



# INVESTOR MEETINGS

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JULY 20, 2018

# Safe Harbor Statement

## Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the securities laws. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words or variation of words such as "expects," "anticipates," "intends," "plans," "believes," "commits," "seeks," "estimates," "projects," "forecasts," "targets," "would," "will," "should," "goal," "could" or "may" or other similar expressions. Forward-looking statements provide management's current expectations or predictions of future conditions, events or results. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements. They may include estimates of revenues, client trajectory, income, effective tax rate, earnings per share, cost savings, capital expenditures, dividends, share repurchases, liquidity, capital structure or other financial items, descriptions of management's plans or objectives for future operations, products or services, or descriptions of assumptions underlying any of the above. Factors that may cause the company's actual estimated effective tax rate to differ from estimates include the company's actual results from operations compared to current estimates, future discrete items, changes in interpretations and assumptions the company has made, guidance from the Internal Revenue Service, SEC, or the Financial Accounting Standards Board about the Tax Legislation, and future actions of the company. All forward-looking statements speak only as of the date they are made and reflect the company's good faith beliefs, assumptions and expectations, but they are not guarantees of future performance or events. Furthermore, the company disclaims any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions, factors, or expectations, new information, data or methods, future events or other changes, except as required by law. By their nature, forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Factors that might cause such differences include, but are not limited to a variety of economic, competitive and regulatory factors, many of which are beyond the company's control, that are described in our Annual Report on Form 10-K for the fiscal year ended April 30, 2018 in the section entitled "Risk Factors" and additional factors we may describe from time to time in other filings with the Securities and Exchange Commission. You may get such filings for free at our website at <http://investors.hrblock.com>. You should understand that it is not possible to predict or identify all such factors and, consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

## Non-GAAP Measures

We refer to certain Non-GAAP financial measures in this presentation, including earnings from continuing operations before interest, taxes, depreciation, and amortization ("EBITDA"), EBITDA Margin from continuing operations, calculated as EBITDA from continuing operations divided by revenues from continuing operations ("EBITDA Margin"), and Free Cash Flow. Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with accounting principles generally accepted in the United States (GAAP). Because these measures are not measures of financial performance under GAAP and are susceptible to varying calculations, they may not be comparable to similarly titled measures for other companies. For a description of these non-GAAP financial measures, including the reasons management uses each measure, and reconciliations of these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP, please refer to our press release filed on June 12, 2018 and our previously filed press releases, both of which are posted on our investor relations website at <http://investors.hrblock.com>.

## Market and Industry Data

The data included in this presentation regarding the tax preparation services industry, including trends in the market and the company's position and the position of its competitors within this industry, are based on the company's estimates, which have been derived from management's knowledge and experience in the industry, and information obtained from customers, trade and business organizations, internal research, publicly available information, industry publications and surveys and other contacts in the industry. The company has also cited information compiled by industry publications, governmental agencies and publicly available sources. Although the company believes these third-party sources to be reliable, it has not independently verified the data obtained from these sources and it cannot assure you of the accuracy or completeness of the data. Estimates of market size and relative positions in a market are difficult to develop and inherently uncertain and the company cannot assure you that it is accurate. Accordingly, you should not place undue weight on the industry and market share data presented in this presentation.

# H&R Block: Strong foundation providing path to sustainable growth

*HRB operates in a growing industry and is innovating to provide help to consumers in the ways they want it most*

*Strong results in FY18 leading to growth in overall tax returns and revenue*

*Solid financial position allows for strategic investment to achieve long-term, sustainable growth*

## Trust

*Well-known brand synonymous with tax*

## Scale

*#1 Assisted provider; #2 DIY provider*

## Innovation

*Growing DIY share and virtual capabilities*

**+2.5%**

*20M U.S. tax returns filed in FY18*

**+4.1%**

*Revenue increase to \$3.2B in FY18*

**+7.8%**

*Growth in DIY clients in FY18*

**\$751M**

*Free cash flow in FY18*

**24-26%**

*FY19 EBITDA margin estimate*

**+4.2%**

*Dividend increased to \$1.00 annual rate*

# THE TAX INDUSTRY

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# U.S. tax industry is resilient; both Assisted & DIY tax prep methods remain strong

## *Misperceptions about the tax industry:*

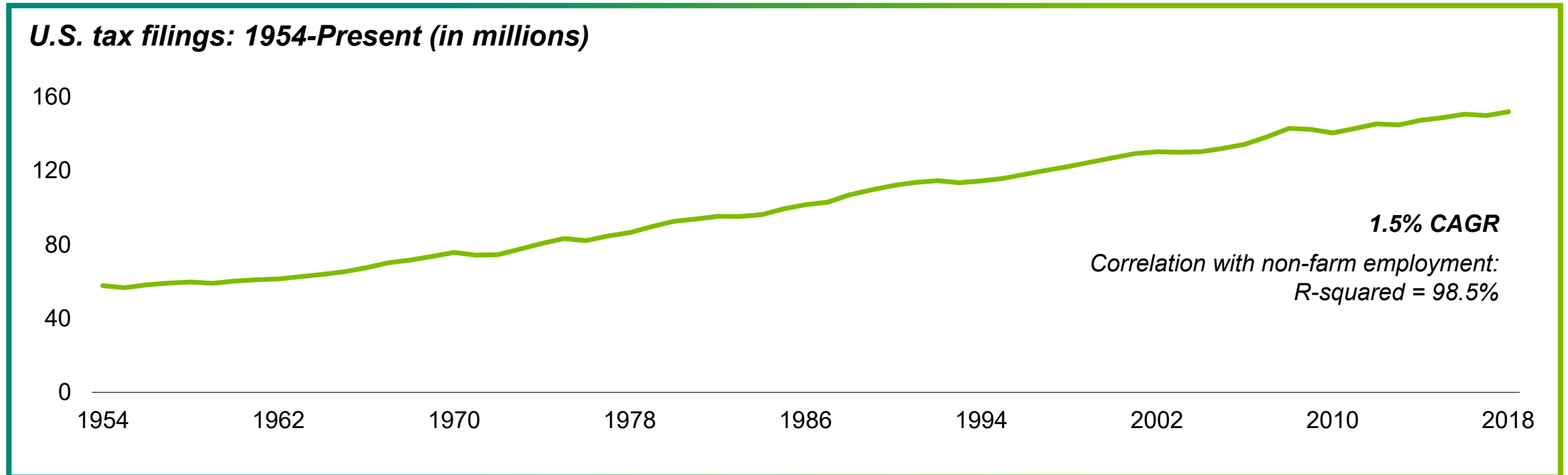
Industry is no longer growing

Recent tax law changes will radically change the industry

Digital disruption impacting tax business like traditional retail

# Market is stable, growing, and resilient

- On average, U.S. market grows 1-2% annually and is highly correlated to non-farm employment
- Market is resilient, even through recessions
- Taxpayers are motivated to file, as historically approximately 75% receive a refund



# Taxpayers choose help based on their confidence with taxes

Assisted

Do-It-Yourself (DIY)



**“I want someone to do it for me”**

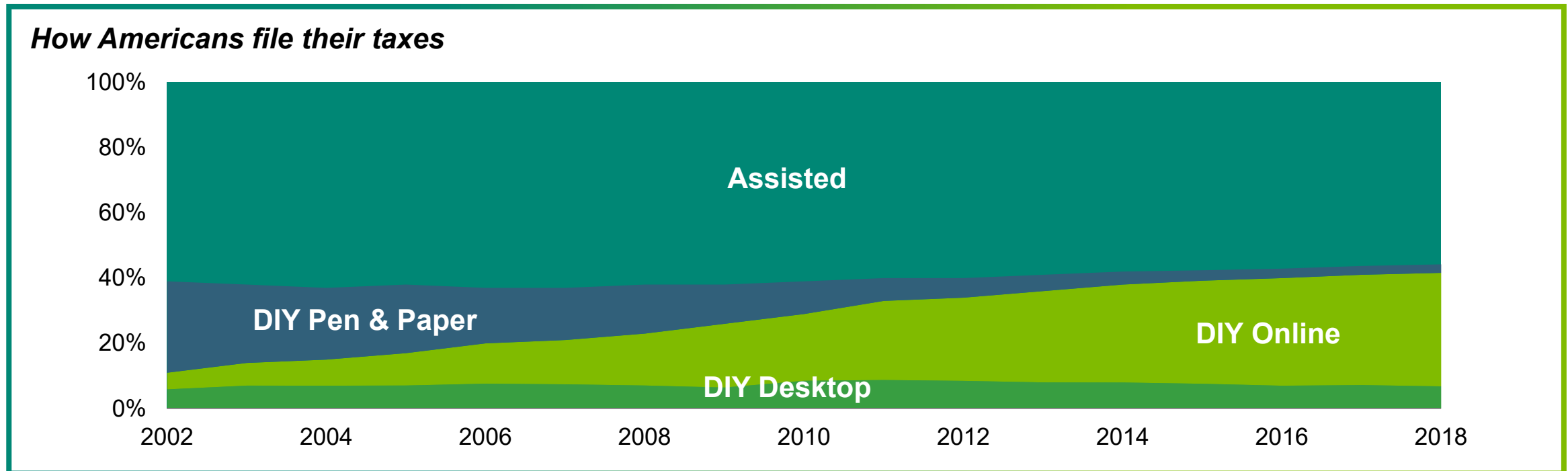
- Assisted category remains resilient as a large portion of the population isn't confident in preparing their own taxes
- Assisted filers are concerned about getting the maximum refund, are afraid of being audited, or don't feel like they have the time or the knowledge to deal with filing taxes

**“I can do it”**

- DIY filers prefer convenience, cost, and are confident they can do it
- DIY consists of two sub-categories: Digital and Pen & Paper

# Assisted tax preparation methods remain the choice of over half of U.S. taxpayers

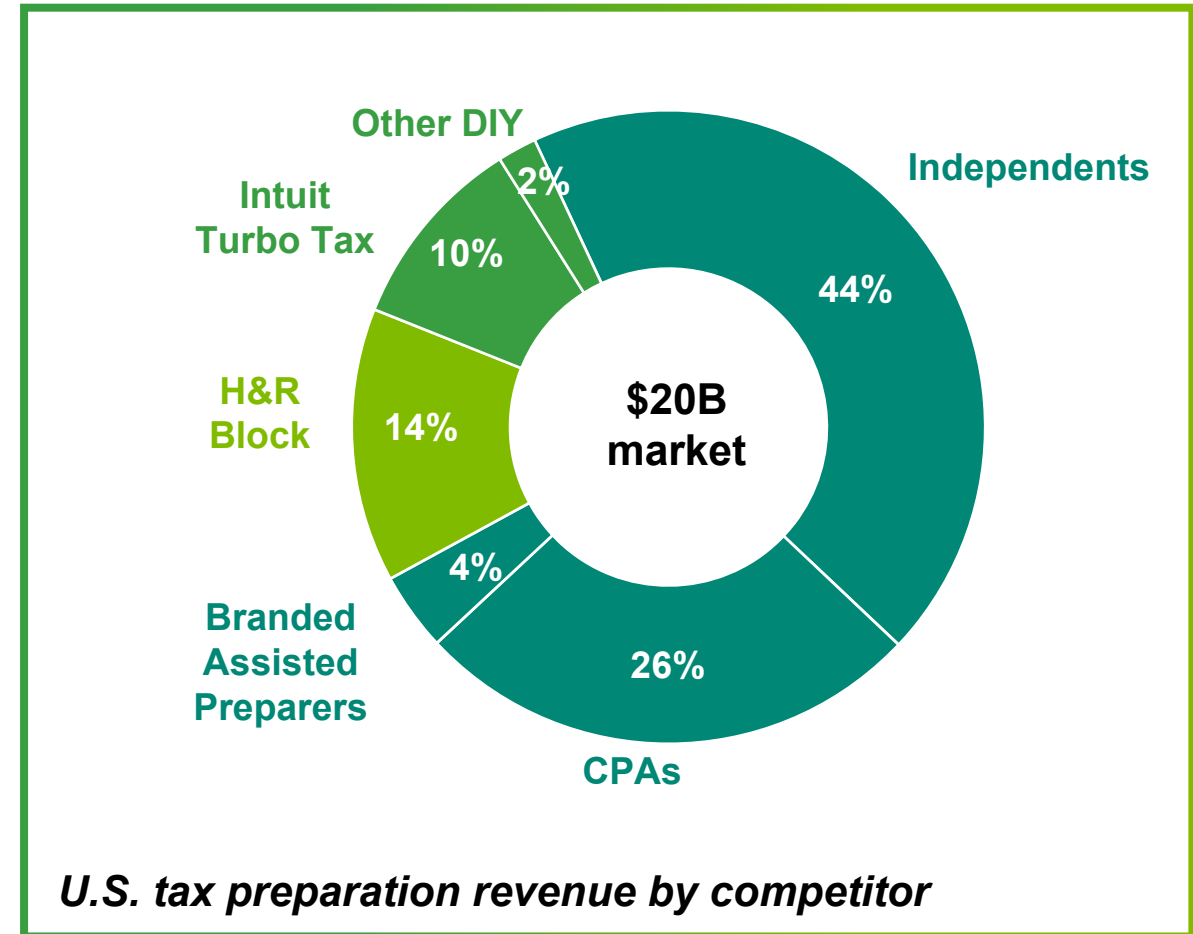
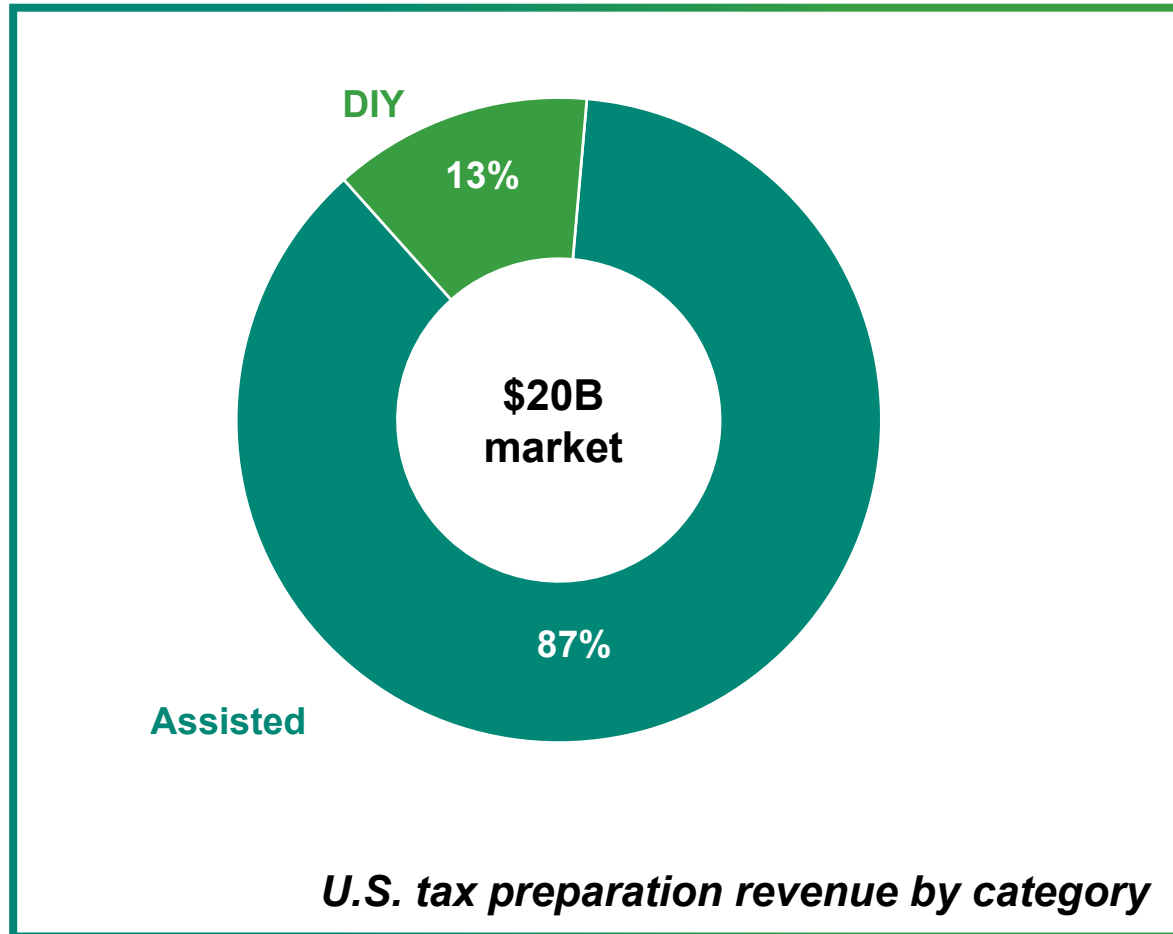
- Split between Assisted and DIY tax prep is ~56% Assisted and ~44% DIY
- Over the past few years, DIY has been outpacing the Assisted category causing a slight mix shift
- The long-term growth in DIY tax software has primarily come from pen & paper filers switching to online





# Assisted category generates vast majority of revenue in the industry

- H&R Block generates nearly as much revenue as all Assisted and DIY branded competitors combined

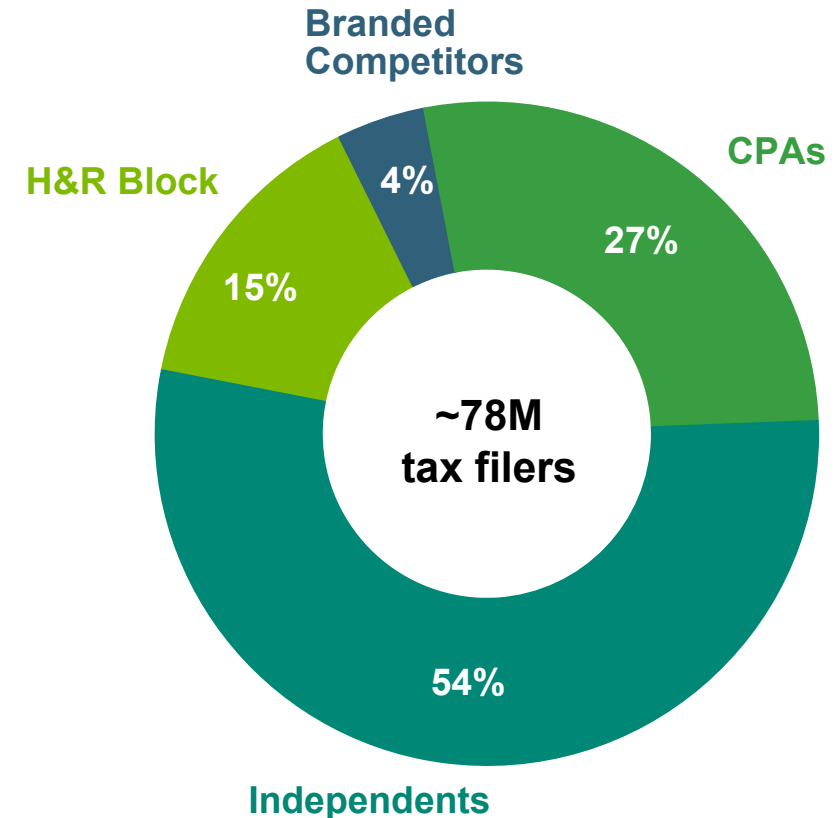


# FOUNDATIONAL STRENGTHS

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# HRB has significant scale, expertise and resources in the U.S. Assisted category

- H&R Block **FOUNDED** the tax industry and just completed its 64<sup>th</sup> tax season
- Largest Assisted preparer in the U.S., with 15% market share
- Unmatched scale
  - Vast majority of Americans are within 5 miles of an H&R Block office<sup>1</sup>
  - ~10K tax offices across the U.S.; 2/3 company-owned, 1/3 franchised
  - Ability to quickly scale up/down to optimize network footprint

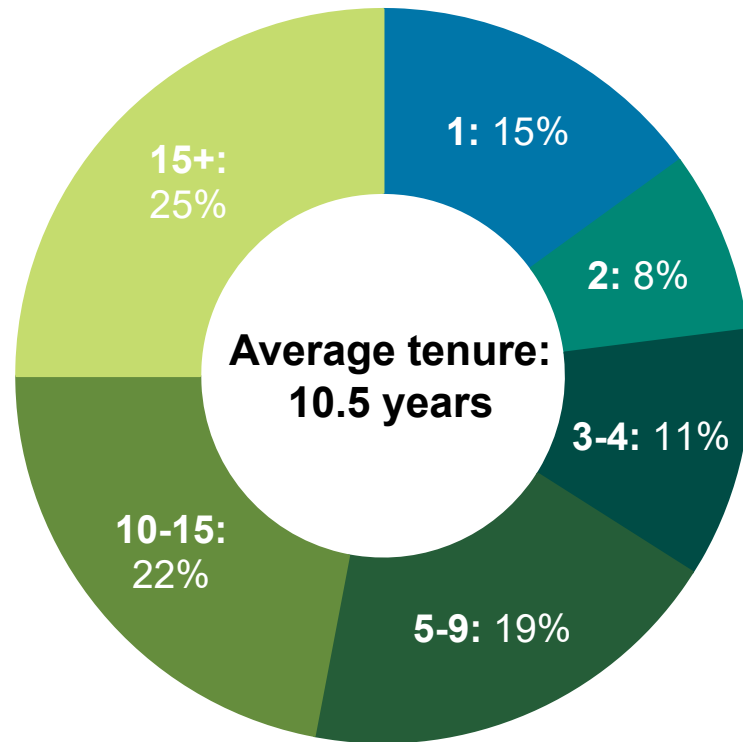


***U.S. Assisted category share<sup>2</sup>***

<sup>1</sup> Source: Nielsen Demographics US Population Data and HRB location footprint.

<sup>2</sup> Source: H&R Block estimates of market participant and IRS data. Represents tax season data.

# Our tax pros' experience and expertise is unmatched



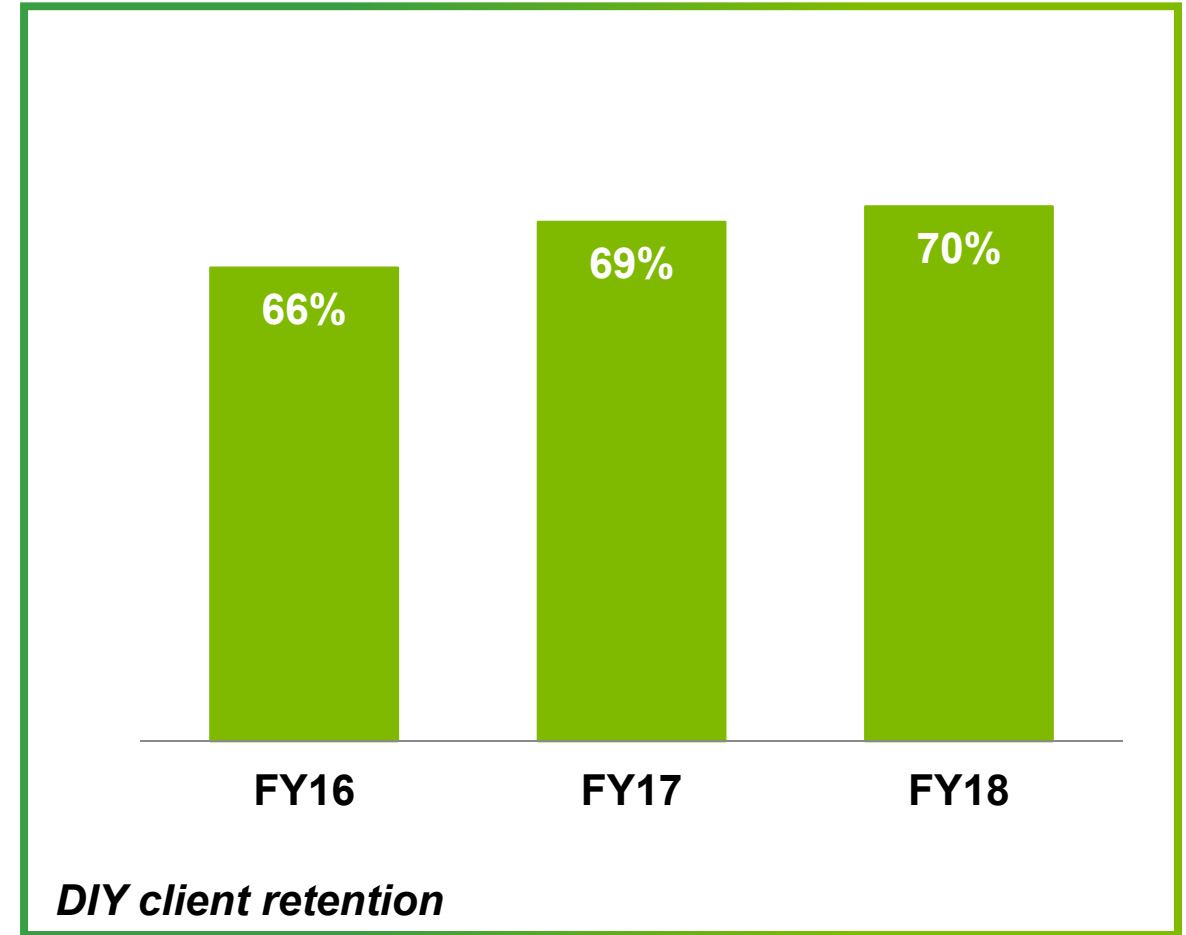
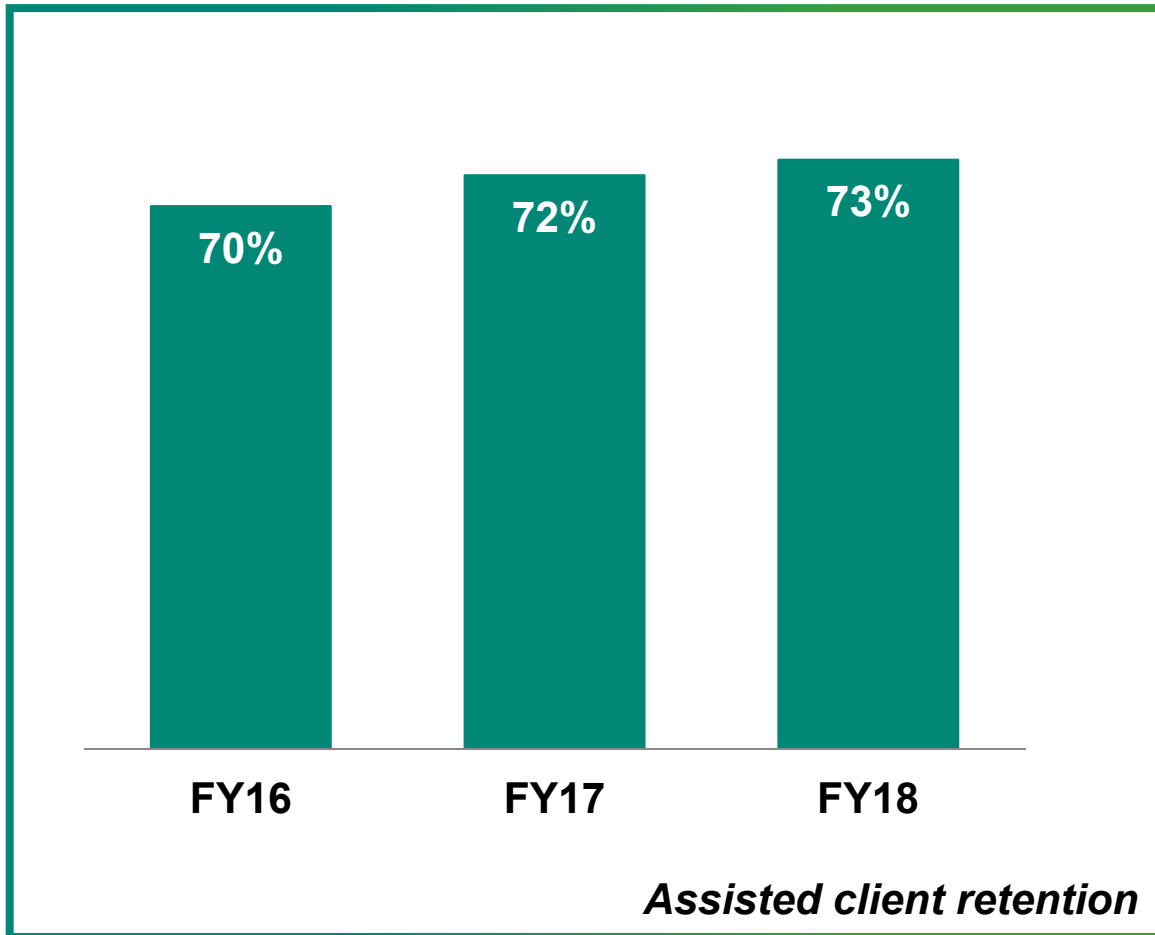
Average tenure:  
10.5 years

*HRB tax pro tenure (years)*

- Approximately **80,000** highly trained U.S. tax professionals
- HRB tax professionals complete at least **39** hours of training annually
- Over **7,500** Enrolled Agents and CPAs
- Average tax professional has **10.5** years of tenure

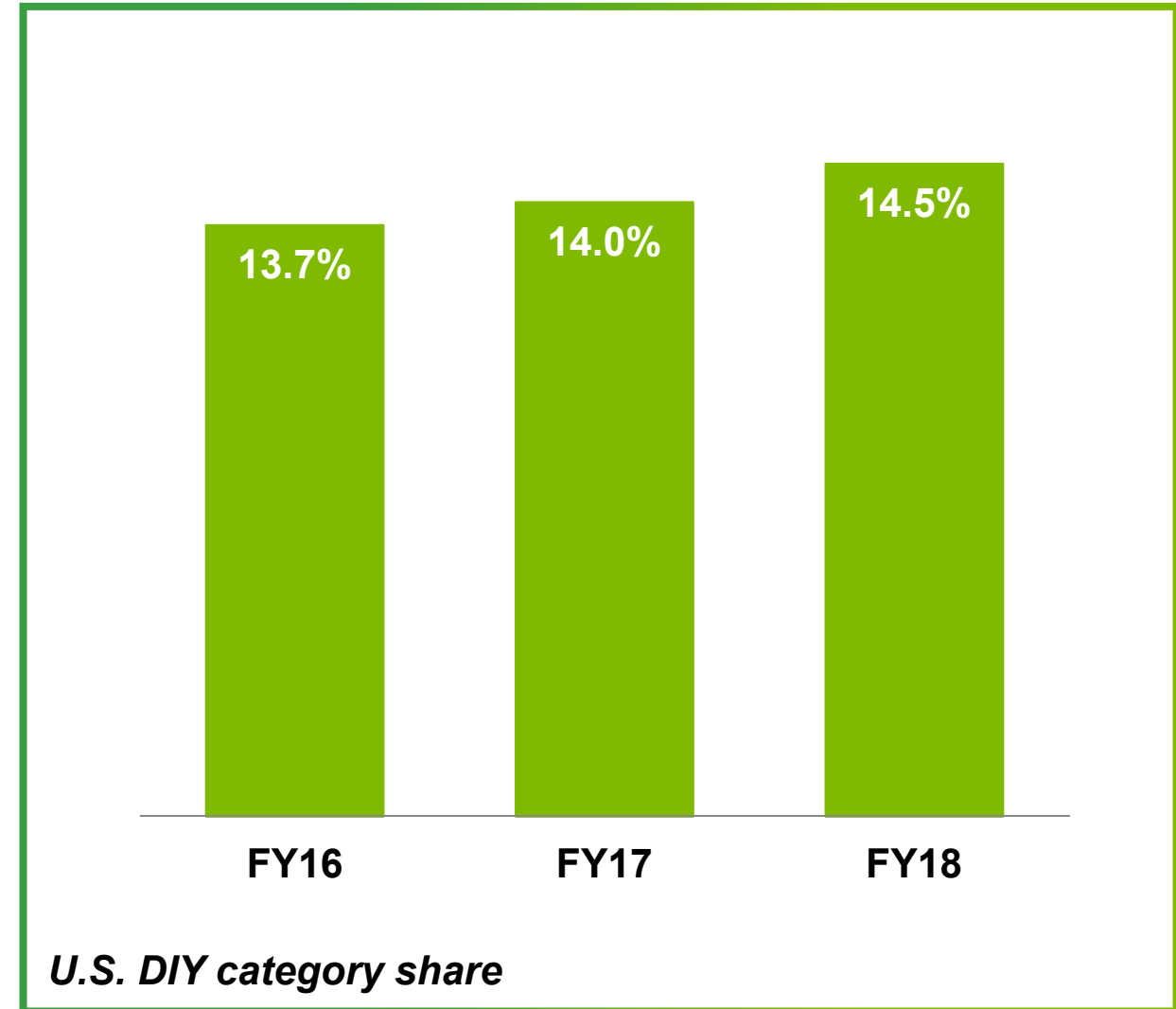
# Current clients continue to see value from the H&R Block brand and our tax pros

- H&R Block's Assisted retention is estimated to be ~13 points higher than branded competitors



# H&R Block focused on growing DIY business

- Continued enhancements to the user experience through customization and simplification
  - Clients can import or upload 98% of their tax documents
  - Prior year return import using drag-and-drop feature makes it simple for tax filers to switch to HRB from competitors
- Improved conversion, upgrades, and product attach rates
- New self-employed product and partnership with Stride makes it easier to track expenses and lower tax bills

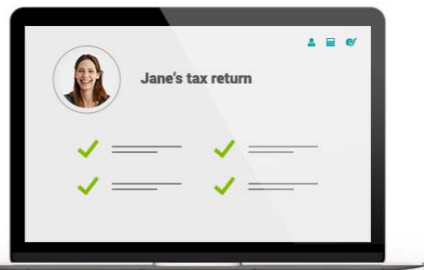


# New technology layer enables tax pros to serve clients virtually



## Remote tax preparation with just a few easy steps

- Get matched with the best Tax Pro
- Upfront pricing
- Secure digital document upload
- Secure messaging with Tax Pro



## Have a Tax Pro review your return

- Choose any online product
- Tax Pro provides an expert evaluation
- Your maximum refund – guaranteed



# More than tax preparation...H&R Block offers a diverse portfolio of products and services



*Year-round assistance  
resolving tax issues*



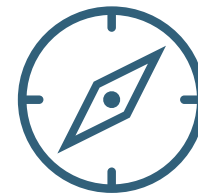
*Tax Plus suite of  
products*



*Bookkeeping and  
business services*



*Strong businesses in  
Canada & Australia*



*Emerging Expat  
opportunity*



# Tax Plus products provide added value to clients, both within and beyond tax season

- Tax Plus product revenues of over \$450M in fiscal 2018

## H&R BLOCK EMERALD ADVANCE®



- Pre-season line of credit up to \$1,000
- ~\$400M funded loans
- \$57M revenue

## REFUND ADVANCE



- Interest-free, no-fee loan, up to \$3,000
- 1.2M applications, \$1.1B funded loans
- Funds loaded onto Emerald Card

## H&R BLOCK EMERALD PREPAID MASTERCARD®



- 3<sup>rd</sup> largest general purpose reloadable debit card in U.S.
- \$9.5B total deposits
- \$103M revenue, or \$52 per card

## REFUND TRANSFER



- Pay nothing out of pocket for tax prep
- High attach rates, with 4.6M total units
- \$172M revenue

## PEACE OF MIND®



- Extended service plan
- Includes IRS audit representation
- Attach rate growth of 9 points in 5 years to 29%

## TAX IDENTITY SHIELD®

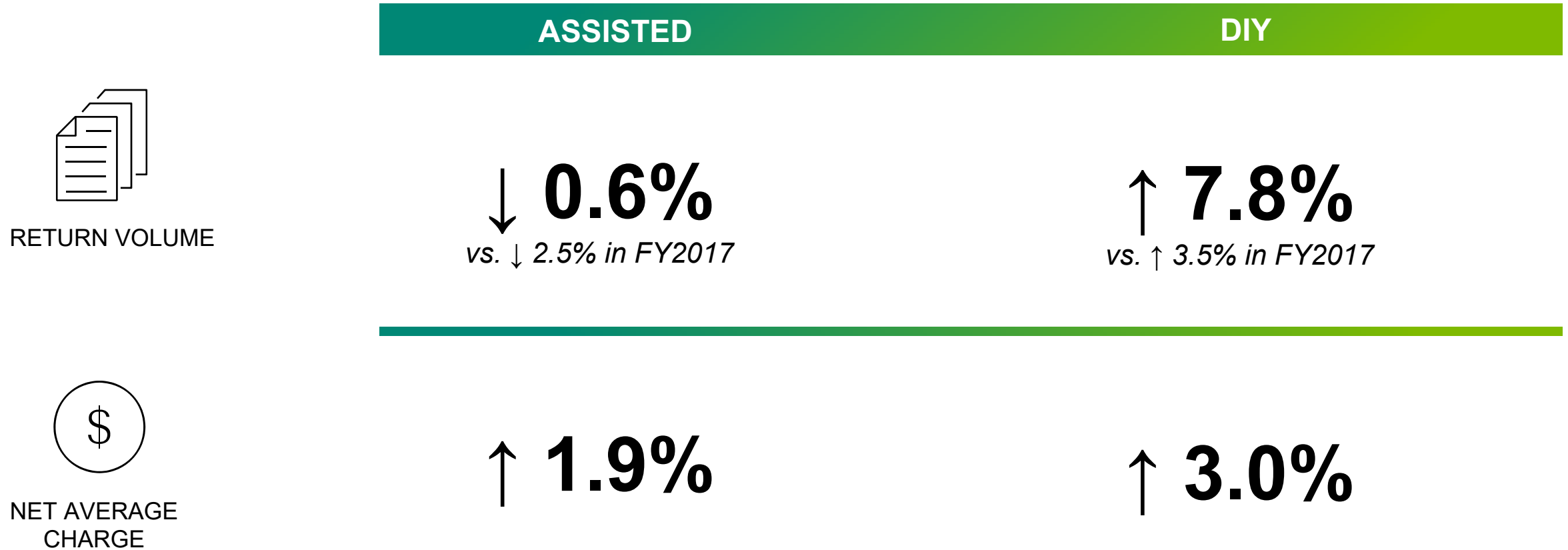


- Protection against tax identity theft
- Additional services include dark web scan
- 1.3M units sold

# DELIVERING RESULTS

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# Foundational strengths translate to results; total U.S. return volume growth of 2.5% in FY18



Note: Reflects U.S. returns; references are in comparison to the prior fiscal year.

# Fiscal 2018 financial results

## REVENUES

↑ **4.1%**  
to \$3.2B

## EBITDA<sup>1</sup>

↑ **4.1%**  
to \$941M

## EPS<sup>2</sup>

↑ **\$1.02**  
to \$2.98  
  
*\$0.85 of the increase  
due to lower corporate  
tax rate*

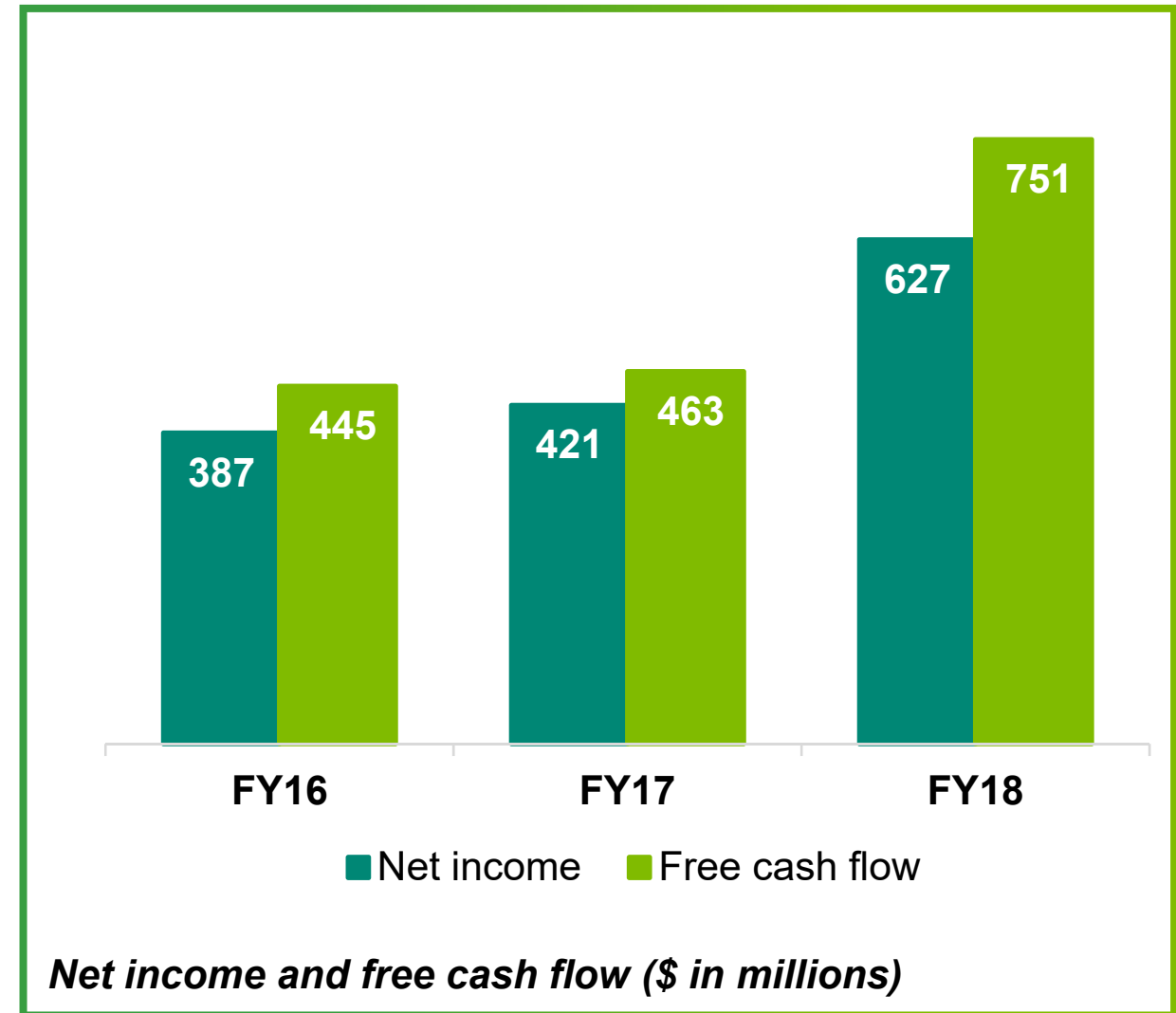
Note: References are in comparison to the prior fiscal year.

<sup>1</sup> Please refer to the "Safe Harbor Statement" at the beginning of this presentation for information relating to non-GAAP financial measures.

<sup>2</sup> All per share amounts are based on fully diluted shares at the end of the corresponding period.

# Significant recurring cash flow

- Cash-based, capital-light operating model with strong margins
- Consistent generation of significant cash flow
- Model allows for capital returns through dividends and share repurchases



# Results also translate to return for shareholders

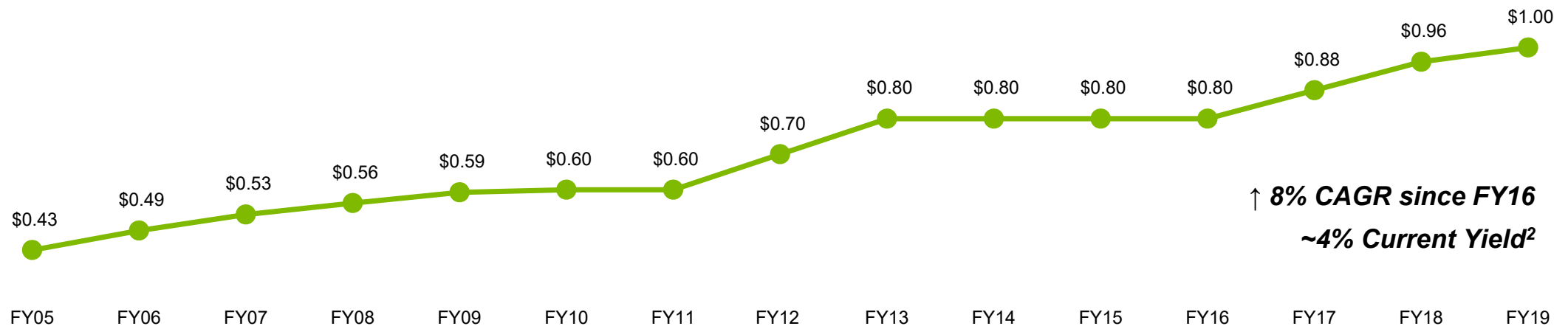
## DIVIDENDS

- 4% increase in FY19 to annual rate of \$1.00, or \$0.25 per quarter
- Third consecutive year of dividend increases
- Commitment to annual dividend review

## SHARE REPURCHASES

- Repurchased ~25% of shares outstanding since FY15
- Recently changed policy to repurchase shares to, at a minimum, offset dilution
- Opportunistic repurchases thereafter

**Cash Dividends per Share<sup>1</sup>**



Note: No dividend increases were made in FY14-FY16 due to savings and loan holding company regulatory constraints.

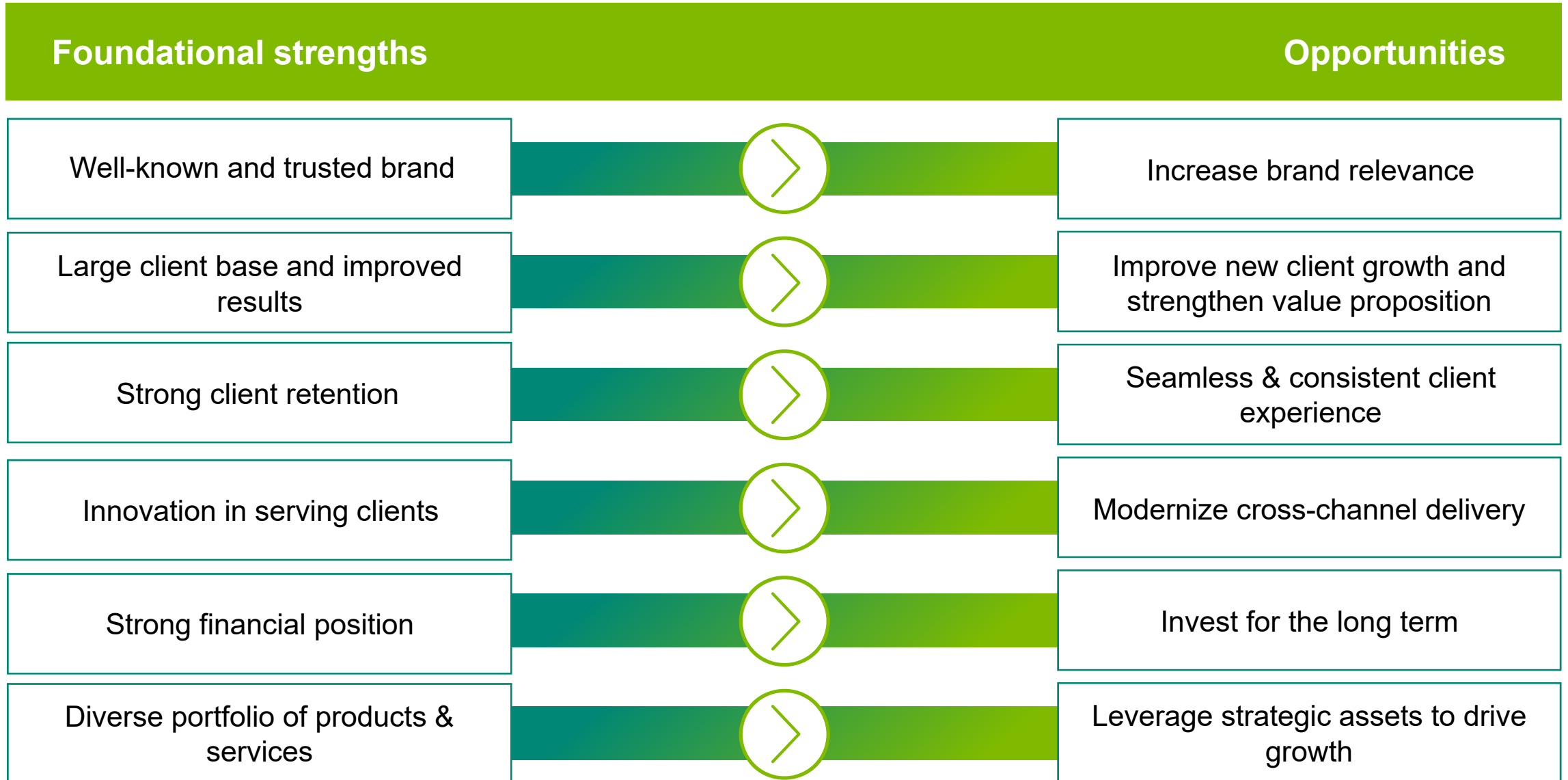
<sup>1</sup> FY19 amount represents annual rate of quarterly dividend announced June 12, 2018. Future dividend decisions have not been made and are at the discretion of H&R Block's Board of Directors.

<sup>2</sup> Yield calculated as of NYSE market close on 6/29/2018.

# THE PATH TO SUSTAINABLE GROWTH

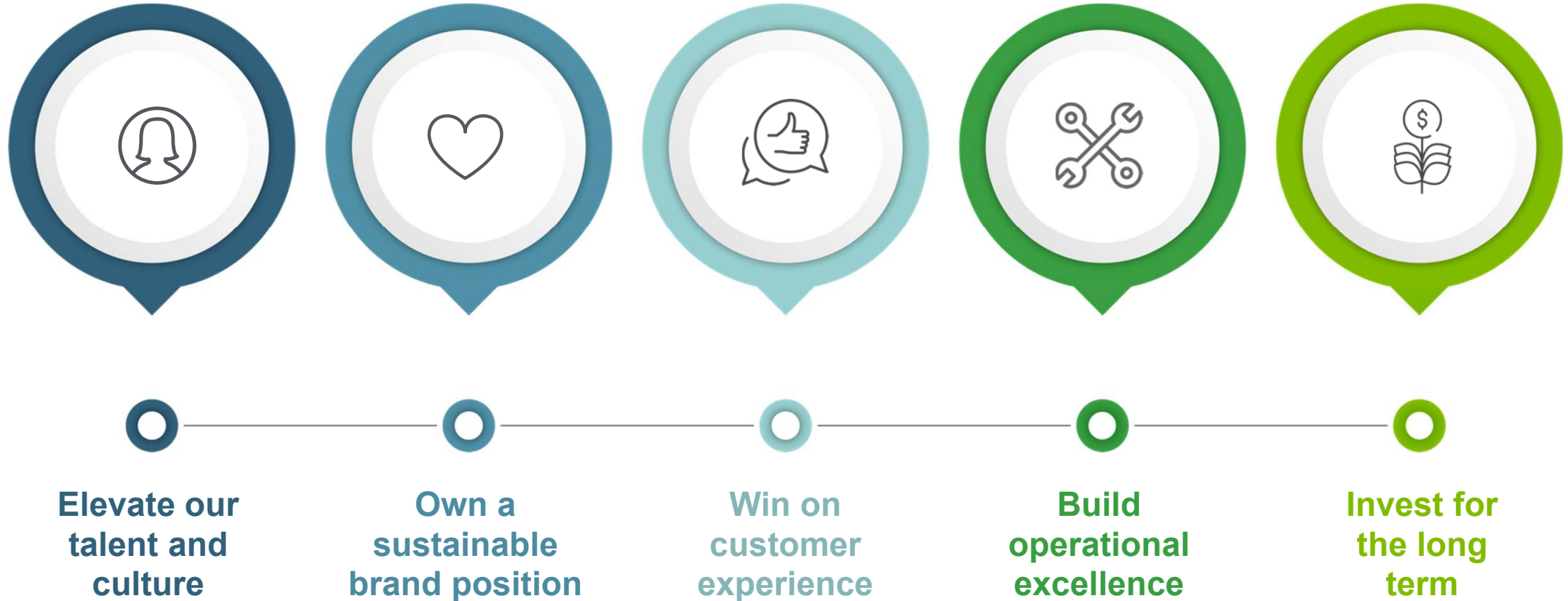
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# Solid foundation with opportunities for growth





# Strategic framework that will guide us



# Expectations remain strong for FY19, while making investments for the long-term

**REVENUES**

**\$3,050M - \$3,100M**

**EBITDA MARGIN<sup>1</sup>**

**24% - 26%**

**EFFECTIVE TAX RATE**

**23% - 25%**

<sup>1</sup> EBITDA Margin from continuing operations is a non-GAAP financial measure. Specific quantifications of the amounts that would be required to reconcile the company's EBITDA Margin outlook for FY19 are not available. Because of the variability of these and other items as well as the impact of future events on these items, management is unable to reconcile without unreasonable effort the expected range of EBITDA Margin for the fiscal year to a comparable GAAP range.

# INVESTMENT THESIS

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- Uniquely positioned as the leader in the tax industry to serve clients in Assisted, DIY, and anything in between
- Stable, growing, and resilient market
- Solid foundational assets with opportunities for growth
- Innovation in serving consumers, bringing our tax expertise to clients through new technology
- Proven ability to execute
- Financial strength to invest for the long-term
- Strong cash flow and history of returning capital to shareholders

# APPENDIX

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# Capital structure priorities aligned with strategy

## 1. Ensure adequate liquidity

- Significant seasonal cash needs; cash flow positive primarily in fiscal Q4
- Short-term funding provided through \$2.0B committed line of credit maturing in September 2022
- Debt/EBITDA covenant of 3.5x, increases to 4.5x for Q3

## 2. Maintain strong balance sheet

- Commitment to maintain Investment Grade credit rating metrics
- Present ratings: S&P BBB/stable; Moody's Baa3/negative outlook

## 3. Invest in business

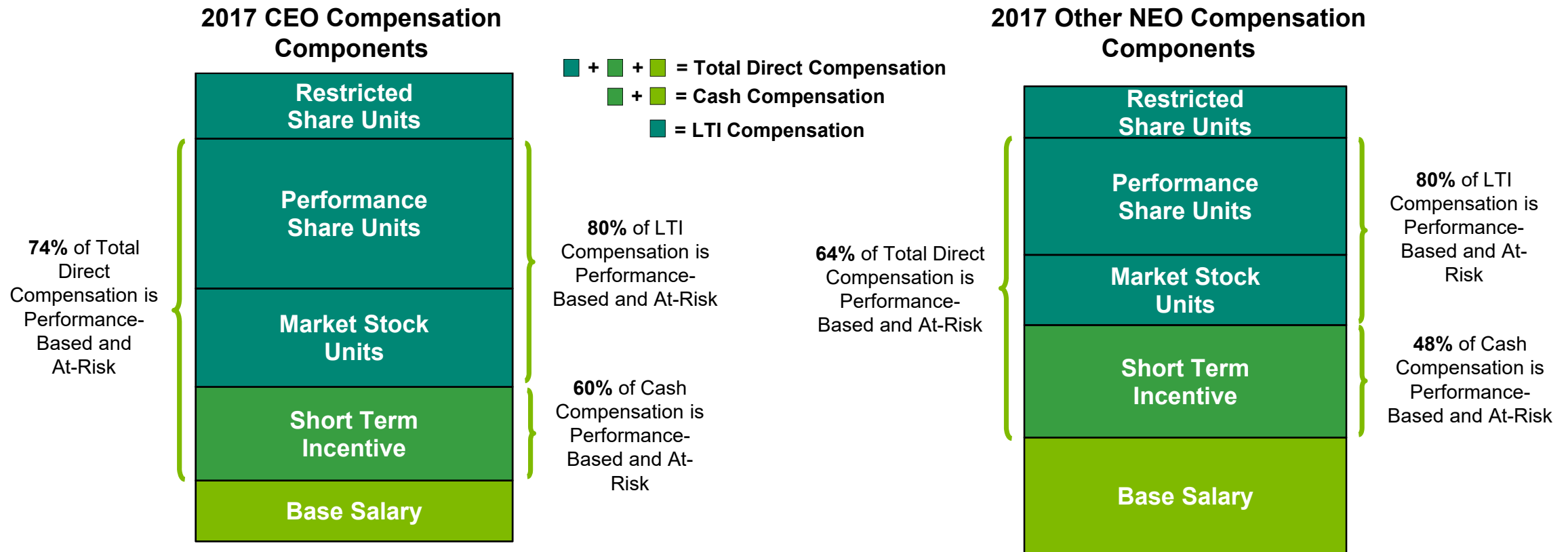
- Disciplined investments in the business to deliver value for our clients and drive sustainable growth

## 4. Distribute excess cash to shareholders

- Announced 4% increase in dividend in June 2018 to annual rate of \$1.00
- ~25% of outstanding shares repurchased since FY15
- Commitment to repurchase enough shares, at a minimum, to offset dilution

# Executive pay aligns with shareholder value

- Our executive compensation decisions are influenced by a variety of factors, with the primary goals being to align management's and shareholders' interests and to link pay with performance
- A significant portion of our executives' compensation is "at-risk" and dependent upon the Company's short and long-term financial, operational, and strategic performance, as well as increases in the Company's stock price



# Operating statistics

Year ended April 30,	2018	2017	% Change
<b>U.S. Tax Returns Prepared: (in 000s) <sup>(1) (2)</sup></b>			
Company-Owned Operations	8,050	8,140	(1.1)%
Franchise Operations	3,769	3,755	0.4 %
Total H&R Block Assisted	11,819	11,895	(0.6)%
Desktop	2,031	2,003	1.4 %
Online	5,502	4,988	10.3 %
Total H&R Block DIY	7,533	6,991	7.8 %
IRS Free File	613	588	4.3 %
Total H&R Block U.S. Returns	19,965	19,474	2.5 %
<b>International Tax Returns Prepared: (in 000s)</b>			
Canada <sup>(3)</sup>	2,423	2,460	(1.5)%
Australia	757	750	0.9 %
Other	187	293	(36.2)%
Total H&R Block International Returns	3,367	3,503	(3.9)%
<b>Tax Returns Prepared Worldwide</b>	<b>23,332</b>	<b>22,977</b>	<b>1.5 %</b>
<b>Net Average Charge (U.S. only): <sup>(4)</sup></b>			
Company-Owned Operations	\$ 241.35	\$ 237.11	1.8 %
Franchise Operations <sup>(5)</sup>	\$ 211.88	\$ 207.33	2.2 %
DIY	\$ 32.28	\$ 31.34	3.0 %

Year ended April 30,	2018	2017	% Change
<b>Tax Offices (at the peak of the tax season):</b>			
U.S. offices:			
Total Company-Owned Offices	6,690	6,650	0.6 %
Total Franchise Offices	3,291	3,386	(2.8)%
Total U.S. offices	9,981	10,036	(0.5)%
International Offices:			
Canada	1,166	1,216	(4.1)%
Australia	453	449	0.9 %
Total International Offices	1,619	1,665	(2.8)%
<b>Tax Offices Worldwide</b>	<b>11,600</b>	<b>11,701</b>	<b>(0.9)%</b>

(1) An assisted tax return is defined as a current or prior year individual tax return that has been accepted and paid for by the client. Also included are business returns. The count methodology has been adjusted in the current and prior year periods to exclude business extensions and to recognize the corresponding individual tax returns when filed. A DIY return is defined as a return that has been electronically filed and accepted by the IRS. Also included are online returns paid and printed.

(2) Amounts have been reclassified between company-owned and franchise for offices which were refranchised or repurchased by the company during the year.

(3) In fiscal year 2017, the end of the Canadian tax season was extended from April 30 into May. Tax returns prepared in Canada in fiscal year 2017 includes approximately 59 thousand returns in both company-owned and franchise offices which were accepted by the client after April 30. The revenues related to these returns were recognized in fiscal year 2018.

(4) Net average charge is calculated as tax preparation fees divided by tax returns prepared. For DIY, net average charge excludes IRS Free File.

(5) Net average charge related to H&R Block Franchise Operations represents tax preparation fee revenues collected by H&R Block franchisees divided by returns filed in franchise offices. H&R Block will recognize a portion of franchise revenues as franchise royalties based on the terms of franchise agreements.



# Consolidated financial results

## Consolidated – Financial Results

(dollars in 000s)

Year ended April 30,	2018	2017	% Change
<b>Revenues:</b>			
U.S. assisted tax preparation fees	\$ 1,947,160	\$ 1,902,212	2.4 %
U.S. royalties	245,444	250,270	(1.9)%
U.S. DIY tax preparation fees	243,159	219,123	11.0 %
International revenues	227,266	210,320	8.1 %
Revenues from Refund Transfers	171,959	148,212	16.0 %
Revenues from Emerald Card®	102,640	95,221	7.8 %
Revenues from Peace of Mind® Extended Service Plan	101,572	92,820	9.4 %
Interest and fee income on Emerald Advance	56,986	57,022	(0.1)%
Other	63,745	61,114	4.3 %
<b>Total revenues</b>	<b>3,159,931</b>	<b>3,036,314</b>	<b>4.1 %</b>
<b>Compensation and benefits:</b>			
Field wages	740,675	702,518	5.4 %
Other wages	191,981	181,735	5.6 %
Benefits and other compensation	173,221	163,368	6.0 %
	1,105,877	1,047,621	5.6 %
Occupancy <sup>(1)</sup>	401,524	377,420	6.4 %
Marketing and advertising	249,142	261,281	(4.6)%
Depreciation and amortization	183,295	182,168	0.6 %
Provision for bad debt	74,489	52,776	41.1 %
Supplies	31,026	33,847	(8.3)%
Other <sup>(1)</sup>	362,528	365,217	(0.7)%
<b>Total operating expenses</b>	<b>2,407,881</b>	<b>2,320,330</b>	<b>3.8 %</b>
Other income (expense), net	6,054	6,254	(3.2)%
Interest expense on borrowings	(89,372)	(92,951)	(3.9)%
Income from continuing operations before income taxes	668,732	629,287	6.3 %
Income taxes	41,823	208,370	(79.9)%
Net income from continuing operations	626,909	420,917	48.9 %
Net loss from discontinued operations	(13,760)	(11,972)	14.9 %
Net income	\$ 613,149	\$ 408,945	49.9 %
<b>Diluted earnings (loss) per share:</b>			
Continuing operations	\$ 2.98	\$ 1.96	52.0 %
Discontinued operations	(0.07)	(0.05)	40.0 %
Consolidated	\$ 2.91	\$ 1.91	52.4 %
Weighted average diluted shares	210,213	214,095	(1.8)%

## Consolidated – Financial Results (Other Expenses)

(dollars in 000s)

Year ended April 30,	2018	2017	% Change
Consulting and outsourced services	\$ 97,457	\$ 104,995	(7.2)%
Bank partner fees	47,773	47,479	0.6 %
Client claims and refunds	46,130	42,618	8.2 %
Employee travel and related expenses	40,025	38,719	3.4 %
Software and IT maintenance expenses	40,566	37,582	7.9 %
Credit card/bank charges	32,736	28,658	14.2 %
Insurance	8,448	13,320	(36.6)%
Legal fees and settlements	12,874	12,589	2.3 %
Other	36,519	39,257	(7.0)%
	\$ 362,528	\$ 365,217	(0.7)%

(1) We reclassified \$37.6 million of software and information technology (IT) maintenance expenses from occupancy to other expenses for fiscal year 2017 to conform to the current year presentation.

# Consolidated balance sheets

As of April 30,	(dollars in 000s)	
	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,544,944	\$ 1,011,331
Cash and cash equivalents - restricted	118,734	106,208
Receivables, less allowance for doubtful accounts of \$81,813 and \$55,296	146,774	162,775
Income taxes receivable	12,310	—
Prepaid expenses and other current assets	68,951	65,725
Total current assets	1,891,713	1,346,039
Property and equipment, at cost, less accumulated depreciation and amortization of \$745,397 and \$678,161	231,888	263,827
Intangible assets, net	373,981	409,364
Goodwill	507,871	491,207
Deferred tax assets and income taxes receivable	34,095	83,728
Other noncurrent assets	101,401	99,943
Total assets	\$ 3,140,949	\$ 2,694,108
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 251,975	\$ 217,028
Accrued salaries, wages and payroll taxes	141,499	183,856
Accrued income taxes and reserves for uncertain tax positions	263,050	348,199
Current portion of long-term debt	1,026	981
Deferred revenue and other current liabilities	186,101	189,216
Total current liabilities	843,651	939,280
Long-term debt	1,494,609	1,493,017
Deferred tax liabilities and reserves for uncertain tax positions	229,430	159,085
Deferred revenue and other noncurrent liabilities	179,548	163,609
Total liabilities	2,747,238	2,754,991
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, no par, stated value \$.01 per share, 800,000,000 shares authorized, shares issued of 246,198,878	2,462	2,462
Additional paid-in capital	760,250	754,912
Accumulated other comprehensive loss	(14,303)	(15,299)
Retained earnings (deficit)	362,980	(48,206)
Less treasury shares, at cost, of 36,944,789 and 39,027,573	(717,678)	(754,752)
Total stockholders' equity (deficiency)	393,711	(60,883)
Total liabilities and stockholders' equity	\$ 3,140,949	\$ 2,694,108

# Non-GAAP financial measures

Year ended April 30,	(dollars in 000s)		
	2018	2017	% Change
<b>EBITDA</b>			
Net income – as reported	\$ 613,149	\$ 408,945	
Discontinued operations, net	13,760	11,972	
Net income from continuing operations – as reported	626,909	420,917	
Add back:			
Income taxes of continuing operations	41,823	208,370	
Interest expense of continuing operations	89,372	92,951	
Depreciation and amortization of continuing operations	183,295	182,168	
	314,490	483,489	
EBITDA from continuing operations	941,399	904,406	4.1 %
EBITDA margin from continuing operations	29.8 %	29.8 %	
<b>Free Cash Flow</b>			
Net cash provided by operating activities	\$ 850,003	\$ 552,197	
Less:			
Capital expenditures	98,583	89,255	
Free cash flow	\$ 751,420	\$ 462,942	62.3 %