



FISCAL 2018

# EARNINGS CALL

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June 12, 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, 2017 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.

JEFF JONES

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PRESIDENT & CEO

# Agenda



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Results

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Outlook

# 2018 RESULTS

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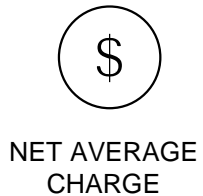
# Fiscal 2018 total U.S. return volume growth of 2.5%



ASSISTED	DIY
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↓ **0.6%**  
vs. ↓ 2.5% in FY2017

↑ **7.8%**  
vs. ↑ 3.5% in FY2017



↑ **1.9%**

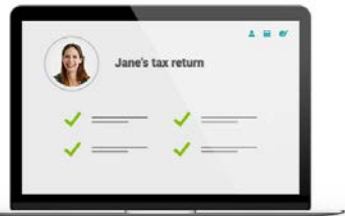
↑ **3.0%**

## Get the expertise of a Tax Pro through innovative technology



### 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



# Fiscal 2018 financial results

U.S. RETURN VOLUME	REVENUES	EBITDA MARGIN <sup>1</sup>	EPS <sup>2</sup>
<p>↑ <b>2.5%</b> to 20.0M</p>	<p>↑ <b>4.1%</b> to \$3.2B</p>	<p><b>29.8%</b> EBITDA of \$941M</p>	<p>↑ <b>\$1.02</b> to \$2.98</p> <p><i>\$0.85 of the increase due to lower corporate tax rate</i></p>

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

<sup>1</sup> The company reports non-GAAP financial measures of performance, including earnings before interest, tax, depreciation, and amortization (EBITDA) and EBITDA margin, which it considers to be useful metrics for management and investors to evaluate and compare the ongoing operating performance of the company. See "About Non-GAAP Financial Information" in our June 12, 2018 earnings release, posted to our investor relations website at <http://investors.hrblock.com>, for more information regarding financial measures not prepared in accordance with GAAP. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP can be found at the end of this presentation.

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



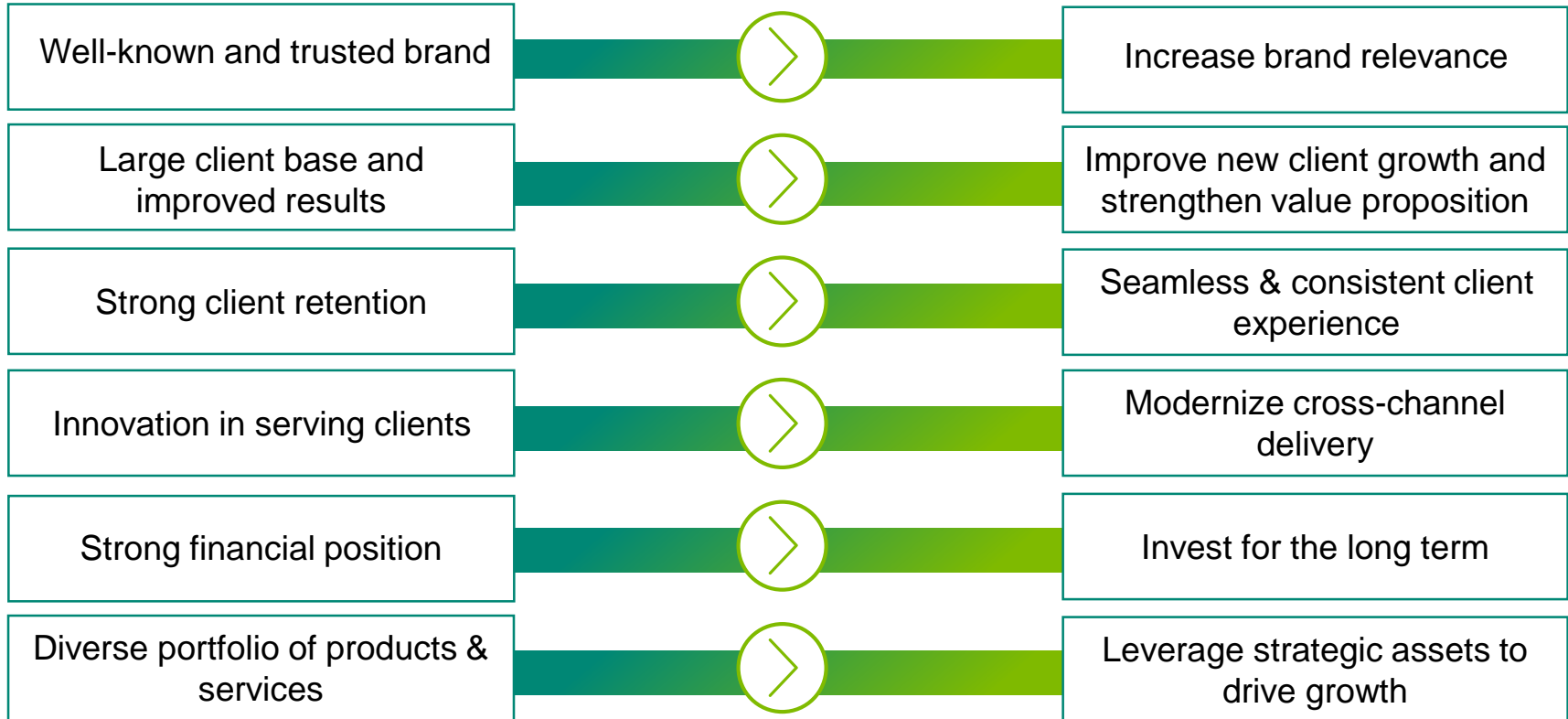
# ENTERPRISE STRATEGY

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UPDATE

# Foundational Strengths

# Opportunities



# Strategic framework to achieve sustainable growth



# Fiscal 2019 initiatives

**Modernize key  
technology  
platforms**

**Enhance cross-  
channel  
experiences**

**Improve service  
quality and  
consistency**

**Strengthen value  
proposition**

**Build brand  
differentiation**

TONY BOWEN

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CHIEF FINANCIAL OFFICER

# FISCAL 2018

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FINANCIAL RESULTS

# Fiscal 2018 results

Metric	What We Said	What We Did
<b>Assisted Return Volume</b>	Continued improvement	✓ Decline of 0.6% vs. a decline of 2.5% in FY2017
<b>Assisted Net Average Charge</b>	Inflationary increases	✓ Increase of 1.9%
<b>DIY Return Volume</b>	Growth	✓ Growth of 7.8%
<b>DIY Net Average Charge</b>	Consistent with FY2017	✓ Growth of 3.0%

# Fiscal 2018 results (continued)

Metric	What We Said	What We Did
Revenue Growth	Modest growth	✓ Growth of 4.1% over FY2017
EBITDA Margin <sup>1</sup>	High end of 27% - 30% range	✓ 29.8%
Depreciation & Amortization	\$180M - \$185M	✓ \$183M
Interest Expense	\$85M - \$90M	✓ \$89M
Effective Tax Rate	6% - 9%	✓ 6.3%

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# FISCAL 2019

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FINANCIAL OUTLOOK

# Investing for the long term

## Fiscal 2019 Financial Outlook

<b>Revenues</b>	\$3,050M - \$3,100M
<b>EBITDA Margin<sup>1</sup></b>	24% - 26%
<b>Depreciation &amp; Amortization</b>	\$170M - \$180M
<b>Capital Expenditures</b>	\$95M - \$105M
<b>Interest Expense</b>	\$80M - \$85M
<b>Effective Tax Rate</b>	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.

# Capital allocation reflects confidence in our plans and allows for financial flexibility

## Dividends

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

## Share Repurchases

- Policy change to repurchase shares to, at a minimum, offset dilution
- Opportunistic repurchases thereafter

*Commitment to maintaining investment grade credit rating metrics*

JEFF JONES

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PRESIDENT & CEO

Q&A



FISCAL 2018

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JUNE 12, 2018

# APPENDIX

# FY2018 Summary Results from Continuing Operations

(in millions, except EPS)	FY2018		FY2017		% Change
<b>Revenue</b>	\$	3,160	\$	3,036	4.1%
<b>Pretax Income</b>	\$	669	\$	629	6.3%
<b>Net Income</b>	\$	627	\$	421	48.9%
<b>Weighted-Avg. Shares - Diluted</b>		210.2		214.1	(1.8)%
<b>EPS<sup>1</sup></b>	\$	2.98	\$	1.96	52.0%
<b>EBITDA<sup>2</sup></b>	\$	941	\$	904	4.1%

Note: All amounts are unaudited.

<sup>1</sup> All per share amounts are based on fully diluted shares at the end of the corresponding period.

<sup>2</sup> The company reports non-GAAP financial measures of performance, including earnings before interest, tax, depreciation, and amortization (EBITDA) and EBITDA margin, which it considers to be useful metrics for management and investors to evaluate and compare the ongoing operating performance of the company. See "About Non-GAAP Financial Information" in our June 12, 2018 earnings release, posted to our investor relations website at <http://investors.hrblock.com>, for more information regarding financial measures not prepared in accordance with GAAP. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP can be found at the end of this presentation.



# Non-GAAP Financial Measures

(in thousands)	FY2018	FY2017
<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
EBITDA margin from continuing operations <sup>1</sup>	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

Note: All amounts are unaudited. The company reports non-GAAP financial measures of performance, including earnings before interest, tax, depreciation, and amortization (EBITDA), EBITDA margin, and free cash flow, which it considers to be useful metrics for management and investors to evaluate and compare the ongoing operating performance of the company. See "About Non-GAAP Financial Information" in our June 12, 2018 earnings release, posted to our investor relations website at <http://investors.hrblock.com>, for more information regarding financial measures not prepared in accordance with GAAP.

<sup>1</sup> EBITDA margin from continuing operations is computed as EBITDA from continuing operations divided by revenues from continuing operations.