



**Stock story: Intuit**  
**Nearly 40-years after being released, QuickBooks and TurboTax have a long growth runway.**

**In 1983 former Proctor & Gamble employee Scott Cook co-founded Intuit in recognition of the long-term opportunity for software to replace pen-and-paper accounting. Intuit's early products included 'Quicken' for personal finances and 'QuickBooks' accounting software for small businesses. In 1993 Intuit listed and merged with ChipSoft, the maker of TurboTax tax preparation software.**

## QUICKEN

In 1994 Microsoft, who released a competitor to the dominant Quicken called Microsoft Money in 1991, agreed to acquire Intuit for \$1.5b in what would have been the largest software merger to date. The deal was abandoned nine months later after the U.S. Department of Justice, which already had Microsoft on its radar, announced that it would fight the deal due to competitive concerns.

Fierce competition ensued as Microsoft doubled down and sought to leverage its scale and hold over PC makers including pre-installation to dislodge Quicken from its dominant position. Despite Intuit divesting it in 2016 to focus on more prospective opportunities, it was Quicken that prevailed with Microsoft Money discontinued in 2009. A former Microsoft executive attributed this to Intuit's focus on marketing, retailing and ease of use, likely a vestige of Cook's experience at P&G.

Now 40 years after its founding and with Scott Cook still on its Board, Intuit's long-term opportunity remains significant.

## QUICKBOOKS

While QuickBooks continues to dominate the market and has amassed over 7 million customers, its largest competitor remains manual processes or spreadsheets with less than 33% of US small businesses having adopted accounting software. There is also a significant opportunity to increase penetration of ancillary services including automated payroll and digital payments, which generate almost as much revenue as its core product.

QuickBooks is also moving upmarket. Historically focused on small businesses with 0-10 employees, in 2018 Intuit introduced QuickBooks Advanced targeted at businesses with up to 100 employees. Although there are fewer businesses of this size, higher prices and services attach rate result in 4-5x the revenue per customer. QuickBooks Advanced also allows Intuit to grow with its most successful customers rather than see them migrate to other products. Early signs are encouraging with QuickBooks Advanced finishing 2022 with 165,000 customers, up 40% on 2021.

*“ Now 40 years after its founding and with Scott Cook still on its Board, Intuit's long-term opportunity remains significant.”*

QuickBooks also expanded its relevance with small businesses via its 2021 acquisition of marketing automation platform Mailchimp. Mailchimp offers Intuit the opportunity to address small business's number one problem of getting customers. Similar to core accounting software, customer adoption is low with about 75% of small businesses yet to adopt customer relationship management software. Intuit offers Mailchimp the opportunity to change this via a large US customer base to which it can cross-sell as well as its best-in-class marketing and onboarding capabilities.

## TURBOTAX

Nearly 50 million people in North America used TurboTax to file their taxes in 2022. From here TurboTax targets 8-12% revenue growth per annum and has modestly exceeded this over the past five years. This ambition is supported by two key drivers. The first is a continuation of the long-term trend away from assisted tax filing via an accountant to DIY filing via accounting software, which has reached about 42% of filers in 2022. The second is Intuit's disruption of the higher revenue per filing assisted tax filing category via its hybrid TurboTax Live products that integrate relevant tax experts and artificial intelligence. Such is the appeal of this offering that after launching in 2018, about 5.5 million



people used it to file their taxes in 2022, a number which we believe could quadruple in time.

We consider Intuit well positioned to capture these opportunities and ward off major competitive threats as it did with Microsoft in the 1990's. Key to this are Intuit's category-defining brands in QuickBooks and TurboTax supported by 40 years of history and cumulative ad spend. This is a critical advantage in categories where trust and word of mouth are key. Moreover, the \$1.6 billion Intuit spent on advertising in 2022, including Super Bowl commercials, continues to reinforce this. Another advantage is Intuit's ability to leverage its huge customer base to see how people interact with its products, supported by a \$2 billion per annum R&D budget to enable the business to continually adapt and improve its products.

Intuit's exposure to small businesses and its 2020 acquisition of Credit Karma means we anticipate it will feel some negative impact from an expected slowdown in US economic growth. However, the mission critical nature of QuickBooks and defensiveness of TurboTax should see it fare relatively well. Intuit's high operating margins and capital light business model delivers attractive returns on capital and strong free cashflow generation, positioning it well to pursue share buybacks in support of shareholder returns.

Sources: Intuit Annual Report 2022, company filings

**Important Information:** Units in the fund(s) referred to herein are issued by Magellan Asset Management Limited ABN 31 120 593 946, AFS Licence No. 304 301 ('Magellan'). This material is issued by Magellan and has been prepared for general information purposes only and must not be construed as investment advice or as an investment recommendation. This material does not take into account your investment objectives, financial situation or particular needs. This material does not constitute an offer or inducement to engage in an investment activity nor does it form part of any offer documentation, offer or invitation to purchase, sell or subscribe for interests in any type of investment product or service. You should obtain and consider the relevant Product Disclosure Statement ('PDS') and Target Market Determination ('TMD') and consider obtaining professional investment advice tailored to your specific circumstances before making a decision about whether to acquire, or continue to hold, the relevant financial product. A copy of the relevant PDS and TMD relating to the relevant Magellan financial product may be obtained by calling +61 2 9235 4888 or by visiting [www.magellangroup.com.au](http://www.magellangroup.com.au).

Past performance is not necessarily indicative of future results and no person guarantees the future performance of the fund, the amount or timing of any return from it, that asset allocations will be met, that it will be able to implement its investment strategy or that its investment objectives will be achieved. Statements contained in this material that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of Magellan. Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. This material may contain 'forward-looking statements'. Actual events or results or the actual performance of a Magellan financial product or service may differ materially from those reflected or contemplated in such forward-looking statements. This material may include data, re-search and other information from third-party sources. Magellan makes no guarantee that such information is accurate, complete or timely and does not provide any warranties regarding results obtained from its use. This information is subject to change at any time and no person has any responsibility to update any of the information provided in this material. No representation or warranty is made with respect to the accuracy or completeness of any of the information contained in this material. Magellan will not be responsible or liable for any losses arising from your use or reliance upon any part of the information contained in this material. MC349

✉ [info@magellangroup.com.au](mailto:info@magellangroup.com.au)

☎ +61 2 9235 4888