

INTUIT INC  
Form 8-K  
August 22, 2002

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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K  
CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

**August 21, 2002**

(Date of Report)

Date of earliest event reported: August 14, 2002

**Intuit Inc.**

(Exact name of Registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation)

**0-21180**

(Commission File Number)

**77-0034661**

(I.R.S. Employer Identification No.)

**2535 Garcia Avenue**

**Mountain View, California 94043**

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

**(650) 944-6000**

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**ITEM 5. OTHER EVENTS.**

**Proposed Acquisition of Blue Ocean Software**

On August 14, 2002, Intuit Inc. announced that it had signed a definitive agreement to acquire Blue Ocean Software Inc., a leading provider of software that helps small businesses manage their information technology resources and assets.

Intuit currently plans to operate Blue Ocean as a business unit within its Small Business and Personal Finance division and will continue to offer Blue Ocean's current products and services. Russ Hobbs, Blue Ocean's chief executive officer, will lead the operating unit as a vice president at Intuit reporting to Lorrie Norrington, executive vice president, Small Business and Personal Finance. Virtually all of Blue Ocean's 78 employees will be asked to stay with the business. Blue Ocean will continue to be based in Tampa, Florida.

Under the terms of the agreement, Intuit will acquire all outstanding shares of Blue Ocean's stock for approximately \$170 million in cash. Intuit expects Blue Ocean to contribute approximately \$45 million to \$55 million in revenue in fiscal year 2003. The acquisition is expected to close in the first quarter of fiscal 2003. The closing of the transaction is subject to standard closing conditions, including various regulatory approvals.

**Press Release Announcing Fourth Quarter and Fiscal Year 2002 Results**

**Fiscal 2002 Results**

On August 14, 2002, Intuit announced its financial results for the fourth quarter and fiscal year ended July 31, 2002. Intuit reported fiscal 2002 revenue of \$1.36 billion, an increase of 18% over fiscal 2001 revenue of \$1.15 billion. Intuit reported net income for the year of \$140.2 million, or \$0.64 per share, up from a net loss of \$82.8 million, or a net loss of \$0.40 per share, in fiscal 2001. Growth was driven by strong performance in Intuit's largest businesses—small business and tax. In fiscal 2002, losses related to marketable securities decreased by \$82.5 million compared to fiscal 2001 and acquisition-related charges decreased by \$66.6 million compared to fiscal 2001. Intuit sold its Quicken Loans mortgage business in July 2002. Quicken Loans is treated as a discontinued operation for accounting purposes. As a result, the financial results for Quicken Loans, reflecting income and expenses totaling \$47.1 million, were segregated into a separate line item rather than reflected in Intuit's operating results.

**Fourth Quarter Results**

Intuit reported revenue of \$197.2 million for the fourth quarter of fiscal 2002, an increase of 31% over the \$150.3 million for the fourth quarter of fiscal 2001. Growth was driven primarily by strong results in QuickBooks and Canada. Intuit reported a net loss for the quarter of \$31.8 million, or a loss of \$0.15 per share. Intuit typically reports a loss in its fourth quarter when revenue from tax preparation businesses is minimal, but operating expenses to develop new products and services continue at relatively consistent levels. In the fourth quarter of fiscal 2001, Intuit reported a net loss of \$61.3 million, or a loss of \$0.29 per share. The smaller loss in the fourth quarter of fiscal 2002 was due in part to the gain on the sale of Quicken Loans of \$23.3 million. Intuit acquired Quicken Loans in December 1999. Because the transaction was accounted for as a pooling of interests, the value of the business was reflected on Intuit's balance sheet as the net value of the tangible assets, rather than the purchase price paid. The gain represents the premium over the net value of the tangible assets.

(Financial statements follow)

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INTUIT INC.  
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
(In thousands, except per share data)  
(unaudited)

|   | Three Months Ended<br>July 31, |             | Twelve Months Ended<br>July 31, |              |
|---|--------------------------------|-------------|---------------------------------|--------------|
|   | 2001                           | 2002        | 2001                            | 2002         |
| Net revenue:  |                                |             |                                 |              |
| Products  | \$ 97,406                      | \$ 131,875  | \$ 834,190                      | \$ 1,001,782 |
| Services  | 38,748                         | 51,681      | 240,381                         | 293,405      |
| Other   | 14,164                         | 13,603      | 73,834                          | 63,161       |
| Total net revenue   | 150,318                        | 197,159     | 1,148,405                       | 1,358,348    |
| Costs and expenses:   |                                |             |                                 |              |
| Cost of revenue:  |                                |             |                                 |              |
| Products, services and other  | 54,730                         | 56,702      | 279,305                         | 296,830      |
| Amortization of purchased software and other  | 3,729                          | 1,981       | 14,949                          | 12,423       |
| Customer service and technical support  | 32,193                         | 38,327      | 145,522                         | 173,080      |
| Selling and marketing   | 44,495                         | 62,907      | 235,256                         | 278,826      |
| Research and development  | 50,917                         | 49,992      | 203,739                         | 203,522      |
| General and administrative  | 23,454                         | 27,394      | 95,704                          | 110,441      |
| Charge for purchased research and development   |                                | 2,151       | 238                             | 2,151        |
| Charge for vacant facilities  |                                |             |                                 | 13,237       |
| Acquisition-related charges   | 42,869                         | 40,886      | 248,179                         | 181,616      |
| Loss on impairment of long-lived asset  |                                |             |                                 | 27,000       |
| Total costs and expenses  | 252,387                        | 280,340     | 1,222,892                       | 1,299,126    |
| Income (loss) from continuing operations  | (102,069)                      | (83,181)    | (74,487)                        | 59,222       |
| Interest and other income and expense, net  | 11,368                         | 8,440       | 57,303                          | 32,944       |
| Losses on marketable securities and other investments, net  | (10,746)                       | (6,269)     | (98,053)                        | (15,535)     |
| Gains (losses) on divestitures  | (16,954)                       |             | (15,315)                        | 8,308        |
| Income (loss) from continuing operations before income taxes and cumulative effect of accounting change | (118,401)                      | (81,010)    | (130,552)                       | 84,939       |
| Income tax benefit (provision) (i)  | 45,459                         | 15,235      | 12,473                          | (15,179)     |
| Income (loss) from continuing operations before cumulative effect of accounting change                  | (72,942)                       | (65,775)    | (118,079)                       | 69,760       |
| Discontinued operations, net of income taxes (ii):  |                                |             |                                 |              |
| Net income from Quicken Loans discontinued operations   | 11,653                         | 10,713      | 20,972                          | 47,100       |
| Gain on disposal of Quicken Loans discontinued operations   |                                | 23,300      |                                 | 23,300       |
| Net income from discontinued operations   | 11,653                         | 34,013      | 20,972                          | 70,400       |
| Cumulative effect of accounting change, net of income taxes of \$9,543                                  |                                |             | 14,314                          |              |
| Net income (loss)   | \$ (61,289)                    | \$ (31,762) | \$ (82,793)                     | \$ 140,160   |

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|  |           |           |           |         |
|--|-----------|-----------|-----------|---------|
| Basic net income (loss) per share from continuing operations before cumulative effect of accounting change   | \$ (0.35) | \$ (0.31) | \$ (0.57) | \$ 0.33 |
| Net income per share from discontinued operations  | 0.06      | 0.16      | 0.10      | 0.33    |
| Cumulative effect of accounting change per share   |           |           | 0.07      |         |
| Basic net income (loss) per share  | \$ (0.29) | \$ (0.15) | \$ (0.40) | \$ 0.66 |
| Shares used in basic per share amounts   | 209,800   | 212,003   | 207,959   | 211,794 |
| Diluted net income (loss) per share from continuing operations before cumulative effect of accounting change | \$ (0.35) | \$ (0.31) | \$ (0.57) | \$ 0.32 |
| Net income per share from discontinued operations  | 0.06      | 0.16      | 0.10      | 0.32    |
| Cumulative effect of accounting change per share   |           |           | 0.07      |         |
| Diluted net income (loss) per share  | \$ (0.29) | \$ (0.15) | \$ (0.40) | \$ 0.64 |
| Shares used in diluted per share amounts   | 209,800   | 212,003   | 207,959   | 217,897 |

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- i. There is a difference in the effective tax rate for each of these periods, primarily due to the tax benefit related to divestitures that became available in the second quarter of fiscal 2002.
- ii. On July 31, 2002, we sold our Quicken Loans mortgage business. We accounted for the sale as discontinued operations and, accordingly, the operating results of Quicken Loans have been segregated from continuing operations on the statement of operations for the three and twelve months ended July 31, 2001 and 2002. Income taxes netted against net income from discontinued operations amounted to \$6.7 million and \$6.0 million for the three months ended July 31, 2001 and 2002 and \$12.2 million and \$26.5 million for the twelve months then ended. The tax benefit related to the \$23.3 million gain on the transaction was not recorded because its realization is not assured.

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INTUIT INC.  
CONDENSED CONSOLIDATED BALANCE SHEET  
(In thousands)  
(unaudited)

|   | <u>July 31,<br/>2001</u> | <u>July 31,<br/>2002</u> |
|---|--------------------------|--------------------------|
| <b>ASSETS</b>                                     |                          |                          |
| Current assets:                                   |                          |                          |
| Cash and cash equivalents                         | \$ 94,301                | \$ 435,087               |
| Short-term investments                            | 1,119,305                | 815,342                  |
| Marketable securities                             | 85,307                   | 16,791                   |
| Customer deposits                                 | 205,254                  | 300,409                  |
| Accounts receivable, net                          | 26,778                   | 56,467                   |
| Deferred income taxes                             | 73,742                   | 67,799                   |
| Prepaid expenses and other current assets         | 31,640                   | 50,729                   |
| Amounts due from discontinued operations entities | 355,222                  | 252,869                  |
| Net current assets of discontinued operations     | 57,208                   |                          |
|   | <hr/>                    | <hr/>                    |
| Total current assets                              | 2,048,757                | 1,995,493                |
| Property and equipment, net                       | 174,659                  | 181,758                  |
| Goodwill and intangibles, net                     | 415,135                  | 554,422                  |
| Long-term deferred income taxes                   | 145,905                  | 176,553                  |
| Long-term investments                             | 24,107                   | 6,765                    |
| Other assets                                      | 41,359                   | 48,035                   |
| Net assets of discontinued operations             | 12,351                   |                          |
|   | <hr/>                    | <hr/>                    |
| Total assets                                      | <u>\$2,862,273</u>       | <u>\$2,963,026</u>       |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>        |                          |                          |
| Current liabilities:                              |                          |                          |
| Accounts payable                                  | \$ 62,994                | \$ 76,669                |
| Payroll service obligations                       | 205,067                  | 300,381                  |
| Deferred revenue                                  | 137,041                  | 159,758                  |
| Income taxes payable                              | 82,486                   | 442                      |
| Short-term note payable                           | 38,672                   | 17,926                   |
| Other current liabilities                         | 162,537                  | 177,601                  |
|   | <hr/>                    | <hr/>                    |
| Total current liabilities                         | 688,797                  | 732,777                  |
| Long-term obligations                             | 12,150                   | 14,610                   |
| Stockholders' equity                              | 2,161,326                | 2,215,639                |
|   | <hr/>                    | <hr/>                    |
| Total liabilities and stockholders' equity        | <u>\$2,862,273</u>       | <u>\$2,963,026</u>       |

Note: On July 31, 2002 we sold our Quicken Loans mortgage business and accounted for the sale as discontinued operations. Quicken Loans balance sheet amounts at July 31, 2001 have therefore been reclassified. Other assets at July 31, 2002 include a \$23.3 million note from Rock Acquisition Corporation, the purchaser of the Quicken Loans business.

**Retirement of Chief Financial Officer**

On August 14, 2002, Intuit announced that Greg Santora, Senior Vice President and Chief Financial Officer of Intuit, has decided to retire from Intuit at the end of the calendar year, and will remain in his current role until then. Mr. Santora will participate in the search and will work with the new CFO to ensure a smooth transition.





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**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 hereunto duly authorized.

Date: August 21, 2002

INTUIT INC.

By: /s/ LINDA FELLOWS

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Linda Fellows  
Vice President, Treasurer  
and Director of Investor Relations

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