



Sell: Intuit Inc (INTU)

MAY 2026

HOLDINGS UPDATE

JENSEN QUALITY GROWTH STRATEGY

What Led Us to Sell

Our decision to exit Intuit Inc (ticker: INTU) from the **Jensen Quality Growth Strategy** reflects a meaningful decline in our confidence in two areas that are central to our process: the durability of the company’s competitive advantages and the stability of its earnings.

Competitive Advantages: Intuit’s moat has historically rested on deep customer entrenchment in TurboTax and QuickBooks, high switching costs, proprietary financial data, brand strength, and pricing power. Our concern is that the heart of that moat, guiding non-expert users through tax preparation and bookkeeping, is precisely the activity most exposed to generative and agentic AI, as models will be able to explain tax rules, classify transactions, and complete filings on demand. The latest quarter showed the first clear evidence of erosion: management acknowledged that it “lost on price” with the most price-sensitive do-it-yourself filers and now plans to adjust its lineup and pricing for them. On the small-business side, Global Business Solutions decelerated to 15% growth from 19% a year earlier, with QuickBooks accounting leaning increasingly on price, and even the one genuine accelerant, mid-market, is moving up into the territory of larger incumbents with deeper functionality.

Earnings Stability: We believe the issue is not Intuit’s present-day financial strength, but the predictability of its future earnings, as the third quarter widened the range of plausible outcomes. Growth slowed across the higher-margin Consumer segment, with TurboTax up 7%, Credit Karma decelerating to 15% from 31%, and ProTax flat. The headline understates the pressure, because TurboTax Live now accounts for 53% of TurboTax revenue; backing it out implies the do-it-yourself remainder, the part most exposed to price and AI substitution, is declining at a low-teens rate. The company cut its full-year TurboTax outlook even while raising total-company guidance, and that raise leaned on cost reductions, a lower share count, and buybacks rather than demand. Margins fell as AI spending rose, with non-GAAP operating margin down 132 basis points and research and development up 19%. Tellingly, the company is leaning on a 17% workforce cut to protect margins. Together, these signal structural pressure on a historically high-margin franchise, widening the distribution of long-term outcomes beyond what we can underwrite.

Why Now

We had already reduced the position over time as our concerns built; the company’s third-quarter earnings report in May 2026 moved us to exit completely. The most telling signal was less the modest beat than the market’s response, a 20% decline that, in our view, repriced the durability of the franchise rather than the quarter itself. We are also wary that Intuit’s partnerships with leading AI providers, presented as broadening the top of the funnel, risk making the model the front door and Intuit the back-end execution layer, accelerating the disintermediation they are meant to defend against.

Strategy holdings are subject to change and should not be considered recommendations to buy or sell any security. For a listing of the Quality Growth Strategy’s current holdings, please visit www.jenseninvestment.com/growth-composite-holdings.

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5500 Meadows Road, Suite 200
Lake Oswego, OR 97035
800.221.4384

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