

INTUIT INC  
Form 10-Q  
May 30, 2008

Table of Contents

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

**FORM 10-Q**

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**For the quarterly period ended April 30, 2008**

**OR**

**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  No

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

Accelerated filer

Non-accelerated filer

Smaller reporting  
company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 321,007,630 shares of Common Stock, \$0.01 par value, were outstanding at May 23, 2008.

**INTUIT INC.  
FORM 10-Q  
INDEX**

	<b>Page Number</b>
<b><u>PART I</u></b>	
<b><u>FINANCIAL INFORMATION</u></b>	
<u>ITEM 1:</u>	
<u>Financial Statements</u>	
<u>Condensed Consolidated Statements of Operations for the three and nine months ended April 30, 2008 and 2007</u>	3
<u>Condensed Consolidated Balance Sheets at April 30, 2008 and July 31, 2007</u>	4
<u>Condensed Consolidated Statements of Stockholders' Equity for the nine months ended April 30, 2008 and 2007</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the three and nine months ended April 30, 2008 and 2007</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
<u>ITEM 2:</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
<u>ITEM 3:</u>	
<u>Quantitative and Qualitative Disclosures about Market Risk</u>	40
<u>ITEM 4:</u>	
<u>Controls and Procedures</u>	41
<b><u>PART II</u></b>	
<b><u>OTHER INFORMATION</u></b>	
<u>ITEM 1:</u>	
<u>Legal Proceedings</u>	42
<u>ITEM 1A:</u>	
<u>Risk Factors</u>	43
<u>ITEM 2:</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	46
<u>ITEM 6:</u>	
<u>Exhibits</u>	47
<u>Signatures</u>	48
<u>EXHIBIT 10.02</u>	
<u>EXHIBIT 31.01</u>	
<u>EXHIBIT 31.02</u>	
<u>EXHIBIT 32.01</u>	
<u>EXHIBIT 32.02</u>	

Intuit, the Intuit logo, QuickBooks, TurboTax, Lacerte, ProSeries, Digital Insight and Quicken, among others, are registered trademarks and/or registered service marks of Intuit Inc., or one of its subsidiaries, in the United States and other countries. Other parties' marks are the property of their respective owners.

**Table of Contents****PART I  
ITEM 1  
FINANCIAL STATEMENTS****INTUIT INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>April 30,</b>	<b>April 30,</b>	<b>April 30,</b>	<b>April 30,</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<i>(In thousands, except per share amounts; unaudited)</i>				
Net revenue:				
Product	\$ 517,670	\$ 484,052	\$ 1,277,080	\$ 1,240,232
Service and other	795,338	655,093	1,315,740	1,000,043
Total net revenue	1,313,008	1,139,145	2,592,820	2,240,275
Costs and expenses:				
Cost of revenue:				
Cost of product revenue	34,637	40,605	125,264	142,075
Cost of service and other revenue	105,311	90,377	305,603	218,568
Amortization of purchased intangible assets	14,075	13,538	40,188	17,871
Selling and marketing	246,095	214,655	679,459	587,703
Research and development	149,985	116,200	449,088	346,614
General and administrative	79,150	76,995	222,937	221,224
Acquisition-related charges	9,254	8,695	25,349	11,942
Total costs and expenses	638,507	561,065	1,847,888	1,545,997
Operating income from continuing operations	674,501	578,080	744,932	694,278
Interest expense	(12,830)	(12,823)	(40,389)	(12,823)
Interest and other income	10,361	10,552	32,477	31,867
Gains on marketable equity securities and other investments, net	477	347	1,190	1,568
Gain on sale of outsourced payroll assets	13,616	406	51,571	406
Income from continuing operations before income taxes	686,125	576,562	789,781	715,296
Income tax provision	241,612	208,344	275,839	258,148
Minority interest expense, net of tax	334	271	1,332	821
Net income from continuing operations	444,179	367,947	512,610	456,327
Net income (loss) from discontinued operations		(736)	26,012	(2,684)
Net income	\$ 444,179	\$ 367,211	\$ 538,622	\$ 453,643
Basic net income per share from continuing operations	\$ 1.37	\$ 1.08	\$ 1.55	\$ 1.33
Basic net income (loss) per share from discontinued operations			0.08	(0.01)

Edgar Filing: INTUIT INC - Form 10-Q

Basic net income per share	\$ 1.37	\$ 1.08	\$ 1.63	\$ 1.32
Shares used in basic per share calculations	323,408	339,495	330,862	344,351
Diluted net income per share from continuing operations	\$ 1.33	\$ 1.04	\$ 1.50	\$ 1.28
Diluted net income (loss) per share from discontinued operations			0.08	(0.01)
Diluted net income per share	\$ 1.33	\$ 1.04	\$ 1.58	\$ 1.27
Shares used in diluted per share calculations	333,436	351,686	341,869	357,767

See accompanying notes.

3

---

**Table of Contents**

**INTUIT INC.**  
CONDENSED CONSOLIDATED BALANCE SHEETS

<i>(In thousands; unaudited)</i>	<b>April 30, 2008</b>	<b>July 31, 2007</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 471,504	\$ 255,201
Investments	425,396	1,048,470
Accounts receivable, net	225,047	131,691
Income taxes receivable	457	54,178
Deferred income taxes	86,786	84,682
Prepaid expenses and other current assets	61,301	54,854
Current assets of discontinued operations		8,515
Current assets before funds held for customers	1,270,491	1,637,591
Funds held for customers	358,001	314,341
Total current assets	1,628,492	1,951,932
Long-term investments	295,459	
Property and equipment, net	469,675	298,396
Goodwill	1,698,436	1,517,036
Purchased intangible assets, net	290,125	292,884
Long-term deferred income taxes	95,319	72,066
Loans to officers	8,225	8,865
Other assets	62,702	58,636
Long-term assets of discontinued operations		52,211
Total assets	\$ 4,548,433	\$ 4,252,026
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 156,531	\$ 119,799
Accrued compensation and related liabilities	179,423	192,286
Deferred revenue	280,244	313,753
Income taxes payable	214,523	33,278
Other current liabilities	200,873	171,650
Current liabilities of discontinued operations		15,002
Current liabilities before customer fund deposits	1,031,594	845,768
Customer fund deposits	358,001	314,341
Total current liabilities	1,389,595	1,160,109
Long-term debt	997,951	997,819
Other long-term obligations	104,283	57,756

Edgar Filing: INTUIT INC - Form 10-Q

Total liabilities	2,491,829	2,215,684
Commitments and contingencies		
Minority interest	6,180	1,329
Stockholders' equity:		
Preferred stock		
Common stock and additional paid-in capital	2,371,910	2,251,146
Treasury stock, at cost	(2,838,985)	(2,207,114)
Accumulated other comprehensive income	8,138	6,096
Retained earnings	2,509,361	1,984,885
Total stockholders' equity	2,050,424	2,035,013
Total liabilities and stockholders' equity	\$ 4,548,433	\$ 4,252,026

See accompanying notes.

4

**Table of Contents**

**INTUIT INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

<i>(Dollars in thousands; unaudited)</i>	<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Treasur Stock</b>	<b>Accumulated Other Comprehensive Retained</b>		<b>Total Stockholders Equity</b>
	<b>Shares</b>	<b>Amount</b>			<b>Income</b>	<b>Earnings</b>	
<b>Balance at July 31, 2007</b>	<b>339,157,302</b>	<b>\$ 3,391</b>	<b>\$ 2,247,755</b>	<b>\$ (2,207,114)</b>	<b>\$ 6,096</b>	<b>\$ 1,984,885</b>	<b>\$ 2,035,013</b>
Components of comprehensive income:							
Net income						538,622	538,622
Other comprehensive income, net of tax					2,042		2,042
Comprehensive net income							540,664
Issuance of common stock under employee stock plans	7,741,562	77		162,226		(8,513)	153,790
Restricted stock units released, net of taxes	290,417	3	(6,844)	5,630		(5,633)	(6,844)
Issuance of restricted stock units pursuant to Management Stock Purchase Plan			2,284				2,284
Assumed vested stock options from purchase acquisitions			11,096				11,096
Stock repurchases under stock repurchase programs	(27,171,082)	(271)		(799,727)			(799,998)
Tax benefit from employee stock option transactions			28,091				28,091
Share-based compensation (1)			86,328				86,328
<b>Balance at April 30, 2008</b>	<b>320,018,199</b>	<b>\$ 3,200</b>	<b>\$ 2,368,710</b>	<b>\$ (2,838,985)</b>	<b>\$ 8,138</b>	<b>\$ 2,509,361</b>	<b>\$ 2,050,424</b>

<i>(Dollars in thousands; unaudited)</i>	<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Treasur Stock</b>	<b>Accumulated Other Comprehensive Retained</b>		<b>Total Stockholders Equity</b>
	<b>Shares</b>	<b>Amount</b>			<b>Income</b>	<b>Earnings</b>	
<b>Balance at July 31, 2006</b>	<b>344,170,779</b>	<b>\$ 3,442</b>	<b>\$ 2,089,472</b>	<b>\$ (1,944,036)</b>	<b>\$ 1,084</b>	<b>\$ 1,588,124</b>	<b>\$ 1,738,086</b>
Components of comprehensive income:							
Net income						453,643	453,643
Other comprehensive income, net of tax					2,774		2,774
Comprehensive net income							456,417



Edgar Filing: INTUIT INC - Form 10-Q

Issuance of common stock under employee stock plans	7,839,107	78	10,202	162,759	(22,111)	150,928
Restricted stock units released, net of taxes	1,927			42	(42)	
Assumed vested stock options from purchase acquisitions			13,898			13,898
Stock repurchases under stock repurchase programs	(17,083,600)	(171)		(506,422)		(506,593)
Repurchase of vested restricted stock	(5,362)			(158)		(158)
Tax benefit from employee stock option transactions			32,109			32,109
Share-based compensation (2)			58,756			58,756
Other			(121)			(121)
<b>Balance at April 30, 2007</b>	<b>334,922,851</b>	<b>\$ 3,349</b>	<b>\$ 2,204,316</b>	<b>\$ (2,287,815)</b>	<b>\$ 3,858</b>	<b>\$ 2,019,614</b>
						<b>\$ 1,943,322</b>

(1) Includes \$86,282 for continuing operations and \$46 for Intuit Distribution Management Solutions discontinued operations.

(2) Includes \$57,985 for continuing operations and \$771 for Intuit Distribution Management Solutions discontinued operations.

See accompanying notes.

**Table of Contents**

**INTUIT INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>April 30,</b>	<b>April 30,</b>	<b>April 30,</b>	<b>April 30,</b>
<i>(In thousands; unaudited)</i>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities:</b>				
Net income (1)	\$ 444,179	\$ 367,211	\$ 538,622	\$ 453,643
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	31,420	25,230	85,542	68,566
Acquisition-related charges	9,254	9,660	25,349	14,836
Amortization of purchased intangible assets	14,075	13,817	40,188	18,708
Amortization of purchased intangible assets to cost of service and other revenue	2,189	1,449	6,089	6,754
Share-based compensation	30,093	20,585	86,328	58,756
Amortization of premiums and discounts on available-for-sale debt securities	946	939	2,556	2,900
Net gains on marketable equity securities and other investments	(477)	(347)	(1,190)	(1,568)
Gain on sale of outsourced payroll assets	(13,616)	(406)	(51,571)	(406)
Gain on sale of IDMS (1)			(45,667)	
Deferred income taxes	4,582	(2,376)	19,142	(11,775)
Tax benefit from share-based compensation plans	3,059	2,679	28,091	32,109
Excess tax benefit from share-based compensation plans	(2,024)	(1,511)	(17,785)	(18,231)
Other	4,959	1,565	6,998	2,308
<b>Subtotal</b>	<b>528,639</b>	<b>438,495</b>	<b>722,692</b>	<b>626,600</b>
<b>Changes in operating assets and liabilities:</b>				
Accounts receivable	150,540	155,895	(86,398)	(56,989)
Prepaid expenses, taxes and other assets	19,470	35,956	40,563	44,683
Accounts payable	333	(23,509)	10,708	25,461
Accrued compensation and related liabilities	28,231	(6,310)	(21,574)	(40,036)
Deferred revenue	(56,746)	(56,159)	(32,946)	(53,886)
Income taxes payable	196,883	155,045	182,545	157,747
Other liabilities	(35,401)	8,821	53,903	111,085
<b>Total changes in operating assets and liabilities</b>	<b>303,310</b>	<b>269,739</b>	<b>146,801</b>	<b>188,065</b>
<b>Net cash provided by operating activities (1)</b>	<b>831,949</b>	<b>708,234</b>	<b>869,493</b>	<b>814,665</b>
<b>Cash flows from investing activities:</b>				
Purchases of available-for-sale debt securities	(290,300)	(1,097,727)	(738,991)	(1,978,305)
Liquidation of available-for-sale debt securities	151,142	454,408	868,759	1,440,155
Maturity of available-for-sale debt securities	26,760	391,148	201,095	452,762

Proceeds from the sale of marketable equity securities