

Bullish
**Opportunity
Alert:**

INTU

Intuit (INTU) Taxes: a Virus-Proof Investment



Analysis

Historical Correlation: Strong

Purchase Intent (PI) Mentions for Intuit's software offerings have steadily risen since 2015, correlating to regular top-line sales improvements for the company.

Purchase Intent Trend: Approaching New Highs

Due to the seasonal nature of INTU's flagship B2C product, TurboTax, its PI Mentions follow a distinct seasonal trend, and PI is on pace for a new ATH in the current quarter.

Stock: Buying Opportunity

INTU shares were trading at an all-time-high price less than a month ago, yet the recent market downturn has given rise to a -9% correction lower.

LikeFolio Expectation: Future Stock Gains

In the face of the coronavirus, only two things are certain: death and taxes. We expect Intuit to continue converting YoY PI strength into revenue growth, and with limited exposure (if any) to the market's largest source of fear and uncertainty, we're bullish on the stock, short-term and longer-term.

Bullish Opportunity Alert: **INTU**



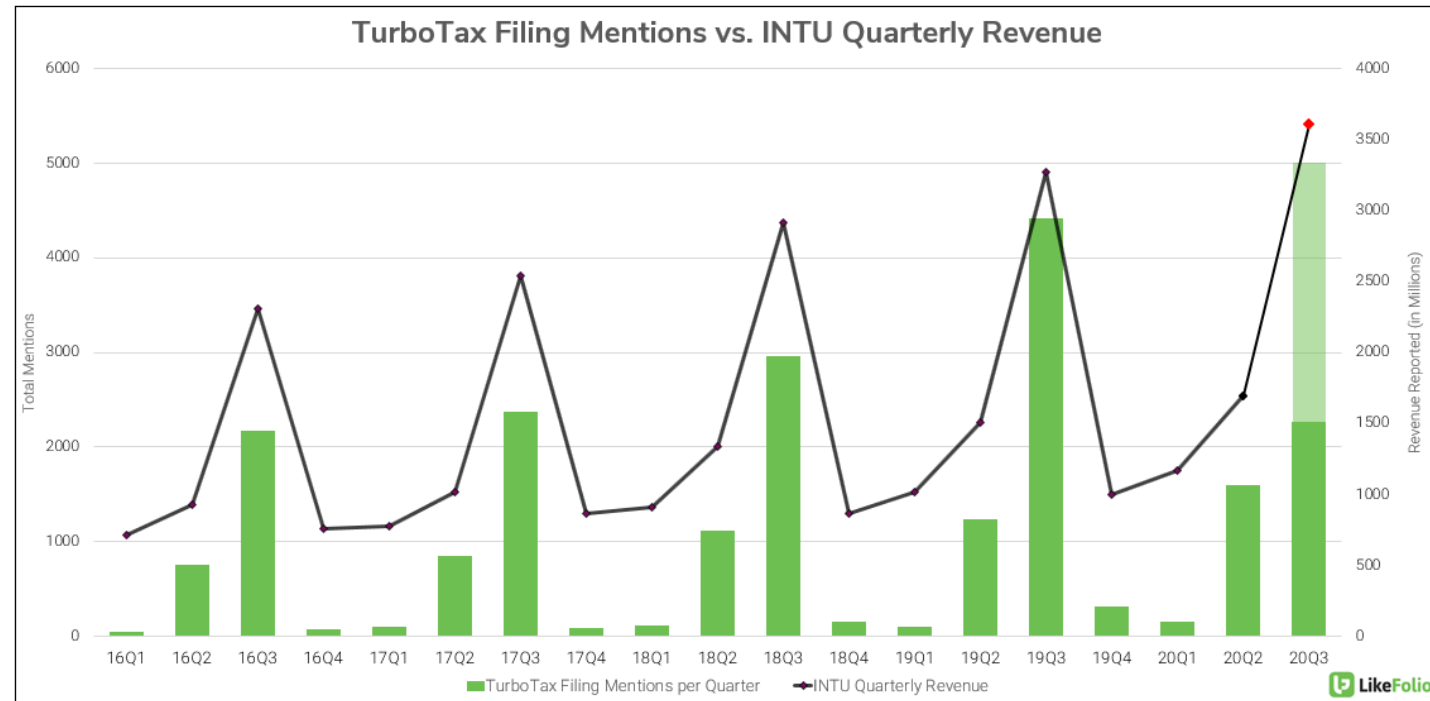
The 90-day moving average of Intuit's Purchase Intent Mentions has consistently risen alongside reported sales and the company's share price.

Although Intuit's B2B services account for a more substantial portion of annual sales, seasonal revenue from consumer tax services has been an accurate barometer of the company's growth.

The chart shown on the right plots the quarterly volume of Mentions made by consumers using TurboTax software to file their taxes.

Analysts expect +10% YoY revenue growth for the ongoing quarter, as illustrated by the red dot for Q3 of this year. The underlying Mentions give us confidence that INTU can meet or exceed sales estimates.

Bullish Opportunity Alert: **INTU**



Key Points

The volume of filing-specific TurboTax Mentions has a strong historical correlation with Intuit's reported revenues, particularly in the third fiscal quarter.

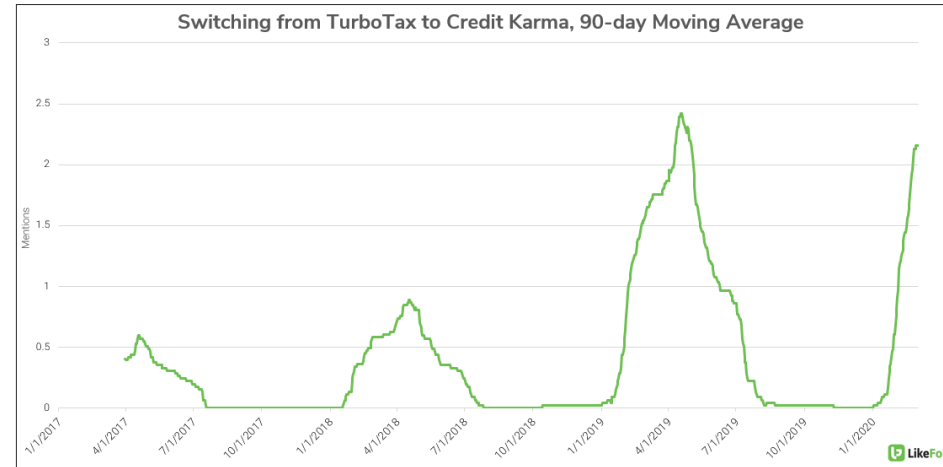
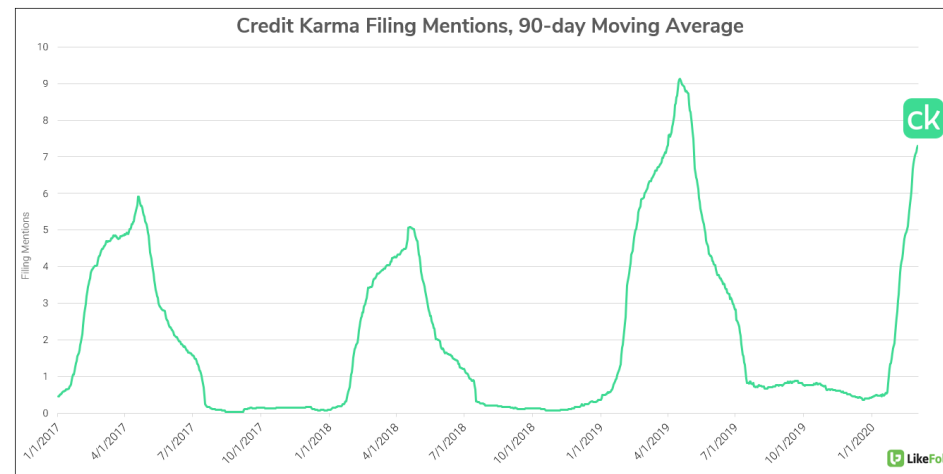
Tax filing Mentions, as well as total PI Mentions, are on pace for a YoY gain in the current quarter: 20Q3.

The recent deal to acquire Credit Karma will assure further improvement from INTU's consumer division, building on established strength.

LikeFolio data suggests improvement across all of Intuit's business divisions, and the current price level, -9% below the ATH, presents an attractive buying opportunity, considering the potential for future growth.



- TurboTax operates on a freemium model. The free version allows users to file a basic tax return; any additional options (itemized deductions, etc.) require a paid upgrade.
- This pricing structure has naturally driven thrifty consumers toward alternative, *completely free* software, namely Credit Karma.
- The charts to the right demonstrate the growing popularity of Credit Karma's DIY filing services, as well as their ability to capture disgruntled TurboTax customers.



- **Credit Karma began offering DIY tax services in 2017, with an estimated 3% market share reflected in a relatively low volume of filing mentions.**
- **However, the rate of growth seen over the past two years makes Intuit's recent acquisition seem like a savvy move to solidify dominance going forward.**
- **It's unsurprising that the \$7.1 billion deal, slated to close in the latter half of 2020, has already sparked anti-trust concerns. If it goes through, Intuit will have established a stranglehold on the tax software market.**



Bullish Opportunity Alert: **INTU**

Potential Trade Ideas (Aggressive)

Simple Option: Buy the stock at or below \$280 per share.

Option Spread: Sell the 15 Jan. 21 290/280 Put Spread @ \$4.70 Credit.

- **Spread Scenario #1 (Max Gain):** \$INTU closes above \$290 per share on 1/15/2021.

Outcome: Both Put Options expire worthless, netting a gain of **\$470** premium for each contract sold.

- **Spread Scenario #2 (Max Loss):** \$INTU closes at or below \$280 per share on 1/15/2021.

Outcome: Both Put Options expire in the money for a loss of **\$530** per contract, equal to the maximum loss per contract (\$1000) less the premium paid (\$470).

Aggressive Option: Sell 19 Jun. 20 Puts at or below the money, for an earnings-focused bet with downside potential as a favorable Long entry.

Disclaimers

The material in this presentation is for informational purposes only and does not constitute an offer to sell, a solicitation to buy, a recommendation or endorsement for any security or strategy, nor does it constitute an offer to provide investment advisory or other services by LikeFolio, SwanPowers, LLC, or its employees.

This information is not investment or tax advice.

SwanPowers, LLC and LikeFolio is not an investment advisor or a broker dealer.

Investing in securities involves risks, and there is always the potential of losing all your money.

Before investing in any strategy, consider your investment objectives and speak with a professional.

Past performance does not guarantee future results, and the likelihood of investment outcomes is hypothetical.





LikeFolio

The content of this opportunity alert may not be redistributed in any fashion, in part or in whole, without the express written consent of LikeFolio. Inquiries: Andy@LikeFolio.com

Copyright 2020, SwanPowers LLC