

**07/09/2020: Intuit, Inc. (INTU)**

**Business Description:** Intuit Inc. provides financial management and compliance products and services for consumers, small businesses, self-employed, and accounting professionals in the United States, Canada, and internationally. - *TIKR.com*

**Thesis:** Intuit, Inc. (INTU) is a world-class provider of financial tools to help small-and-medium sized businesses thrive in payments, taxes and money management. They command a dominant market share and sport one of the best company cultures & CEOs in the market. COVID forced SMBs to adopt an online presence and strictly manage their expenses and cash-flow. We believe INTU is in a perfect spot to compete with Shopify as they capture the larger end of the SMB market. **Assuming conservative growth estimates, we think INTU is worth near \$400/share in the next five years.**

**INTU's Big Opportunity:** INTU's core products include QuickBooks Online (QBO), QuickBooks Self-Employed and TurboTax. This core market represents a \$46B opportunity that INTU can easily dominate. The company added 2.3M new QBO subs in 2019 (21% growth) and increased retention rate 2% to 79%. INTU ended 2019 with 5.7M paying customers, up 1.2M from 2018. INTU's international business is growing faster than its US segment. For example, U.K. grew 78%, France 148% and India 42%. **But there's a problem:** INTU's customers are outgrowing their service. Historically, INTU captured the 0-10 employee businesses. Going forward, they're expanding to 0-100 employee businesses.

**QuickBooks Advanced:** To address this "problem", INTU created QBO Advanced. Think of QBOA as regular QuickBooks, but on steroids. There's 37% faster invoicing and supports up to 100 employees. QBOA will disrupt traditional mid-market bookkeeping software. The average price of traditional bookkeeping software: **\$10K - \$25K**. QBOA comes in at \$2K. That's an *incredible* discount for arguably a better product. INTU should quickly take market share in a larger market at *higher* gross margins.

**What's It Worth:** INTU has \$2.3B in net cash on the balance sheet with virtually zero debt. They've grown revenue roughly 10%/year for the last five years and command >80% Gross Margins. But remember, INTU's QBOA garners a higher price-point and *should* result in higher operating margins (37% currently). Let's assume 10% average 5YR revenue growth and EBITDA margins reaching >40% by 2024.

Given our assumptions, we end 2024 with \$11BM in revenue, \$4.36B in EBITDA and \$3.3B in FCF. **Adding a 30x multiple on 2024 EBITDA gets us \$90B in Terminal Value and \$8B in cash flows for \$98B EV.** Add cash and subtract debt and you get \$102B in shareholder value (\$391/share).

(USD in millions)	Model		
	Low	Mid	High
Enterprise Value	98,737	98,737	98,737
(+) Cash & Short Term Investments	3,971	3,971	3,971
(+) Investments & Other	19	19	19
(-) Debt	(663)	(663)	(663)
(-) Other Liabilities	0	0	0
(-) Preferred Stock	NA	NA	NA
(-) Other	0	0	0
Value of Common Equity	102,064	102,064	102,064
(/) Shares Outstanding	261	261	261
Implied Stock Price (USD)	391.39	391.39	391.39
FX Rate: USD/USD	1.00	1.00	1.00
Implied Stock Price (USD)	391.39	391.39	391.39
Upside / (Downside)	26.1%	26.1%	26.1%

## Chart Analysis: Intuit, Inc. (INTU)

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BATS:INTU, 1D 310.38 ▲ +2.45 (+0.8%) O:310.54 H:312.07 L:307.77 C:310.38



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