customers by investment category at the dates indicated.

(In millions)	October 31, 2011 Amortized Cost	October 31, 2011 Fair Value	July 31, 2011 Amortized Cost	July 31, 2011 Fair Value
Type of issue:				
Total cash and cash equivalents	$479	$479	$961	$961
Available-for-sale debt securities:				
Municipal bonds	397	397	434	434
Municipal auction rate securities	54	54	59	59
Corporate notes	333	333	287	288
U.S. agency securities	163	163	151	152
Total available-for-sale debt securities	947	947	931	933
Other long-term investments	5	5	4	4
Total cash and cash equivalents, investments and funds held for customers	$1,431	$1,431	$1,896	$1,898

We use the specific identification method to compute gains and losses on investments. We include realized gains and losses on our available-for-sale debt securities in interest and other income, net in our statements of operations. Gross realized gains and losses on our available-for-sale debt securities for the three months ended October 31, 2011 and October 31, 2010 were not significant. We accumulate unrealized gains and losses on our available-for-sale debt securities, net of tax, in accumulated other comprehensive income in the stockholders' equity section of our balance sheets. Gross unrealized gains and losses on our available-for-sale debt securities at October 31, 2011 and July 31, 2011 were not significant.

We periodically review our investment portfolios to determine if any investment is other-than-temporarily impaired due to changes in credit risk or other potential valuation concerns. We believe that the investments we held at October 31, 2011 were not other-than-temporarily impaired. Unrealized losses at October 31, 2011 were not significant and were due to changes in interest rates, including market credit spreads, and not due to increased credit risks associated with specific securities. We do not intend to sell these investments and it is not more likely than not that we will be required to sell them before recovery at par, which may be at maturity.

The following table summarizes our available-for-sale debt securities classified by the stated maturity date of the security at the dates indicated.

(In millions)	October 31, 2011 Amortized Cost	October 31, 2011 Fair Value	July 31, 2011 Amortized Cost	July 31, 2011 Fair Value
Due within one year	$252	$252	$267	$267
Due within two years	388	388	323	324
Due within three years	182	182	190	191
Due after three years	125	125	151	151
Total available-for-sale debt securities	$947	$947	$931	$933

Available-for-sale debt securities due after three years in the table above include our municipal auction rate securities. See Note 2 for more information. All of the remaining securities in that category had effective maturities of three years or less due to interest reset dates or mandatory call dates.

Table of Contents

4. Current Liabilities

Current Portion of Long-Term Debt

The current portion of long-term debt consists of $500 million of 5.40% senior unsecured notes due on March 15, 2012, less the unamortized discount. See Note 5, "Long-Term Obligations - Long-Term Debt," for more information.

Unsecured Revolving Credit Facility

On March 22, 2007 we entered into an agreement with certain institutional lenders for a $500 million unsecured revolving credit facility that will expire on March 22, 2012. Advances under the credit facility will accrue interest at rates that are equal to, at our election, either Citibank's base rate or the London InterBank Offered Rate (LIBOR) plus a margin that ranges from 0.18% to 0.575% based on our senior debt credit ratings. The applicable interest rate will be increased by 0.05% for any period in which the total principal amount of advances and letters of credit under the credit facility exceeds $250 million. The agreement includes covenants that require us to maintain a ratio of total debt to annual earnings before interest, taxes, depreciation and amortization (EBITDA) of not greater than 3.25 to 1.00 and a ratio of annual EBITDA to interest payable of not less than 3.00 to 1.00. We were in compliance with these covenants at October 31, 2011. We may use amounts borrowed under this credit facility for general corporate purposes or for future acquisitions or expansion of our business. To date we have not borrowed under this credit facility.

Other Current Liabilities

Other current liabilities were as follows at the dates indicated:

(In millions)	October 31, 2011	July 31, 2011
Reserve for product returns	$20	$20
Reserve for rebates	12	11
Current portion of license fee payable	10	10
Current portion of deferred rent	6	7
Interest payable	7	21
Executive deferred compensation plan liabilities	54	50
Other	19	22
Total other current liabilities	$128	$141

The balances of several of our other current liabilities, particularly our reserves for product returns and rebates, are affected by the seasonality of our business. See Note 1, "Seasonality."

5. Long-Term Obligations

Long-Term Debt

On March 12, 2007 we issued $500 million of 5.40% senior unsecured notes due on March 15, 2012 and $500 million of 5.75% senior unsecured notes due on March 15, 2017 (together, the Notes), for a total principal amount of $1 billion. We carried the Notes at face value less the unamortized discount in current portion of long-term debt and long-term debt on our balance sheets at October 31, 2011 and July 31, 2011. The Notes are redeemable by Intuit at any time, subject to a make-whole premium. The Notes include covenants that limit our ability to grant liens on our facilities and to enter into sale and leaseback transactions, subject to significant allowances. We paid $28 million in cash for interest on the Notes during the three months ended October 31, 2011 and October 31, 2010.

Table of Contents

Other Long-Term Obligations

Other long-term obligations were as follows at the dates indicated:

(In millions)	October 31, 2011	July 31, 2011
Total license fee payable	$61	$60
Total deferred rent	52	52
Long-term deferred revenue	40	40
Long-term income tax liabilities	40	42
Long-term payables	10	12
Other	1	1
Total long-term obligations	204	207
Less current portion (included in other current liabilities)	(17)	(17)
Long-term obligations due after one year	$187	$190

6. Income Taxes

Effective Tax Rate

We compute our provision for or benefit from income taxes by applying the estimated annual effective tax rate to income or loss from recurring operations and adding the effects of any discrete income tax items specific to the period. Our effective tax benefit rate for the three months ended October 31, 2011 was approximately 35% and did not differ significantly from the federal statutory rate of 35%. State income taxes were substantially offset by the benefit we received from the domestic production activities deduction and the federal research and experimentation credit. Our effective tax benefit rate for the three months ended October 31, 2010 was approximately 37%. This differed from the federal statutory rate of 35% primarily due to state income taxes, which were partially offset by the benefit we received from the domestic production activities deduction.

The decrease in the effective tax benefit rate for the three months ended October 31, 2011 compared with the three months ended October 31, 2010 was primarily related to the decrease in the California tax rate after the adoption of single sales factor apportionment effective August 1, 2011.

Unrecognized Tax Benefits and Other Considerations

The total amount of our unrecognized tax benefits at July 31, 2011 was $41 million. Net of related deferred tax assets, unrecognized tax benefits were $35 million at that date. If we were to recognize these net benefits, our income tax expense would reflect a favorable net impact of $35 million. There were no material changes to these amounts during the three months ended October 31, 2011. We do not believe that it is reasonably possible that there will be a significant increase or decrease in our unrecognized tax benefits over the next 12 months.

7. Stockholders’ Equity

Stock Repurchase Programs

Intuit’s Board of Directors has authorized a series of common stock repurchase programs. Shares of common stock repurchased under these programs become treasury shares. We repurchased 5.2 million shares for $255 million under these programs during the three months ended October 31, 2011 and 7.3 million shares for $330 million under these programs during the three months ended October 31, 2010. At October 31, 2011, we had authorization from our Board of Directors to expend up to an additional $385 million for stock repurchases through August 16, 2013 and $2 billion for stock repurchases through August 15, 2014.

Repurchased shares of our common stock are held as treasury shares until they are reissued or retired. When we reissue treasury stock, if the proceeds from the sale are more than the average price we paid to acquire the shares we record an increase in additional paid-in capital. Conversely, if the proceeds from the sale are less than the average price we paid to acquire the shares, we record a decrease in additional paid-in capital to the extent of increases previously recorded for similar transactions and a decrease in retained earnings for any remaining amount.

Dividends on Common Stock

During the three months ended October 31, 2011 we declared and paid a quarterly cash dividend of $0.15 per share that totaled approximately $45 million. In November 2011 our Board of Directors declared a quarterly cash dividend of $0.15 per share of

Table of Contents

outstanding common stock payable on January 18, 2012 to stockholders of record at the close of business on January 10, 2012. Future declarations of dividends and the establishment of future record dates and payment dates are subject to the final determination of our Board of Directors.

Share-Based Compensation Expense

The following table summarizes the total share-based compensation expense that we recorded for the periods shown.

(In millions, except per share amounts)	Three Months Ended October 31, 2011	October 31, 2010
Cost of revenue	$1	$1
Selling and marketing	14	9
Research and development	12	13
General and administrative	13	12
Total share-based compensation expense	40	35
Income tax benefit	(13)	(12)
Increase in net loss	$27	$23
Increase in net loss per share:		
Basic	$0.09	$0.07
Diluted	$0.09	$0.07

Stock Option Activity and Related Share-Based Compensation Expense

A summary of activity under all share-based compensation plans for the three months ended October 31, 2011 was as follows:

(Shares in thousands)	Shares Available for Grant	Options Outstanding Number of Shares	Weighted Average Exercise Price Per Share
Balance at July 31, 2011	30,716	22,679	$32.38
Options granted	(157)	157	45.32
Restricted stock units granted (2)	(648)	—	—
Options exercised	—	(1,882)	27.49
Options canceled or expired (1)	197	(199)	35.98
Restricted stock units forfeited (1)(2)	590	—	—
Balance at October 31, 2011	30,698	20,755	$32.89
Exercisable at October 31, 2011		13,190	$29.17

(1) Stock options and restricted stock units canceled, expired or forfeited under our 2005 Equity Incentive Plan are returned to the pool of shares available for grant. Stock options and restricted stock units canceled, expired or forfeited under older expired plans are not returned to the pool of shares available for grant.

(2) Under the terms of our 2005 Equity Incentive Plan as amended on January 19, 2011, RSUs granted from the pool of shares available for grant on or after November 1, 2010 reduce the pool by 2.3 shares for each share granted. RSUs forfeited and returned to the pool of shares available for grant increase the pool by 2.3 shares for each share forfeited.

At October 31, 2011, there was approximately $60 million of unrecognized compensation cost related to non-vested stock options that we expect to recognize as expense in the future. We will adjust unrecognized compensation cost for future changes in estimated forfeitures. We expect to recognize that cost over a weighted average vesting period of 2.0 years.

Table of Contents

Restricted Stock Unit Activity and Related Share-Based Compensation Expense

A summary of restricted stock unit activity for the three months ended October 31, 2011 was as follows:

(Shares in thousands)	Restricted Stock Units Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at July 31, 2011	11,055	$37.92
Granted	220	43.34
Vested	(1,415)	32.77
Forfeited	(241)	36.35
Nonvested at October 31, 2011	9,619	$38.84

At October 31, 2011, there was approximately $208 million of unrecognized compensation cost related to non-vested RSUs and restricted stock that we expect to recognize as expense in the future. We will adjust unrecognized compensation cost for future changes in estimated forfeitures. We expect to recognize that cost over a weighted average vesting period of 2.3 years.

8. Litigation

Intuit is subject to certain routine legal proceedings, as well as demands, claims and threatened litigation, that arise in the normal course of our business, including assertions that we may be infringing patents or other intellectual property rights of others. We currently believe that, in addition to any amounts accrued, the amount of potential losses, if any, for any pending claims of any type (either alone or combined) will not have a material impact on our consolidated financial statements. The ultimate outcome of any litigation is uncertain and, regardless of outcome, litigation can have an adverse impact on Intuit because of defense costs, negative publicity, diversion of management resources and other factors. Our failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims, could adversely affect our business.

9. Segment Information

We have defined seven reportable segments based on factors such as how we manage our operations and how our chief operating decision maker views results. We define the chief operating decision maker as our Chief Executive Officer and our Chief Financial Officer. Our chief operating decision maker organizes and manages our business primarily on the basis of product and service offerings.

All of our business segments except Other Businesses operate primarily in the United States and sell primarily to customers in the United States. International total net revenue was less than 5% of consolidated total net revenue for all periods presented.

We include expenses such as corporate selling and marketing, product development, and general and administrative expenses and share-based compensation expenses that are not allocated to specific segments in unallocated corporate items. Unallocated corporate items also include amortization of acquired technology, amortization of other acquired intangible assets, and goodwill and intangible asset impairment charges.

The accounting policies of our reportable segments are the same as those described in the summary of significant accounting policies in Note 1 to the financial statements in Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2011. Except for goodwill and purchased intangible assets, we do not generally track assets by reportable segment and, consequently, we do not disclose total assets by reportable segment.

16

Table of Contents

The following table shows our financial results by reportable segment for the periods indicated.

(In millions)	Three Months Ended October 31, 2011	Three Months Ended October 31, 2010
Net revenue:		
Financial Management Solutions	$168	$154
Employee Management Solutions	121	107
Payment Solutions	94	80
Consumer Tax	41	29
Accounting Professionals	27	25
Financial Services	89	81
Other Businesses	54	56
Total net revenue	$594	$532
Operating income (loss):		
Financial Management Solutions	$42	$33
Employee Management Solutions	75	64
Payment Solutions	24	12
Consumer Tax	(28)	(29)
Accounting Professionals	(14)	(16)
Financial Services	18	15
Other Businesses	(3)	1
Total segment operating income	114	80
Unallocated corporate items:		
Share-based compensation expense	(40)	(35)
Other common expenses	(143)	(134)
Amortization of acquired technology	(4)	(4)
Amortization of other acquired intangible assets	(21)	(11)
Total unallocated corporate items	(208)	(184)
Total operating loss	$(94)	$(104)

Table of Contents

ITEM 2
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Our Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) includes the following sections:

- Executive Overview that discusses at a high level our operating results and some of the trends that affect our business.
- Significant changes since our most recent Annual Report on Form 10-K in the Critical Accounting Policies and Estimates that we believe are important to understanding the assumptions and judgments underlying our financial statements.
- Results of Operations that includes a more detailed discussion of our revenue and expenses.
- Liquidity and Capital Resources which discusses key aspects of our statements of cash flows, changes in our balance sheets, and our financial commitments.

You should note that this MD&A discussion contains forward-looking statements that involve risks and uncertainties. Please see Item 1A in Part II of this Quarterly Report on Form 10-Q for important information to consider when evaluating such statements.

You should read this MD&A in conjunction with the financial statements and related notes in Part I, Item 1 of this report and our Annual Report on Form 10-K for the fiscal year ended July 31, 2011.

Executive Overview

This overview provides a high level discussion of our operating results and some of the trends that affect our business. We believe that an understanding of these trends is important in order to understand our financial results for the first three months of fiscal 2012 as well as our future prospects. This summary is not intended to be exhaustive, nor is it intended to be a substitute for the detailed discussion and analysis provided elsewhere in this Quarterly Report on Form 10-Q.

About Intuit

Intuit is a leading provider of business and financial management solutions for small and medium-sized businesses, consumers, accounting professionals and financial institutions. We organize our portfolio of businesses into four principal categories — Small Business Group, Tax, Financial Services and Other Businesses. These categories include seven financial reporting segments.

Small Business Group: This category includes three segments — Financial Management Solutions, Employee Management Solutions, and Payment Solutions.

- Our Financial Management Solutions segment includes QuickBooks financial and business management software and services; technical support; financial supplies; and Intuit Websites, which provides website design and hosting services for small and medium-sized businesses.
- Our Employee Management Solutions segment provides payroll products and services for small businesses.
- Our Payment Solutions segment provides merchant services for small businesses, including credit and debit card processing, electronic check conversion and automated clearing house services.

Tax: This category includes two segments — Consumer Tax and Accounting Professionals.

- Our Consumer Tax segment includes TurboTax income tax preparation products and services for consumers and small businesses.
- Our Accounting Professionals segment includes Lacerte, ProSeries and ProLine Tax Online professional tax products and services. This segment also includes QuickBooks Premier Accountant Edition and the QuickBooks ProAdvisor Program for accounting professionals.

Financial Services: This segment consists primarily of outsourced online financial management solutions for banks and credit unions provided by our Intuit Financial Services business.

Other Businesses: This segment includes Quicken personal finance products and services; Mint.com online personal finance services; Intuit Health online patient-to-provider communication solutions; and our businesses in Canada, the United Kingdom, India and Singapore.

Seasonality and Trends

18

Table of Contents

Our QuickBooks, Consumer Tax and Accounting Professionals businesses are highly seasonal. Revenue from our QuickBooks software products tends to be highest during our second and third fiscal quarters. Sales of income tax preparation products and services are heavily concentrated in the period from November through April. In our Consumer Tax business, a greater proportion of our revenue has been occurring later in this seasonal period due in part to the growth in sales of TurboTax Online, for which revenue is recognized upon printing or electronic filing of a tax return. The seasonality of our Consumer Tax and Accounting Professionals revenue is also affected by the timing of the availability of tax forms from taxing agencies and the ability of those agencies to receive electronic tax return submissions. The availability of tax forms or the ability of taxing agencies to receive submissions can cause revenue to shift between our second fiscal quarter and subsequent fiscal quarters. These seasonal patterns mean that our total net revenue is usually highest during our second quarter ending January 31 and third quarter ending April 30. We typically report losses in our first quarter ending October 31 and fourth quarter ending July 31, when revenue from our tax businesses is minimal while operating expenses continue at relatively consistent levels. We believe the seasonality of our revenue is likely to continue in the future. In our MD&A we often focus on year-to-date results for our seasonal businesses as they are generally more meaningful than quarterly results.

Overview of Financial Results

Total net revenue for the first three months of fiscal 2012 was $594 million, an increase of 12% compared with the same period of fiscal 2011. Our Small Business Group was the key driver of revenue growth, increasing revenue by 13% compared with the same period a year ago due to growth in connected services offerings and improved offering mix. Operating loss decreased 10% in the first three months of fiscal 2012 compared with the same period of fiscal 2011 due to higher revenue partially offset by higher costs and expenses, including higher spending for staffing expenses. Net loss decreased 9% in the first three months of fiscal 2012 compared with the same period of fiscal 2011, in line with the decrease in operating loss. Basic and diluted net loss per share for the first three months of fiscal 2012 decreased 5% to $0.21 as a result of the lower net loss, partially offset by the effect of the decline in weighted average basic and diluted common shares compared with the same period of fiscal 2011.

We ended the first three months of fiscal 2012 with cash, cash equivalents and investments totaling $1.1 billion. In the first three months of fiscal 2012 we generated cash from the issuance of common stock under employee stock plans. During the same period we used cash for operations, for net purchases of investments, for capital expenditures, for the repurchase of shares of our common stock under our stock repurchase programs, and for the payment of the first quarterly cash dividend in our history. At October 31, 2011, we had authorization from our Board of Directors to expend up to an additional $385 million for stock repurchases through August 16, 2013 and $2 billion for stock repurchases through August 15, 2014.

Critical Accounting Policies and Estimates

In preparing our financial statements, we make estimates, assumptions and judgments that can have a significant impact on our net revenue, operating income or loss and net income or loss, as well as on the value of certain assets and liabilities on our balance sheet. We believe that the estimates, assumptions and judgments involved in the accounting policies described in Management’s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2011 have the greatest potential impact on our financial statements, so we consider them to be our critical accounting policies and estimates. We believe that there were no significant changes in those critical accounting policies and estimates during the first three months of fiscal 2012. Senior management has reviewed the development and selection of our critical accounting policies and estimates and their disclosure in this Quarterly Report on Form 10-Q with the Audit and Risk Committee of our Board of Directors.

Table of Contents

Results of Operations

Financial Overview

(Dollars in millions, except per share amounts)	Q1 FY12	Q1 FY11	$ Change	% Change
Total net revenue	$594	$532	$62	12 %
Operating loss	(94)	(104)	10	(10)%
Net loss	(64)	(70)	6	(9)%
Basic and diluted net loss per share	$(0.21)	$(0.22)	$0.01	(5)%

Current Fiscal Quarter

Total net revenue increased $62 million or 12% in the first quarter of fiscal 2012 compared with the same quarter of fiscal 2011. In our Small Business Group, revenue was up 13%. Financial Management Solutions segment revenue increased 9% due to growth in QuickBooks Online and QuickBooks Enterprise revenue. Employee Management Solutions segment revenue increased 13% due to favorable offering mix, improved customer adoption of payroll direct deposit services, and price increases for desktop payroll customers. Payment Solutions segment revenue increased 19% due to fee structure changes, growth in the merchant customer base and slightly higher transaction volume per merchant. Financial Services segment revenue increased 9% due to growth in bill-pay revenue and mobile banking revenue. Other Businesses segment revenue decreased 3% due to lower Quicken revenue. Due to the seasonal nature of our Tax businesses, we typically generate nominal revenue in our Consumer Tax and Accounting Professionals segments in our first fiscal quarter compared with our second and third fiscal quarters.

Operating loss decreased 10% in the first quarter of fiscal 2012 compared with the same quarter of fiscal 2011 due to the increase in revenue described above partially offset by higher operating expenses. Total operating expenses were $39 million higher in the fiscal 2012 quarter, including about $21 million for higher staffing expenses. See “Operating Expenses” later in this Item 2 for more information.

Net loss decreased 9% in the first quarter of fiscal 2012 compared with the same quarter of fiscal 2011, in line with the decrease in operating loss. Basic and diluted net loss per share for the first quarter of fiscal 2012 decreased 5% to $0.21 as a result of the lower net loss, partially offset by the effect of the decline in weighted average basic and diluted common shares compared with the same quarter of fiscal 2011.

Business Segment Results

The information below is organized in accordance with our seven reportable business segments. Segment operating income or loss is segment net revenue less segment cost of revenue and operating expenses. See “Executive Overview — Seasonality and Trends” earlier in this Item 2 for a description of the seasonality of our business. Segment expenses do not include certain costs, such as corporate selling and marketing, product development, and general and administrative expenses and share-based compensation expenses, which are not allocated to specific segments. These unallocated costs totaled $183 million in the first three months of fiscal 2012 and $169 million in the first three months of fiscal 2011. Unallocated costs increased in the fiscal 2012 period due to increases in corporate product development and selling and marketing expenses in support of the growth of our businesses, and increases in share-based compensation expense.

Segment expenses also do not include amortization of acquired technology, amortization of other acquired intangible assets, and goodwill and intangible asset impairment charges. See Note 9 to the financial statements in Part I, Item 1 of this report for reconciliations of total segment operating income or loss to consolidated operating income or loss for each fiscal period presented.

We calculate revenue growth rates and segment operating margin figures using dollars in thousands. Those results may vary from figures calculated using the dollars in millions presented below.

Table of Contents

Financial Management Solutions

(Dollars in millions)	Q1 FY12		Q1 FY11		% Change	
Product revenue	$89		$84			
Service and other revenue	79		70			
Total segment revenue	$168		$154		9	%
% of total revenue	28	%	29	%		
Segment operating income	$42		$33		28	%
% of related revenue	25	%	21	%		

Financial Management Solutions (FMS) product revenue is derived primarily from QuickBooks desktop software products and financial supplies such as paper checks, envelopes, invoices, business cards and business stationery. FMS service and other revenue is derived primarily from QuickBooks Online; QuickBooks technical support plans; Intuit Websites, which provides website design and hosting services for small and medium-sized businesses; QuickBase; and royalties from small business online services.

FMS total net revenue increased $14 million or 9% in the first quarter of fiscal 2012 compared with the same quarter of fiscal 2011. Strong growth in QuickBooks Online and QuickBooks Enterprise revenue drove higher average selling prices for QuickBooks offerings overall and total QuickBooks software units increased 2% in the first quarter of fiscal 2012.

FMS segment operating income as a percentage of related revenue increased to 25% in the first quarter of fiscal 2012 from 21% in the same quarter of fiscal 2011. Operating income increased in the first three months of fiscal 2012 due to the increase in revenue described above partially offset by higher staffing expenses.

Employee Management Solutions

(Dollars in millions)	Q1 FY12		Q1 FY11		% Change	
Product revenue	$68		$63			
Service and other revenue	53		44			
Total segment revenue	$121		$107		13	%
% of total revenue	20	%	20	%		
Segment operating income	$75		$64		17	%
% of related revenue	62	%	59	%		

Employee Management Solutions (EMS) product revenue is derived primarily from QuickBooks Basic Payroll and QuickBooks Enhanced Payroll, which are products sold on a subscription basis that offer payroll tax tables, payroll reports, federal and state payroll tax forms, and electronic tax payment and filing to small businesses that prepare their own payrolls. EMS service and other revenue is derived primarily from QuickBooks Online Payroll, QuickBooks Assisted Payroll, Intuit Online Payroll, Intuit Full Service Payroll, fees for payroll direct deposit services, and fees for other small business payroll and employee management services. Service and other revenue for this segment also includes interest earned on funds held for customers.

EMS total net revenue increased $14 million or 13% in the first quarter of fiscal 2012 compared with the same quarter of fiscal 2011. Revenue was higher in the fiscal 2012 period due to more customers choosing our Enhanced desktop payroll and online payroll solutions, improved customer adoption of payroll direct deposit services, and price increases for desktop payroll customers. At October 31, 2011, total payroll customers were up 3% while online payroll customers were up 20% compared with October 31, 2010.

EMS segment operating income as a percentage of related revenue increased to 62% in the first quarter of fiscal 2012 from 59% in the same quarter of fiscal 2011 due to the increase in revenue described above partially offset by higher staffing expenses associated with higher headcount.

Table of Contents

Payment Solutions

(Dollars in millions)	Q1 FY12		Q1 FY11		% Change	
Product revenue	$6		$8			
Service and other revenue	88		72			
Total segment revenue	$94		$80		19	%
% of total revenue	16	%	15	%		
Segment operating income	$24		$12		91	%
% of related revenue	25	%	16	%		

Payment Solutions product revenue is derived primarily from Point of Sale solutions. Payment Solutions service and other revenue is derived primarily from merchant services for small businesses that include credit card, debit card, electronic benefits, and gift card processing services; check verification, check guarantee and electronic check conversion, including automated clearing house (ACH) and Check21 capabilities; from Web-based transaction processing services for online merchants; and from GoPayment mobile payment processing services.

Payment Solutions total net revenue increased $14 million or 19% in the first quarter of fiscal 2012 compared with the same quarter of fiscal 2011, driven by fee structure changes, 11% growth in the merchant customer base and slightly higher transaction volume per merchant. Transaction volume per merchant increased 1% in the first three months of fiscal 2012 compared with the same period of fiscal 2011.

Payment Solutions segment operating income as a percentage of related revenue increased to 25% in the first quarter of fiscal 2012 from 16% in the same quarter of fiscal 2011 due to the increase in revenue described above, lower agent fees in cost of revenue, and relatively stable operating expenses.

Consumer Tax

(Dollars in millions)	Q1 FY12		Q1 FY11		% Change	
Product revenue	$11		$9			
Service and other revenue	30		20			
Total segment revenue	$41		$29		39	%
% of total revenue	7	%	6	%		
Segment operating loss	$(28	)	$(29	)	(4	)%
% of related revenue	n/a		n/a			

Consumer Tax product revenue is derived primarily from TurboTax federal and state consumer and small business desktop tax return preparation software. Consumer Tax service and other revenue is derived primarily from TurboTax Online tax return preparation services and electronic tax filing services.

Due to the seasonal nature of our Consumer Tax business, we typically generate nominal revenue from consumer and small business tax products and services in our first fiscal quarter compared with our second and third fiscal quarters. The majority of Consumer Tax revenue for the first quarter of each fiscal year is for the filing of extended returns for the previous tax year. Consumer Tax segment revenue increased $12 million or 39% in the first quarter of fiscal 2012 compared with the same quarter of fiscal 2011 primarily because customers filed more extended returns in the fiscal 2012 quarter. First fiscal quarter revenue in this segment is not indicative of revenue trends for the current tax year. We will not have substantially complete results for the 2011 tax season until the third quarter of fiscal 2012.

In our first fiscal quarter our Consumer Tax segment typically generates operating losses because revenue is nominal while operating expenses continue at relatively consistent levels. We do not believe that Consumer Tax operating results for the first quarter of fiscal 2012 compared with the same quarter of fiscal 2011 are indicative of trends for the full fiscal year.

Table of Contents

Accounting Professionals

(Dollars in millions)	Q1 FY12		Q1 FY11		% Change	
Product revenue	$23		$20			
Service and other revenue	4		5			
Total segment revenue	$27		$25		6	%
% of total revenue	5	%	5	%		
Segment operating loss	$(14	)	$(16	)	(13	)%
% of related revenue	n/a		n/a			

Accounting Professionals product revenue is derived primarily from Lacerte and ProSeries professional tax preparation software products and from QuickBooks Premier Accountant Edition and ProAdvisor Program for professional accountants. Accounting Professionals service and other revenue is derived primarily from ProLine Tax Online tax return preparation services, electronic tax filing services, bank product transmission services and training services.

Due to the seasonal nature of our Accounting Professionals business, we typically generate nominal revenue from professional tax products and services in our first fiscal quarter compared with our second and third fiscal quarters. The majority of Accounting Professionals revenue for the first quarter of each fiscal year is for the filing of extended returns for the previous tax year. Accounting Professionals total net revenue increased $2 million or 6% in the first quarter of fiscal 2012 compared with the same quarter of fiscal 2011 due to higher QuickBooks Premier Accountant Edition and ProAdvisor Program revenue. First fiscal quarter revenue in this segment is not indicative of revenue trends for the current tax year. We will not have substantially complete results for the 2011 tax season until the third quarter of fiscal 2012.

In our first fiscal quarter our Accounting Professionals segment typically generates operating losses because revenue is nominal while operating expenses continue at relatively consistent levels. We do not believe that Accounting Professionals operating results for the first quarter of fiscal 2012 compared with the same quarter of fiscal 2011 are indicative of trends for the full fiscal year.

Financial Services

(Dollars in millions)	Q1 FY12		Q1 FY11		% Change	
Product revenue	$—		$—			
Service and other revenue	89		81			
Total segment revenue	$89		$81		9	%
% of total revenue	15	%	15	%		
Segment operating income	$18		$15		20	%
% of related revenue	21	%	19	%		

Financial Services service and other revenue is derived primarily from outsourced online banking solutions that are hosted in our data centers and delivered as on-demand service offerings to medium-sized banks and credit unions. Financial Services service and other revenue also includes fees for implementation services.

Financial Services total net revenue increased $8 million or 9% in the first quarter of fiscal 2012 compared with the same quarter of fiscal 2011, driven by higher bill-pay revenue and mobile banking revenue. Bill-pay revenue grew due to a 15% increase in bill-pay end users and higher transaction volumes for the first quarter of fiscal 2012. Continuing downward price pressure that resulted in lower revenue per user partially offset growth in the bill-pay end user customer base.

Financial Services segment operating income as a percentage of related revenue increased to 21% in the first quarter of fiscal 2012 from 19% in the first quarter of fiscal 2011 due to the increase in revenue described above and slightly lower staffing expenses associated with lower headcount, partially offset by higher data center hosting and marketing expenses.

Table of Contents

Other Businesses

(Dollars in millions)	Q1 FY12	Q1 FY11	% Change
Product revenue	$25	$32	
Service and other revenue	29	24	
Total segment revenue	$54	$56	(3)%
% of total revenue	9 %	10 %	
Segment operating income	$(3)	$1	n/a
% of related revenue	n/a	2 %	

Other Businesses consist primarily of Quicken, Mint.com, Intuit Health, and our businesses in Canada, the United Kingdom, Singapore and India. Quicken product revenue is derived primarily from Quicken desktop software products. Quicken service and other revenue is derived primarily from fees from consumer online transactions and Quicken Loans trademark royalties. Mint.com service revenue is derived primarily from lead generation fees. Intuit Health service revenue is derived from online patient-to-provider communication services and fees for implementation services. In Canada, product revenue is derived primarily from localized versions of QuickBooks and Quicken as well as consumer desktop tax return preparation software and professional tax preparation products. Service and other revenue in Canada consists primarily of revenue from QuickBooks support plans, payroll services and merchant payment processing services. In the United Kingdom, product revenue is derived primarily from localized versions of QuickBooks and QuickBooks Payroll. Our international offerings also include QuickBooks Online in Singapore.

Other Businesses total net revenue decreased $2 million or 3% in the first quarter of fiscal 2012 compared with the same quarter of fiscal 2011. Quicken revenue was lower due to a decline in Quicken units.

Other Businesses segment operating loss of $3 million in the first quarter of fiscal 2012 was a result of lower fiscal 2012 revenue as described above and higher costs and expenses associated with our continued investment in our healthcare business and in emerging market opportunities.

Cost of Revenue

(Dollars in millions)	Q1 FY12	% of Related Revenue	Q1 FY11	% of Related Revenue
Cost of product revenue	$32	14 %	$32	15 %
Cost of service and other revenue	136	37 %	123	39 %
Amortization of acquired technology	4	n/a	4	n/a
Total cost of revenue	$172	29 %	$159	30 %

Cost of service and other revenue as a percentage of service and other revenue decreased in the first quarter of fiscal 2012 compared with the same quarter of fiscal 2011 due to lower agent fees in our Payment Solutions business and to higher online tax return preparation and electronic filing revenue, which has relatively lower costs of revenue compared with our other service offerings, in our Consumer Tax segment.

Table of Contents

Operating Expenses

(Dollars in millions)	Q1 FY12	% of Total Net Revenue		Q1 FY11	% of Total Net Revenue	
Selling and marketing	$236	40	%	$220	42	%
Research and development	167	28	%	156	29	%
General and administrative	92	15	%	90	17	%
Amortization of other acquired intangible assets	21	4	%	11	2	%
Total operating expenses	$516	87	%	$477	90	%

Current Fiscal Quarter

Total operating expenses as a percentage of total net revenue decreased to 87% in the first quarter of fiscal 2012 from 90% in the same quarter of fiscal 2011. Revenue grew $62 million while total operating expenses increased $39 million in the fiscal 2012 quarter. Total operating expenses increased about $21 million for higher staffing expenses.

Non-Operating Income and Expenses

Interest Expense

Interest expense of $15 million for the first three months of fiscal 2012 and fiscal 2011 consisted primarily of interest on $1 billion in senior notes that we issued in March 2007. The senior notes are due in March 2012 and March 2017 and are redeemable by Intuit at any time, subject to a make-whole premium.

Interest and Other Income, Net

(In millions)	Three Months Ended October 31, 2011		October 31, 2010
Interest income	$2		$3
Net (losses) gains on executive deferred compensation plan assets	(2	)	3
Gain on disposition of stock warrants	10		—
Other	1		2
Total interest and other income, net	$11		$8

Interest and other income, net consists primarily of interest income and net gains on executive deferred compensation plan assets. Higher average invested balances and lower interest rates resulted in slightly lower interest income in the first three months of fiscal 2012 compared with the same period of fiscal 2011. In accordance with authoritative guidance, we record gains and losses associated with executive deferred compensation plan assets in interest and other income and gains and losses associated with the related liabilities in operating expenses. The amounts recorded in operating expenses generally offset the amounts recorded in interest and other income. In connection with our acquisition of Digital Insight Corporation in fiscal 2007, we acquired stock warrants for a privately held company. During the first quarter of fiscal 2012 that company was acquired and we recorded a gain of approximately $10 million on the disposition of the warrants.

Income Taxes

We compute our provision for or benefit from income taxes by applying the estimated annual effective tax rate to income or loss from recurring operations and adding the effects of any discrete income tax items specific to the period. Our effective tax benefit rate for the first quarter of fiscal 2012 was approximately 35% and did not differ significantly from the federal statutory rate of 35%. State income taxes were substantially offset by the benefit we received from the domestic production activities deduction and the federal research and experimentation credit. Our effective tax benefit rate for the first quarter of fiscal 2011

Table of Contents

was approximately 37%. This differed from the federal statutory rate of 35% primarily due to state income taxes, which were partially offset by the benefit we received from the domestic production activities deduction.
The decrease in the effective tax benefit rate for the first quarter of fiscal 2012 compared with the first quarter of fiscal 2011 was primarily related to the decrease in the California tax rate after the adoption of single sales factor apportionment effective August 1, 2011.

Liquidity and Capital Resources

Overview

At October 31, 2011, our cash, cash equivalents and investments totaled $1.1 billion, a decrease of $370 million from July 31, 2011 due to the factors noted under "Statements of Cash Flows" below. Our primary source of liquidity has been cash from operations, which entails the collection of accounts receivable for products and services. Our primary uses of cash have been for research and development programs, selling and marketing activities, capital projects, acquisitions of businesses, debt service costs, repurchases of our common stock and the payment of cash dividends.
In March 2007 we issued five-year and ten-year senior unsecured notes totaling $1 billion. See "Contractual Obligations — Commitments for Senior Unsecured Notes" later in this Item 2 for more information. We also have a $500 million unsecured revolving line of credit facility that is described later in this Item 2. To date we have not borrowed under the facility.
The following table summarizes selected measures of our liquidity and capital resources at the dates indicated:

(Dollars in millions)	October 31, 2011	July 31, 2011	$ Change	% Change
Cash, cash equivalents and investments	$1,051	$1,421	$(370)	(26)%
Long-term investments	59	63	(4)	(6)%
Current portion of long-term debt	500	500	—	—%
Long-term debt	499	499	—	—%
Working capital	244	449	(205)	(46)%
Ratio of current assets to current liabilities	1.1 : 1	1.2 : 1		

Auction Rate Securities

At October 31, 2011, we held a total of $54 million in municipal auction rate securities that we classified as long-term investments on our balance sheet based on the maturities of the underlying securities. All of these securities are rated A or better by the major credit rating agencies and the majority of the securities are collateralized by student loans guaranteed by the U.S. Department of Education or private insurers. Due to a decrease in liquidity in the global credit markets, in February 2008 auctions began failing for the municipal auction rate securities we held and in accordance with authoritative guidance we began estimating their fair value based on a discounted cash flow model that we prepared. Based on our expected operating cash flows and our other sources of cash, we do not believe that the reduction in liquidity of the municipal auction rate securities we held at October 31, 2011 will have a material impact on our overall ability to meet our liquidity needs.

Statements of Cash Flows

The following table summarizes selected items from our statements of cash flows for the first three months of fiscal 2012 and 2011. See the financial statements in Part I, Item 1 of this report for complete statements of cash flows for those periods.

(Dollars in millions)	Three Months Ended October 31, 2011	October 31, 2010	$ Change	% Change
Net cash provided by (used in):				
Operating activities	$(110)	$(211)	$101	(48)%

Investing activities	(50)	285	(335)	N/A
Financing activities	(226)	(177)	(49)	28 %
Effect of exchange rate changes on cash	(3)	1	(4)	N/A
Increase (decrease) in cash and cash equivalents	$(389)	$(102)		

Table of Contents

Operating Activities

During the first three months of fiscal 2012 we used $110 million in cash for our operations. This included a seasonal net loss of $64 million, a seasonal increase of $67 million in income taxes receivable, and the payment of fiscal 2011 accrued bonuses, partially offset by adjustments for depreciation and amortization of $72 million and share-based compensation expense of $40 million.

During the first three months of fiscal 2011 we used $211 million in cash for our operations. This included a seasonal net loss of $70 million, a seasonal increase of $114 million in income taxes receivable, and the payment of fiscal 2010 accrued bonuses, partially offset by adjustments for depreciation and amortization of $56 million and share-based compensation expense of $35 million.

Investing Activities

We used $50 million in cash for investing activities during the first three months of fiscal 2012. We used $20 million in cash for net purchases of investments and used $44 million in cash for capital expenditures.

Investing activities generated $285 million in cash during the first three months of fiscal 2011. We received $344 million in cash from net sales of investments, which was partially offset by the use of $51 million in cash for capital expenditures.

Financing Activities

We used $226 million in cash for financing activities during the first three months of fiscal 2012, including $255 million for the repurchase of common stock under our stock repurchase programs and $45 million for the payment of cash dividends on our common stock, partially offset by the receipt of $45 million in cash from the issuance of common stock under employee stock plans.

We used $177 million in cash for financing activities during the first three months of fiscal 2011, including $330 million for the repurchase of common stock under our stock repurchase programs partially offset by the receipt of $126 million in cash from the issuance of common stock under employee stock plans.

Stock Repurchase Programs

Our Board of Directors has authorized a series of common stock repurchase programs. Shares of common stock repurchased under these programs become treasury shares. During the first three months of fiscal 2012 and 2011 we repurchased 5.2 million and 7.3 million shares of our common stock for $255 million and $330 million under these programs. At October 31, 2011, we had authorization from our Board of Directors to expend up to an additional $385 million for stock repurchases through August 16, 2013 and $2 billion for stock repurchases through August 15, 2014.

Cash Dividends

In the first quarter of fiscal 2012 we declared and paid the first quarterly cash dividend in our history of $0.15 per share that totaled approximately $45 million. In November 2011 our Board of Directors declared a quarterly cash dividend of $0.15 per share of outstanding common stock payable on January 18, 2012 to stockholders of record at the close of business on January 10, 2012. We currently expect to continue paying comparable cash dividends on a quarterly basis; however, future declarations of dividends and the establishment of future record dates and payment dates are subject to the final determination of our Board of Directors.

Unsecured Revolving Credit Facility

On March 22, 2007 we entered into an agreement with certain institutional lenders for a $500 million unsecured revolving credit facility that will expire on March 22, 2012. Advances under the credit facility will accrue interest at rates that are equal to, at our election, either Citibank’s base rate or the London InterBank Offered Rate (LIBOR) plus a margin that ranges from 0.18% to 0.575% based on our senior debt credit ratings. The applicable interest rate will be increased by 0.05% for any period in which the total principal amount of advances and letters of credit under the credit facility exceeds $250 million. The agreement includes covenants that require us to maintain a ratio of total debt to annual earnings before interest, taxes, depreciation and amortization (EBITDA) of not greater than 3.25 to 1.00 and a ratio of annual EBITDA to interest payable of not less than 3.00 to 1.00. We were in compliance with these covenants at October 31, 2011. We may use amounts borrowed under this credit facility for general corporate purposes or for future acquisitions or expansion of our business. To date we have not borrowed under the credit facility. We monitor counterparty risk associated with the institutional lenders that are providing the credit facility. We currently believe that the credit facility will be available to us should we choose to borrow under it.

Table of Contents

Liquidity and Capital Resource Requirements

Our cash, cash equivalents and investments totaled $1.1 billion at October 31, 2011. Of this amount, less than 10% was held by our foreign subsidiaries and subject to repatriation tax considerations. We intend to permanently reinvest a significant portion of our earnings from foreign operations, and we currently do not anticipate that we will need funds generated from foreign operations to fund our domestic operations. In the event that funds from foreign operations are needed to fund operations in the United States, if U.S. taxes have not been previously provided on the related earnings we would provide for and pay additional U.S. taxes at the time we change our intention with regard to the reinvestment of those earnings.

We evaluate, on an ongoing basis, the merits of acquiring technology or businesses, or establishing strategic relationships with and investing in other companies. We may decide to use cash and cash equivalents, investments, and our revolving line of credit facility to fund such activities in the future.

Based on past performance and current expectations, we believe that our cash and cash equivalents, investments, and cash generated from operations will be sufficient to meet anticipated seasonal working capital needs, capital expenditure requirements, contractual obligations, commitments, debt service requirements and other liquidity requirements associated with our operations for at least the next 12 months. We expect to return excess cash generated by operations to our stockholders through repurchases of our common stock and payment of cash dividends, after taking into account these operating and strategic cash needs.

Off-Balance Sheet Arrangements

At October 31, 2011, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Contractual Obligations

We presented our contractual obligations at July 31, 2011 in our Annual Report on Form 10-K for the fiscal year then ended. Except as discussed below, there have been no significant changes in those obligations during the first three months of fiscal 2012.

Commitments for Senior Unsecured Notes

On March 12, 2007 we issued $500 million of 5.40% senior unsecured notes due on March 15, 2012 (the 2012 Notes) and $500 million of 5.75% senior unsecured notes due on March 15, 2017 (the 2017 Notes) (together, the Notes). The Notes are redeemable by Intuit at any time, subject to a make-whole premium. Interest is payable semiannually on March 15 and September 15. At October 31, 2011, our maximum commitment for interest payments under the Notes was $171 million.

We monitor the credit markets as part of our ongoing cash management activities. We currently intend to either pay off the 2012 Notes when they become due using operating cash or refinance those notes if the credit markets are favorable at that time.

Recent Accounting Pronouncements

For a description of recent accounting pronouncements and the potential impact of these pronouncements on our consolidated financial statements, see Note 1 to the financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Table of Contents

ITEM 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Investment Risk

There has been significant deterioration and instability in the financial markets since 2008. This period of extraordinary disruption and readjustment in the financial markets exposes us to additional investment risk. The value and liquidity of the securities in which we invest could deteriorate rapidly and the issuers of these securities could be subject to credit rating downgrades. In light of the current market conditions and these additional risks, we actively monitor market conditions and developments specific to the securities in which we invest. We believe that we take a conservative approach to investing our funds in that we invest only in highly-rated securities and diversify our portfolio of investments. While we believe we take prudent measures to mitigate investment related risks, such risks cannot be fully eliminated because of market circumstances that are outside our control.

Our investments consist of instruments that meet quality standards consistent with our investment policy. This policy specifies that, except for direct obligations of the United States government, securities issued by agencies of the United States government, and money market funds, we diversify our investments by limiting our holdings with any individual issuer. We do not hold derivative financial instruments in our portfolio of investments. See Note 3 to the financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for a summary of the cost and fair value of our investments by type of issue.

Interest Rate Risk

Our cash equivalents and investments are subject to market risk due to changes in interest rates. Interest rate movements affect the interest income we earn on cash equivalents and investments and the fair value of those investments. Should the Federal Reserve Target Rate increase by 25 basis points from the level of October 31, 2011, the value of our investments would decrease by approximately $2 million. Should the Federal Reserve Target Rate increase by 100 basis points from the level of October 31, 2011, the value of our investments would decrease by approximately $10 million.

We are also exposed to the impact of changes in interest rates as they affect our $500 million revolving credit facility. Advances under the credit facility accrue interest at rates that are equal to Citibank's base rate or the London InterBank Offered Rate (LIBOR) plus a margin that ranges from 0.18% to 0.575% based on our senior debt credit ratings. Consequently, our interest expense would fluctuate with changes in the general level of these interest rates if we were to borrow any amounts under the credit facility. At October 31, 2011, no amounts were outstanding under the credit facility.

On March 12, 2007 we issued $500 million of 5.40% senior unsecured notes due on March 15, 2012 and $500 million of 5.75% senior unsecured notes due on March 15, 2017. We carry these senior notes at face value less unamortized discount on our balance sheets. Since these senior notes bear interest at fixed rates, we have no financial statement risk associated with changes in interest rates. However, the fair value of these notes fluctuates when interest rates change. See Note 2 and Note 5 to the financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information.

Impact of Foreign Currency Rate Changes

The functional currencies of our international operating subsidiaries are the local currencies. We translate the assets and liabilities of our foreign subsidiaries at the exchange rates in effect on the balance sheet date. We translate their revenue, costs and expenses at the average rates of exchange in effect during the period. We include translation gains and losses in the stockholders' equity section of our balance sheets. We include net gains and losses resulting from foreign exchange transactions in interest and other income, net in our statements of operations.

Since we translate foreign currencies (primarily Canadian dollars, British pounds, Indian rupees and Singapore dollars) into U.S. dollars for financial reporting purposes, currency fluctuations can have an impact on our financial results. The historical impact of currency fluctuations on our financial results has generally been immaterial. We believe that our exposure to currency exchange fluctuation risk is not significant because our international subsidiaries invoice customers and satisfy their financial obligations almost exclusively in their local currencies.

Although the impact of currency fluctuations on our financial results has generally been immaterial in the past and we believe that for the reasons cited above currency fluctuations will not be significant in the future, there can be no guarantee that the impact of currency fluctuations will not be material in the future. As of October 31, 2011, we did not engage in foreign currency hedging activities.

Table of Contents

ITEM 4
CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Based upon an evaluation of the effectiveness of disclosure controls and procedures, Intuit's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have concluded that as of the end of the period covered by this Quarterly Report on Form 10-Q our disclosure controls and procedures as defined under Exchange Act Rule 13a-15(e) and 15d-15(e) were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission and is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During our most recent fiscal quarter, there has not occurred any change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II
ITEM 1
LEGAL PROCEEDINGS

See Note 8 to the financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for a description of legal proceedings.

ITEM 1A
RISK FACTORS

This Quarterly Report on Form 10-Q contains forward-looking statements. All statements in this report, other than statements that are purely historical, are forward-looking statements. Words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “forecast,” “estimate,” “seek,” and similar expressions also identify forward-looking statements. In this report, forward-looking statements include, without limitation, the following:

- our expectations and beliefs regarding future conduct and growth of the business;
- the assumptions underlying our Critical Accounting Policies and Estimates, including our estimates regarding product rebate and return reserves; the collectability of accounts receivable; stock volatility and other assumptions used to estimate the fair value of share-based compensation; the fair value of goodwill; and expected future amortization of acquired intangible assets;
- our belief that the investments we hold are not other-than-temporarily impaired;
- our belief that the reduction in liquidity of the municipal auction rate securities we hold will not have a material impact on our overall ability to meet our liquidity needs;
- our expectation that we will continue to pay a comparable cash dividend on a quarterly basis;
- our belief that our exposure to currency exchange fluctuation risk will not be significant in the future;
- our expectations regarding future payment or refinancing of the 2012 Notes;
- our assessments and estimates that determine our effective tax rate;
- our belief that we will not need funds generated from foreign operations to fund our domestic operations;
- our belief that our cash and cash equivalents, investments and cash generated from operations will be sufficient to meet our seasonal working capital needs, capital expenditure requirements, contractual obligations, commitments, debt service requirements and other liquidity requirements associated with our operations for at least the next 12 months;
- our expectation that we will return excess cash generated by operations to our stockholders through repurchases of our common stock and payment of cash dividends;
- our beliefs regarding seasonality and other trends for our businesses; and
- our assessments and beliefs regarding the future outcome of pending legal proceedings and the liability, if any, that Intuit may incur as a result of those proceedings.

We caution investors that forward-looking statements are only predictions based on our current expectations about future events and are not guarantees of future performance. We encourage you to read carefully all information provided in this Quarterly Report and in our other filings with the Securities and Exchange Commission before deciding to invest in our stock or to maintain or change your investment. These forward-looking statements are based on information as of the filing date of this Quarterly Report, and we undertake no obligation to publicly revise or update any forward-looking statement for any reason.

Because forward-looking statements involve risks and uncertainties, there are important factors that may cause actual results to differ materially from those contained in the forward-looking statements. These factors include the following:

We face intense competitive pressures that may harm our operating results.

We face intense competition in all of our businesses, and we expect competition to remain intense in the future. Our competitors and potential competitors range from large and established entities to emerging start-ups. Our competitors may introduce superior products and services, reduce prices, have greater technical, marketing and other resources, have greater name recognition, have larger installed bases of customers, have well-established relationships with our current and potential customers, advertise aggressively or beat us to market with new products and services. In addition, we may face competition from existing companies, with large established consumer user-bases and broad-based platforms, who may change or expand the focus of their business strategies and target our customers, such as small businesses and financial institutions. We also face

31

Table of Contents

intensified competition from providers of free accounting, tax, payments, banking and other financial services. In order to compete, we have also introduced free offerings in several categories, but we may not be able to attract customers or effectively monetize all of these offerings, and customers who have formerly paid for Intuit's products and services may elect to use free offerings instead. These competitive factors may diminish our revenue and profitability, and harm our ability to acquire and retain customers.

Our consumer tax business also faces significant competition from the public sector, where we face the risk of federal and state taxing authorities developing software or other systems to facilitate tax return preparation and electronic filing at no charge to taxpayers. These or similar programs may be introduced or expanded in the future, which may cause us to lose customers and revenue. For example, during tax season 2010, the federal government introduced a prepaid debit card program to facilitate the refund process. Our consumer and professional tax businesses provide this service as well. Although the Free File Alliance has kept the federal government from being a direct competitor to Intuit's tax offerings, it has fostered additional online competition and may cause us to lose significant revenue opportunities. The current agreement with the Free File Alliance is scheduled to expire in October 2014. We anticipate that governmental encroachment at both the federal and state levels may present a continued competitive threat to our business for the foreseeable future.

Future revenue growth depends upon our ability to adapt to technological change and successfully introduce new and enhanced products, services and business models.

The Software as a Service (SaaS), desktop software and mobile technology industries are characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. As we continue to grow our SaaS, mobile and other offerings, we must continue to innovate and develop new products and features to meet changing customer needs and attract and retain talented software developers. We need to continue to develop our skills, tools and capabilities to capitalize on existing and emerging technologies, which require us to devote significant resources.

A number of our businesses also derive a significant amount of their revenue from one-time upfront license fees and rely on customer upgrades and service offerings to generate a significant portion of their revenues. In addition, our consumer and professional tax businesses depend significantly on revenue from customers who return each year to use our updated tax preparation and filing software and services. As our existing products mature, encouraging customers to purchase product upgrades becomes more challenging unless new product releases provide features and functionality that have meaningful incremental value. If we are not able to develop and clearly demonstrate the value of new or upgraded products or services to our customers, our revenues may be harmed. In addition, as we continue to introduce and expand our new business models, including offerings that are subscription-based or that are free to end users, we may be unsuccessful in monetizing or increasing customer adoption of these offerings.

The number of people who access products and services through devices other than personal computers, including mobile phones, smartphones, and handheld computers such as tablets, has increased dramatically in the past few years. We have limited experience to date in developing products and services for users of these alternative devices, and the versions of our products and services developed for these devices may not be compelling to users. As new devices and new platforms are continually being released, it is difficult to predict the problems we may encounter in developing versions of our products and services for use on these alternative devices and we may need to devote significant resources to the creation, support, and maintenance of such offerings. If we are slow to develop products and technologies that are compatible with these alternative devices, of if our competitors are able to achieve those results more quickly than us, we will fail to capture a significant share of an increasingly important portion of the market for online services, which could adversely affect our business.

In some cases, we may expend a significant amount of resources and management attention on offerings that do not ultimately succeed in their markets. We have encountered difficulty in launching new products and services in the past. If we misjudge customer needs in the future, our new products and services may not succeed and our revenues and earnings may be harmed. We have also invested, and in the future expect to invest, in new business models, geographies, strategies and initiatives. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations, expenses associated with the initiatives and inadequate return on investments. Because these new initiatives are inherently risky, they may not be successful and may harm our financial condition and operating results.

Business interruption or failure of our information technology and communication systems may impair the availability of our products and services, which may damage our reputation and harm our future financial results.

As we continue to transition our business to more connected services, we become more dependent on the continuing operation and availability of our information technology and communication systems and those of our external service providers. We do not have redundancy for all of our systems, many of our critical applications reside in only one of our data centers, and our disaster recovery planning may not account for all eventualities. In addition, we are in the process of updating our customer facing applications and the supporting information technology infrastructure to meet our customers' expectations for continuous service availability. Any difficulties in upgrading these applications or infrastructure or failure of our systems or those of our service providers may result in interruptions in our service, which may reduce our revenues and profits, cause us to lose customers and damage our reputation. Any prolonged interruptions at any time may result in lost customers, additional refunds of customer charges, negative publicity and increased operating costs, any of which may significantly harm our business, financial condition and results of operations.

We are in the process of migrating our applications and infrastructure to new data centers. If we do not execute the transition to the new data centers in an effective manner, we may experience unplanned service disruptions or unforeseen increases in costs which may harm our operating results and our business. We do not maintain real-time back-up of all our data, and in the event of significant system disruption we may experience loss of data or processing capabilities, which may cause us to lose customers and may materially harm our reputation and our operating results.

Our business operations, data centers, information technology and communications systems are vulnerable to damage or interruption from natural disasters, human error, malicious attacks, fire, power loss, telecommunications failures, computer viruses, computer denial of service attacks, terrorist attacks and other events beyond our control. The majority of our research and development activities, our corporate headquarters, our principal information technology systems, and other critical business operations are located near major seismic faults. We do not carry earthquake insurance for direct quake-related losses. Our future financial results may be materially harmed in the event of a major earthquake or other natural or man-made disaster.

We rely on internal systems and external systems maintained by manufacturers, distributors and other service providers to take and fulfill customer orders, handle customer service requests and host certain online activities. Any interruption or failure of our internal or external systems may prevent us or our service providers from accepting and fulfilling customer orders or cause company and customer data to be unintentionally disclosed. Our continuing efforts to upgrade and expand our network security and other information systems as well as our high-availability capabilities may be costly, and problems with the design or implementation of system enhancements may harm our business and our results of operations.

Our hosting, collection, use and retention of personal customer information and data create risk that may harm our business.

A number of our businesses collect, use and retain large amounts of personal customer information and data, including credit card numbers, tax return information, bank account numbers and passwords, personal and business financial data, social security numbers, healthcare information and payroll information. We may also develop new business models that use certain personal information, or data derived from personal information. In addition, we collect and maintain personal information of our employees in the ordinary course of our business. Some of this personal customer and employee information is held and some transactions are executed by third parties. In addition, as many of our products and services are Web-based, the amount of data we store for our users on our servers (including personal information) has been increasing and will continue to increase as we further transition our businesses to connected services. We and our vendors use commercially available security technologies to protect transactions and personal information. We use security and business controls to limit access and use of personal information. However, individuals or third parties may be able to circumvent these security and business measures, and errors in the storage, use or transmission of personal information may result in a breach of customer or employee privacy or theft of assets, which may require notification under applicable data privacy regulations. We employ contractors, temporary and seasonal employees who may have access to the personal information of customers and employees or who may execute transactions in the normal course of their duties. While we conduct background checks of our employees and other individuals and limit access to systems and data, it is possible that one or more of these individuals may circumvent these controls, resulting in a security breach.

We are subject to laws, rules and regulations relating to the collection, use, and security of user data. New laws in this area have been passed by several jurisdictions, and other jurisdictions are considering imposing additional restrictions. These new laws may be interpreted and applied inconsistently from jurisdiction to jurisdiction and our current data protection policies and practices may not be consistent with those interpretations and applications. In addition, the ability to execute transactions and the possession and use of personal information and data in conducting our business subjects us to legislative and regulatory burdens that may require notification to customers or employees of a security breach, restrict our use of personal information and hinder our ability to acquire new customers or market to existing customers. As our business continues to expand to new industry segments that may be more highly regulated for privacy and data security, and to countries outside the United States that have more strict data protection laws, our compliance requirements and costs may increase. We have incurred — and may continue to incur — significant expenses to comply with mandatory privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations.

A major breach of our security measures or those of third parties that execute transactions or hold and manage personal information may have serious negative consequences for our businesses, including possible fines, penalties and damages, reduced customer demand for our services, harm to our reputation and brands, further regulation and oversight by federal or state agencies, and loss of our ability to provide financial transaction services or accept and process customer credit card orders or tax returns. From time to time, we detect, or receive notices from customers or public or private agencies that they have

Table of Contents

detected, vulnerabilities in our servers, our software or third-party software components that are distributed with our products. The existence of vulnerabilities, even if they do not result in a security breach, may harm customer confidence and require substantial resources to address, and we may not be able to discover or remediate such security vulnerabilities before they are exploited. In addition, hackers develop and deploy viruses, worms and other malicious software programs that may attack our offerings. Although this is an industry-wide problem that affects software across platforms, it is increasingly affecting our offerings because hackers tend to focus their efforts on the more popular programs and offerings and we expect them to continue to do so. If hackers were able to circumvent our security measures, or if we were unable to detect an intrusion into our systems and contain such intrusion in a reasonable amount of time, we may lose personal information. Although we have commercially available network and application security, internal control measures, and physical security procedures to safeguard our systems, there can be no assurance that a security breach, intrusion, loss or theft of personal information will not occur, which may harm our business, customer reputation and future financial results and may require us to expend significant resources to address these problems, including notification under data privacy regulations.

If we are unable to develop, manage and maintain critical third party business relationships, our business may be adversely affected.

Our growth is dependent on the strength of our business relationships and our ability to continue to develop, maintain and leverage new and existing relationships. We rely on various third party partners, including software and service providers, suppliers, vendors, manufacturers, distributors, contractors, financial institutions, core processors, licensing partners and development partners, among others, in many areas of our business in order to deliver our offerings and operate our business. We also rely on third parties to support the operation of our business by maintaining our physical facilities, equipment, power systems and infrastructure. In certain instances, these third party relationships are sole source or limited source relationships and can be difficult to replace or substitute depending on the level of integration of the third party’s products or services into, or with, our offerings and/or the general availability of such third party’s products and services. In addition, there may be few or no alternative third party providers or vendors in the market. Further, there can be no assurance that we will be able to adequately retain third party contractors engaged to help us operate our business. The failure of third parties to provide acceptable and high quality products, services and technologies or to update their products, services and technologies may result in a disruption to our business operations and our customers, which may reduce our revenues and profits, cause us to lose customers and damage our reputation. Alternative arrangements and services may not be available to us on commercially reasonable terms or we may experience business interruptions upon a transition to an alternative partner.

In particular, we have relationships with banks, credit unions or other financial institutions, both as customers and as suppliers of certain critical services we offer to our other customers. If macroeconomic conditions or other factors cause any of these institutions to fail, consolidate, stop providing certain services or institute cost-cutting efforts, our business and financial results may suffer and we may be unable to offer those services to our customers.

Increased government regulation of our businesses may harm our operating results.

Many of our businesses are in highly regulated areas, including our tax, payroll, payments, financial services, prepaid debit card and healthcare businesses. There have been significant new regulations and heightened focus by the government on many of these areas. In addition, as we seek to grow our business, we may expand into more highly-regulated businesses or countries, which may subject us to increased regulatory scrutiny. The application of these laws and regulations to our businesses is often unclear and compliance with these regulations may involve significant costs or require changes to our business practices that result in reduced revenue. Any changes that we may incur as a result of any such regulations may not be sustained over time depending on a number of factors, including market and industry reactions to such regulations.

In order to meet regulatory standards, we may be required to increase investment in compliance and auditing functions or new technologies. In addition, government authorities may enact other laws, rules or regulations that place new burdens or restrictions on our business or determine that our operations are directly subject to existing rules or regulations, such as requirements related to data collection, use, transmission, retention, processing and security, which may make our business more costly, less efficient or impossible to conduct, and may require us to modify our current or future products or services, which may harm our future financial results.

The tax preparation industry continues to receive heightened attention from federal and state governments. New legislation, regulation, public policy considerations, litigation by the government or private entities, or new interpretations of existing laws may result in greater oversight of the tax preparation industry, restrict the types of products and services that we can offer or the prices we can charge, or otherwise cause us to change the way we operate our tax businesses or offer our tax products and services. This in turn may increase our cost of doing business and limit our revenue opportunities. In addition, if our practices are not consistent with new interpretations of existing laws, we may become subject to lawsuits, penalties, and other liabilities that did not previously apply. We are also required to comply with a variety of state revenue agency standards in order to successfully operate our tax preparation and electronic filing services. Changes in state-imposed requirements by one or more of the states, including the required use of specific technologies or technology standards, may significantly increase the costs of providing those services to our customers and may prevent us from delivering a quality product to our customers in a timely manner.

Our Financial Services business provides services to banks, credit unions and other financial institutions that are subject to extensive and complex federal and state regulation. As a result, our financial institution customers require that our products and services comply with the regulations applicable to these customers. If we are unable to comply with these regulations, we may incur significant costs and penalties, face litigation or governmental proceedings, and lose our ability to sell to these customers. Any of these adverse events may harm our future financial results and our reputation.

If we fail to process transactions effectively or fail to adequately protect against disputed or potential fraudulent activities, our revenue and earnings may be harmed.

Our operations process a significant volume and dollar value of transactions on a daily basis, especially in our payroll and payments businesses. Due to the size and volume of transactions that we handle, effective processing systems and controls are essential to ensure that transactions are handled appropriately. Despite our efforts, it is possible that we may make errors or that funds may be misappropriated due to fraud. In our payroll and payments businesses, we have been experiencing an increasing amount of fraudulent activities not only by our customers, but also targeted fraud by third parties aimed directly at our offerings. In addition to any direct damages and fines that any such problems may create, which may be substantial, a loss of confidence in our controls may seriously harm our business and damage our brand. The systems supporting our business are comprised of multiple technology platforms that are difficult to scale. If we are unable to effectively manage our systems and processes we may be unable to process customer data in an accurate, reliable and timely manner, which may harm our business. In our payments processing service business if merchants for whom we process payment transactions are unable to pay refunds due to their customers in connection with disputed or fraudulent merchant transactions, we may be required to pay those amounts and our payments may exceed the amount of the customer reserves we have established to make such payments.

Third parties claiming that we infringe their proprietary rights may cause us to incur significant legal expenses and prevent us from selling our products.

As the number of products in the software industry increases and the functionality of these products further overlap, and as we acquire technology through acquisitions or licenses, we may become increasingly subject to infringement claims, including patent, copyright, and trademark infringement claims. Litigation may be necessary to determine the validity and scope of the patent rights of others. We have received an increasing number of allegations of patent infringement claims in the past and expect to receive more claims in the future based on allegations that our offerings infringe upon patents held by third parties. Some of these claims are the subject of pending litigation against us and against some of our customers. These claims may involve patent holding companies or other adverse patent owners who have no relevant product revenues of their own, and against whom our own patents may provide little or no deterrence. The ultimate outcome of any allegation is uncertain and, regardless of outcome, any such claim, with or without merit, may be time consuming to defend, result in costly litigation, divert management’s time and attention from our business, require us to stop selling, delay shipping or redesign our products, or require us to pay monetary damages for royalty or licensing fees, or to satisfy indemnification obligations that we have with some of our customers. Our failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims may harm our business.

We rely on third party intellectual property in our products and services.

Many of our products and services include intellectual property of third parties, which we license under agreements that must be renewed or renegotiated from time to time. We may not be able to obtain licenses to these third party technologies or content on reasonable terms, or at all. If we are unable to obtain the rights necessary to use this intellectual property in our products and services, we may not be able to sell the affected offerings, and customers who are currently using the affected product may be disrupted, which may in turn harm our future financial results, damage our brand, and result in customer loss. Also, we and our customers have been and may continue to be subject to infringement claims as a result of the third party intellectual property incorporated in to our offerings. Although we try to mitigate this risk and we may not be ultimately liable for any potential infringement, pending claims require us to use significant resources, require management attention and could result in loss of customers.

Some of our offerings include third-party software that is licensed under so-called “open source” licenses, some of which may include a requirement that, under certain circumstances, we make available, or grant licenses to, any modifications or derivative works we create based upon the open source software. Although we have established internal review and approval processes to mitigate these risks, we may not be sure that all open source software is submitted for approval prior to use in our products. Many of the risks associated with usage of open source may not be eliminated, and may, if not properly addressed, harm our business.

Table of Contents

Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products, services, and brand.

Our patents, trademarks, trade secrets, copyrights and other intellectual property rights are important assets for us. We aggressively protect our intellectual property rights by relying on federal, state and common law rights in the U.S. and internationally, as well as a variety of administrative procedures. We also rely on contractual restrictions to protect our proprietary rights in products and services. The efforts that we take to protect our proprietary rights may not always be sufficient or effective. Protecting our intellectual property rights is costly and time consuming and may not be successful in every location. Any significant impairment of our intellectual property rights could harm our business, our brand and our ability to compete.

Policing unauthorized use and copying of our products is difficult, expensive, and time consuming. Current U.S. laws that prohibit copying give us only limited practical protection from software piracy and the laws of many other countries provide very little protection. We frequently encounter unauthorized copies of our software being sold through online marketplaces. Although we continue to evaluate and put in place technology solutions to attempt to lessen the impact of piracy and engage in efforts to educate consumers and public policy leaders on these issues and cooperate with industry groups in their efforts to combat piracy, we expect piracy to be a persistent problem that results in lost revenues and increased expenses.

Because competition for our key employees is intense, we may not be able to attract, retain and develop the highly skilled employees we need to support our planned growth.

Much of our future success depends on the continued service and availability of skilled personnel, including members of our executive team, and those in technical, marketing and staff positions. Experienced personnel in the software, mobile technologies, data security, and Software as a Service industries are in high demand and competition for their talents is intense, especially in California and India, where the majority of our employees are located. Also, as we strive to continue to adapt to technological change and introduce new and enhanced products and business models, we must be able to secure, maintain and develop the right quality and quantity of engaged and committed talent. Although we strive to be an employer of choice, we may not be able to continue to successfully attract, retain and develop key personnel which may cause our business to suffer.

As our product and service offerings become more tightly integrated, we may be required to recognize the related revenue over relatively longer periods of time.

Our expanding range of products and services, and the combinations in which we offer them, generate different revenue streams than our traditional desktop software businesses, and the accounting policies that apply to revenue from these offerings are complex. For example, as we offer more online services bundled with software products, we may be required to defer a higher percentage of our software product revenue into future fiscal periods. In addition, as we offer more services on a subscription basis, we recognize revenue from those services over the periods in which the services are provided. This may result in significant shifts of revenue from quarter to quarter, or from one fiscal year to the next.

The nature of our products and services necessitates timely product launches and if we experience significant product quality problems or delays, it may harm our revenue, earnings and reputation.

All of our tax products and many of our non-tax products have rigid development timetables that increase the risk of errors in our products and the risk of launch delays. Our tax preparation software product development cycle is particularly challenging due to the need to incorporate unpredictable tax law and tax form changes each year and because our customers expect high levels of accuracy and a timely launch of these products to prepare and file their taxes by the tax filing deadline. Due to the complexity of our products and the condensed development cycles under which we operate, our products sometimes contain “bugs” that may unexpectedly interfere with the operation of the software. The complexity of our products may also make it difficult for us to consistently deliver offerings that contain the features, functionality and level of accuracy that our customers expect. When we encounter problems we may be required to modify our code, distribute patches to customers who have already purchased the product and recall or repackage existing product inventory in our distribution channels. If we encounter development challenges or discover errors in our products late in our development cycle it may cause us to delay our product launch date. Any major defects or launch delays may lead to loss of customers and revenue, negative publicity, customer and employee dissatisfaction, reduced retailer shelf space and promotions, and increased operating expenses, such as inventory replacement costs, legal fees or payments resulting from our commitment to reimburse penalties and interest paid by customers due solely to calculation errors in our consumer tax preparation products.

Our businesses are highly seasonal and our quarterly results could fluctuate significantly.

Several of our businesses are highly seasonal which historically has caused significant quarterly fluctuations in our financial results. Revenue and operating results are usually strongest during the second and third fiscal quarters ending January 31 and April 30 due to our tax businesses contributing most of their revenue during those quarters and the timing of the release of our

Table of Contents

small business software products and upgrades. We typically experience lower revenues, and operating losses, in the first and fourth quarters ending October 31 and July 31. Our financial results may also fluctuate from quarter to quarter and year to year due to a variety of factors, including changes in product sales mix that affect average selling prices; product release dates; the timing of delivery of federal and state tax forms; any delay in our ability to successfully submit electronically filed tax returns with government agencies; changes in consumer behavior; the timing of our discontinuation of support for older product offerings; changes to our bundling strategy, such as the inclusion of upgrades with certain offerings; changes to how we communicate the availability of new functionality in the future (any of which may impact the pattern of revenue recognition); and the timing of acquisitions, divestitures, and goodwill and acquired intangible asset impairment charges. Any fluctuations in our operating results may adversely affect our stock price.

We are frequently a party to litigation and regulatory inquiries which could result in an unfavorable outcome and have an adverse effect on our business, financial condition, results of operation and cash flows.

We are subject to various legal proceedings, claims and regulatory inquiries that have arisen out of the ordinary conduct of our business and are not yet resolved and additional claims and inquiries may arise in the future. The number and significance of these claims and inquiries have increased as our businesses have evolved. Any proceedings, claims or inquiries initiated by or against us, whether successful or not, may be time consuming; result in costly litigation, damage awards, consent decrees, injunctive relief or increased costs of business; require us to change our business practices or products; require significant amounts of management time; result in diversion of significant operations resources; or otherwise harm of business and future financial results.

The continued global economic downturn may harm our business and financial condition.

The continued global economic downturn has caused disruptions and extreme volatility in global financial markets and increased rates of default and bankruptcy, and has impacted consumer and small business spending. These macroeconomic developments have affected and may continue to negatively affect our business and financial condition. In particular, because the majority of our revenue is derived from sales within the U.S., economic conditions in the U.S. have an even greater impact on us than companies with a more diverse international presence. Potential new customers may not purchase or delay purchase of our products and services, and many of our existing customers may discontinue purchasing or delay upgrades of our existing products and services, thereby negatively impacting our revenues and future financial results. Decreased consumer spending levels may also reduce credit and debit card transaction processing volumes causing reductions in our payments revenue. Poor economic conditions and high unemployment has caused, and may continue to cause, a significant decrease in the number of tax returns filed, which may have a significant effect on the number of tax returns we prepare and file. In addition, weakness in the end-user consumer and small business markets may negatively affect the cash flow of our distributors and resellers who may, in turn, delay paying their obligations to us, which may increase our credit risk exposure and cause delays in our recognition of revenue or future sales to these customers. Additionally, if macroeconomic or other factors continue to cause banks, credit unions, mortgage lenders and other financial institutions to fail, or result in further cost-cutting efforts or consolidation of these entities, we may lose current or potential customers, achieve less revenue per customer and/or lose valuable relationships with such of these entities that provide critical services to our customers. Any of these events may harm our business and our future financial results.

We regularly invest resources to update and improve our internal information technology systems and software platforms. Should our investments not succeed, or if delays or other issues with new or existing internal technology systems and software platforms disrupt our operations, our business could be harmed.

We rely on our network and data center infrastructure and internal technology systems for many of our development, marketing, operational, support, sales, accounting and financial reporting activities. We are continually investing resources to update and improve these systems and environments in order to meet existing, as well as the growing and changing requirements of our business and customers. If we experience prolonged delays or unforeseen difficulties in updating and upgrading our systems and architecture, we may experience outages and may not be able to deliver certain offerings and develop new offerings and enhancements that we need to remain competitive. Such improvements and upgrades are often complex, costly and time consuming. In addition such improvements can be challenging to integrate with our existing technology systems, or may uncover problems with our existing technology

systems. Unsuccessful implementation of hardware or software updates and improvements could result in outages, disruption in our business operations, loss of revenue or damage to our reputation.
Our international operations are subject to increased risks which may harm our business, operating results, and financial condition.
In addition to uncertainty about our ability to generate revenues from our foreign operations and expand into international markets, there are risks inherent in doing business internationally, including:

- trade barriers and changes in trade regulations;
- difficulties in developing, staffing, and simultaneously managing a large number of varying foreign operations as a result of distance, language, and cultural differences;
- stringent local labor laws and regulations;
- profit repatriation restrictions, and foreign currency exchange restrictions;
- political or social unrest, economic instability, repression, or human rights issues;
- geopolitical events, including acts of war and terrorism;
- import or export regulations;
- compliance with U.S. laws such as the Foreign Corrupt Practices Act, and local laws prohibiting corrupt payments to government officials;
- different and more stringent user protection, data protection, privacy and other laws; and
- risks related to other government regulation or required compliance with local laws.

Violations of the complex foreign and U.S. laws and regulations that apply to our international operations may result in fines, criminal actions or sanctions against us, our officers or our employees, prohibitions on the conduct of our business and damage to our reputation. Although we have implemented policies and procedures designed to promote compliance with these laws, there can be no assurance that our employees, contractors or agents will not violate our policies. These risks inherent in our international operations and expansion increase our costs of doing business internationally and may result in harm to our business, operating results, and financial condition.

If actual product returns exceed returns reserves our future financial results may be harmed.

We ship more desktop software products to our distributors and retailers than we expect them to sell, in order to reduce the risk that distributors or retailers may run out of products. This is particularly true for our Consumer Tax products, which have a short selling season and for which returns occur primarily in our fiscal third and fourth quarters. Like many software companies that sell their products through distributors and retailers, we have historically accepted significant product returns. We establish reserves against revenue for product returns in our financial statements based on estimated returns and we closely monitor product sales and inventory in the retail channel in an effort to maintain adequate reserves. In the past, returns have not differed significantly from these reserves. However, if we experience actual returns that significantly exceed reserves, it may result in lower net revenue.

Unanticipated changes in our income tax rates may affect our future financial results.

Our future effective income tax rates may be favorably or unfavorably affected by unanticipated changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws or their interpretation. In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. These continuous examinations may result in unforeseen tax-related liabilities, which may harm our future financial results.

Amortization of acquired intangible assets and impairment charges may cause significant fluctuation in our net income.

Our acquisitions have resulted in significant expenses, including amortization and impairment of acquired technology and other acquired intangible assets, and impairment of goodwill. Total costs and expenses in these categories were approximately $91 million in fiscal 2011, $91 million in fiscal 2010, and $101 million in fiscal 2009. Although under current accounting rules goodwill is not amortized, we may incur impairment charges related to the goodwill already recorded and to goodwill arising out of future acquisitions. We test the impairment of goodwill annually in our fourth fiscal quarter or more frequently if indicators of impairment arise. The timing of the formal annual test may result in charges to our statement of operations in our fourth fiscal quarter that may not have been reasonably foreseen in prior periods. The total costs and expenses for fiscal 2011 included a goodwill and intangible asset impairment charge of $30 million for our Intuit Health reporting unit. We recorded the goodwill and intangible assets for that reporting unit on our balance sheet in May 2010 in connection with our acquisition of Medfusion, Inc. At October 31, 2011, we had $1.9 billion in goodwill and $151 million in net acquired intangible assets on our balance sheet, both of which may be subject to impairment charges in the future. New acquisitions, and any impairment of the value of acquired intangible assets, may have a significant negative impact on our future financial results.

Table of Contents

Our acquisition and divestiture activities may disrupt our ongoing business, may involve increased expenses and may present risks not contemplated at the time of the transactions.

We have acquired and may continue to acquire companies, products and technologies that complement our strategic direction. Acquisitions involve significant risks and uncertainties, including:

- inability to successfully integrate the acquired technology and operations into our business and maintain uniform standards, controls, policies, and procedures;
- inability to realize synergies expected to result from an acquisition;
- challenges retaining the key employees, customers, resellers and other business partners of the acquired operation;
- the internal control environment of an acquired entity may not be consistent with our standards and may require significant time and resources to improve;
- unidentified issues not discovered in our due diligence process, including product or service quality issues, intellectual property issues and legal contingencies.

Because acquisitions and divestitures are inherently risky, our transactions may not be successful and may, in some cases, harm our operating results or financial condition. If we use debt to fund acquisitions or for other purposes, our interest expense and leverage may increase significantly. If we issue equity securities as consideration in an acquisition, current shareholders' percentage ownership and earnings per share may be diluted.

We have issued $1 billion in a debt offering and may incur other debt in the future, which may adversely affect our financial condition and future financial results.

In fiscal 2007 we issued $500 million in senior unsecured notes due in March 2012 and $500 million in senior unsecured notes due in March 2017. As this debt matures, we will have to expend significant resources to either repay or refinance these notes. If we decide to refinance the notes, we may be required to do so on different or less favorable terms or we may be unable to refinance the notes at all, both of which may adversely affect our financial condition. We have also entered into a $500 million five-year revolving credit facility. Although we have no current plans to request any advances under this credit facility, we may use the proceeds of any future borrowing for general corporate purposes or for future acquisitions or expansion of our business.

This debt may adversely affect our financial condition and future financial results by, among other things:

- increasing our vulnerability to downturns in our business, to competitive pressures and to adverse economic and industry conditions;
- requiring the dedication of a portion of our expected cash from operations to service our indebtedness, thereby reducing the amount of expected cash flow available for other purposes, including capital expenditures and acquisitions; and
- limiting our flexibility in planning for, or reacting to, changes in our businesses and our industries.

Our current revolving credit facility imposes restrictions on us, including restrictions on our ability to create liens on our assets and the ability of our subsidiaries to incur indebtedness, and require us to maintain compliance with specified financial ratios. Our ability to comply with these ratios may be affected by events beyond our control. In addition, our short- and long-term debt includes covenants that may adversely affect our ability to incur certain liens or engage in certain types of sale and leaseback transactions. If we breach any of the covenants under our short- and long-term debt or our revolving credit facility and do not obtain a waiver from the lenders, then, subject to applicable cure periods, any outstanding indebtedness may be declared immediately due and payable.

In addition, changes by any rating agency to our credit rating may negatively impact the value and liquidity of both our debt and equity securities. If our credit ratings are downgraded or other negative action is taken, the interest rate payable by us under our revolving credit facility may increase. In addition, any downgrades in our credit ratings may affect our ability to obtain additional financing in the future and may affect the terms of any such financing.

We are subject to risks associated with information disseminated through our services.

The laws relating to the liability of online services companies for information such as online content disseminated through their services are subject to frequent challenges. In spite of settled law in the U.S., claims are made against online services companies by parties who disagree with the content. Where our online content is accessed on the internet outside of the U.S., challenges may be brought under foreign laws which do not provide the same protections for online services companies as in the U.S. These challenges in either U.S. or foreign jurisdictions may rise to legal claims alleging defamation, libel, invasion of

Table of Contents

privacy, negligence, copyright or trademark infringement, or other theories based on the nature and content of the materials disseminated through the services. Certain of our services include content generated by users of our online services. Although this content is not generated by us, claims of defamation or other injury may be made against us for that content. Any costs incurred as a result of this potential liability may harm our business.

Our stock price may be volatile and your investment could lose value.

Our stock price is subject to changes in recommendations or earnings estimates by financial analysts, changes in investors' or analysts' valuation measures for our stock, our credit ratings and market trends unrelated to our performance. Furthermore, speculation in the press or investment community about our strategic position, financial condition, results of operations, business or security of our products, can cause changes in our stock price. These factors, as well as general economic and political conditions and the timing of announcements in the public market regarding new products, product enhancements or technological advances by our competitors or us, and any announcements by us of acquisitions, major transactions, or management changes may adversely affect our stock price. Further, any changes in the amounts or frequency of share repurchases or dividends may also adversely affect our stock price. A significant drop in our stock price could expose us to the risk of securities class actions lawsuits, which may result in substantial costs and divert management's attention and resources, which may adversely affect our business.

Our business depends on our strong reputation and the value of our brands.

Developing and maintaining awareness of our brands is critical to achieving widespread acceptance of our existing and future products and services and is an important element in attracting new customers. Adverse publicity (whether or not justified) relating to events or activities attributed to us, our employees or agents may tarnish our reputation and reduce the value of our brands. Damage to our reputation and loss of brand equity may reduce demand for our products and services and thus have an adverse effect on our future financial results, as well as require additional resources to rebuild our reputation and restore the value of the brands.

Table of Contents

ITEM 2
UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS
Stock repurchase activity during the three months ended October 31, 2011 was as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans
August 1, 2011 through August 31, 2011	1,150,000	$46.01	1,150,000	$2,587,145,826
September 1, 2011 through September 30, 2011	2,360,900	$47.62	2,360,900	$2,474,712,640
October 1, 2011 through October 31, 2011	1,700,000	$52.50	1,700,000	$2,385,466,360
Total	5,210,900	$48.86	5,210,900	

Notes:

1. All shares purchased as part of publicly announced plans during the three months ended October 31, 2011 were purchased under a plan we announced on August 19, 2010 under which we are authorized to repurchase up to $2 billion of our common stock from time to time over a three-year period ending on August 16, 2013. At October 31, 2011, authorization from our Board of Directors to expend up to $385 million remained available under that plan. On August 18, 2011 we announced a new stock repurchase program under which we are authorized to repurchase up to an additional $2 billion of our common stock from time to time over a three-year period ending on August 15, 2014.

Table of Contents

ITEM 6
EXHIBITS
We have filed the following exhibits as part of this report:

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference
10.01+	Employment offer letter between Intuit Inc. and Laura A. Fennell, dated March 31, 2004	X	
10.02+	Summary of Director Compensation Program	X	
10.03+	Form of Director Restricted Stock Unit Agreement	X	
31.01	Certification of Chief Executive Officer	X	
31.02	Certification of Chief Financial Officer	X	
32.01*	Section 1350 Certification (Chief Executive Officer)	X	
32.02*	Section 1350 Certification (Chief Financial Officer)	X	
101.INS	XBRL Instance Document	X	
101.SCH	XBRL Taxonomy Extension Schema	X	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X	
101.LAB	XBRL Taxonomy Extension Label Linkbase	X	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X	
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X	

+ Indicates a management contract or compensatory plan or arrangement.

* This exhibit is intended to be furnished and shall not be deemed “filed” for purposes of the Securities Exchange Act of 1934, as amended.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	INTUIT INC. (Registrant)
Date: December 1, 2011	By: /s/ R. NEIL WILLIAMS R. Neil Williams Senior Vice President and Chief Financial Officer (Authorized Officer and Principal Financial Officer)

Table of Contents

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31.01	Certification of Chief Executive Officer	X	
31.02	Certification of Chief Financial Officer	X	
32.01*	Section 1350 Certification (Chief Executive Officer)	X	
32.02*	Section 1350 Certification (Chief Financial Officer)	X	
101.INS	XBRL Instance Document	X	
101.SCH	XBRL Taxonomy Extension Schema	X	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X	
101.LAB	XBRL Taxonomy Extension Label Linkbase	X	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X	
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X	

+ Indicates a management contract or compensatory plan or arrangement.

* This exhibit is intended to be furnished and shall not be deemed “filed” for purposes of the Securities Exchange Act of 1934, as amended.