

Q3 FY23 Financial Results Conference Call

May 9, 2023



**H&R
BLOCK®**

Michaela Gallina

VP, Investor Relations

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," "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, market share, industry volumes, 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. They also include the expected impact of the coronavirus (COVID-19) pandemic, including, without limitation, the impact on economic and financial markets, the Company's capital resources and financial condition, the expected use of proceeds under the Company's revolving credit facility, future expenditures, potential regulatory actions, such as extensions of tax filing deadlines or other related relief, changes in consumer behaviors and modifications to the Company's operations related thereto. 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 most recently completed fiscal year 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>. In addition, factors that may cause the Company's actual 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, future actions of the Company, and increases in applicable tax rates in jurisdictions where the Company operates. 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.

Safe Harbor Statement



Non-GAAP Measures

We refer to certain Non-GAAP financial measures in this presentation, including adjusted earnings per share, earnings before interest, taxes, depreciation, and amortization (EBITDA), free cash flow and free cash flow yield, which management believes provide additional meaningful information regarding the Company's performance and financial strength. All non-GAAP financial measures in this presentation are from continuing operations. 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 the tables accompanying this presentation and previously filed press releases posted on our investor relations website at <https://investors.hrblock.com>.

Market, Industry, and Operational Tax 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.

Unless otherwise noted, year-over-year comparisons of our operational tax metrics are calculated as July 1, 2022 to April 30, 2023 compared to the corresponding prior year period.

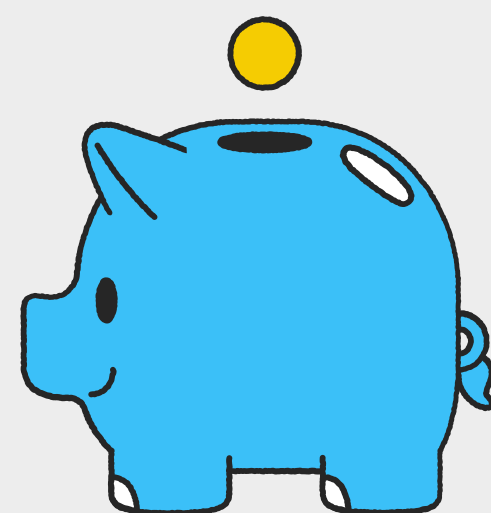
Jeff Jones

President & Chief
Executive Officer

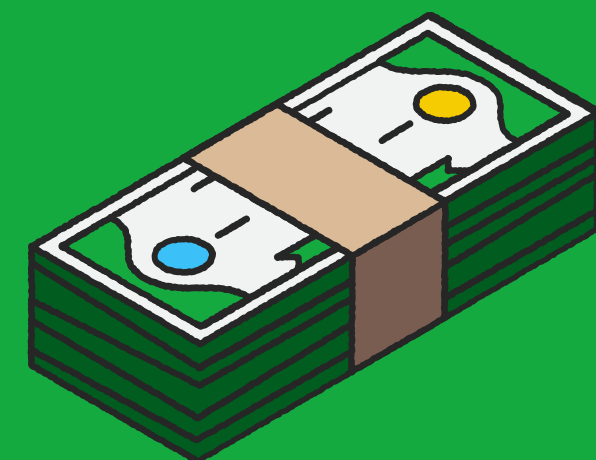
Tax Season Different from Expectations

The industry declined 1%

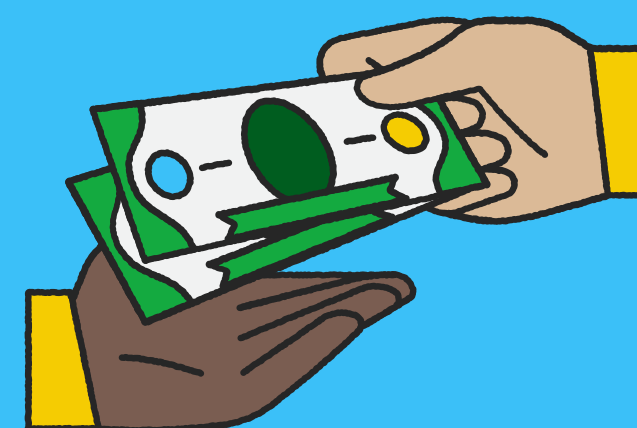
More stimulus filers rolled off than anticipated



Average refund size decreased



Balance due filers increased



Filing deadline postponed in several states, including California



Our DIY Strategy Worked

Grew DIY Online clients 2.5% YoY

Goal:

Increase awareness

Make it easier for clients to switch from TurboTax[®]

Attract younger filers to the brand

Result:

Improved unaided awareness by **200 basis points**

Created customized experience; **very pleased with how many TurboTax[®] clients switched**

Largest segment of new clients was Gen Z, between the ages 18-25

DIY Clients Upgrade to Expert Help

Tax Pro Review continues to grow double digits YoY

Online Assist

- On-demand access to an H&R Block tax pro
- Access help before or during filing process
- Leverages AI technology



Tax Pro Review

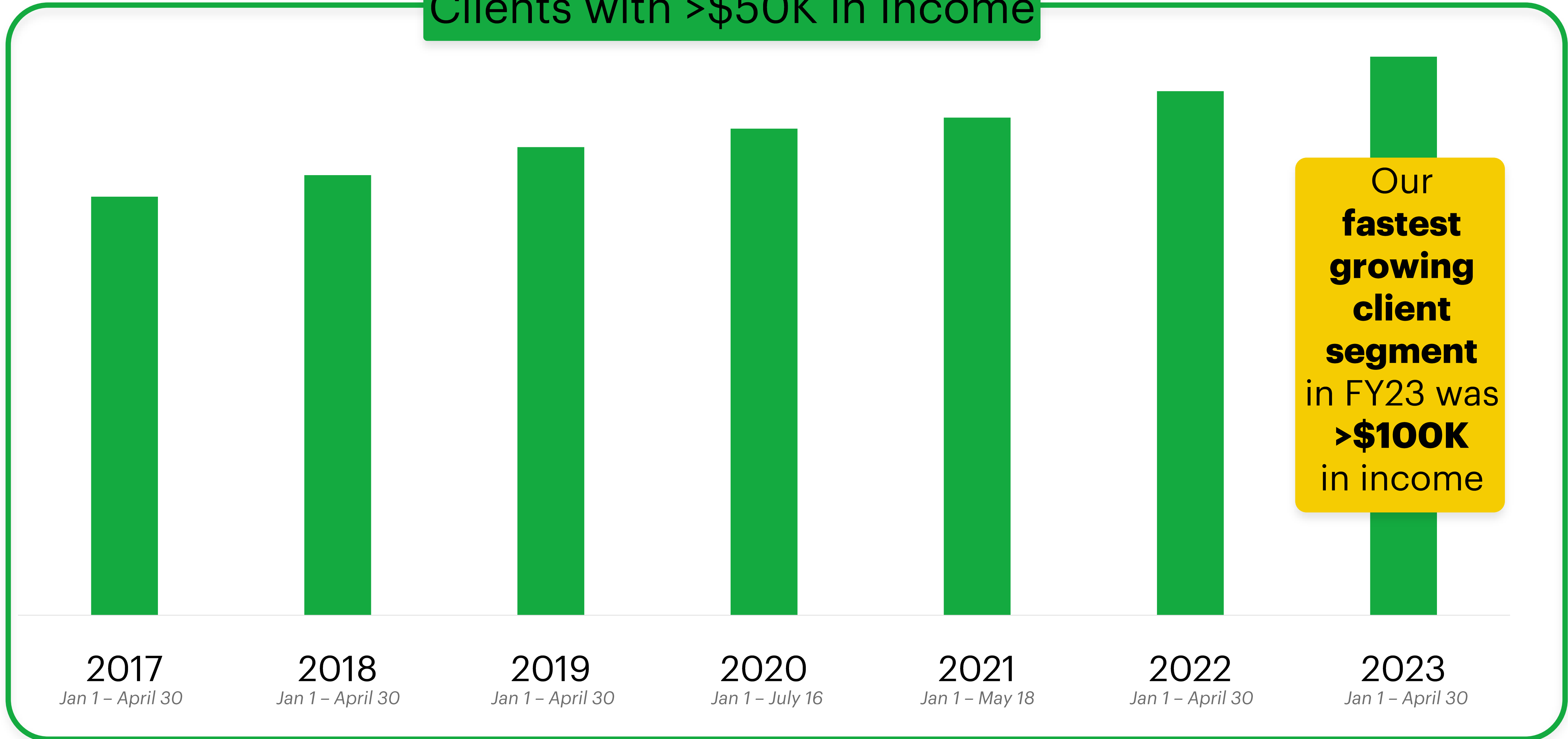
- H&R Block tax pros check the entire return for accuracy
- Ensures clients get their maximum refund
- Return filed on client's behalf



Driving Growth Among Greater Lifetime Value Clients



Clients with >\$50K in Income



Three Factors Drove the Volume Decline in Assisted



1 Overall industry declines

Stimulus filers back to the sidelines; appears they have returned to pre-pandemic levels, and we believe this headwind is now behind us

~1/3 of client loss

2 Decline in EITC filers

Better focus marketing on relevant value propositions at the right time, such as Refund Advance in the early season

~1/2 of client loss

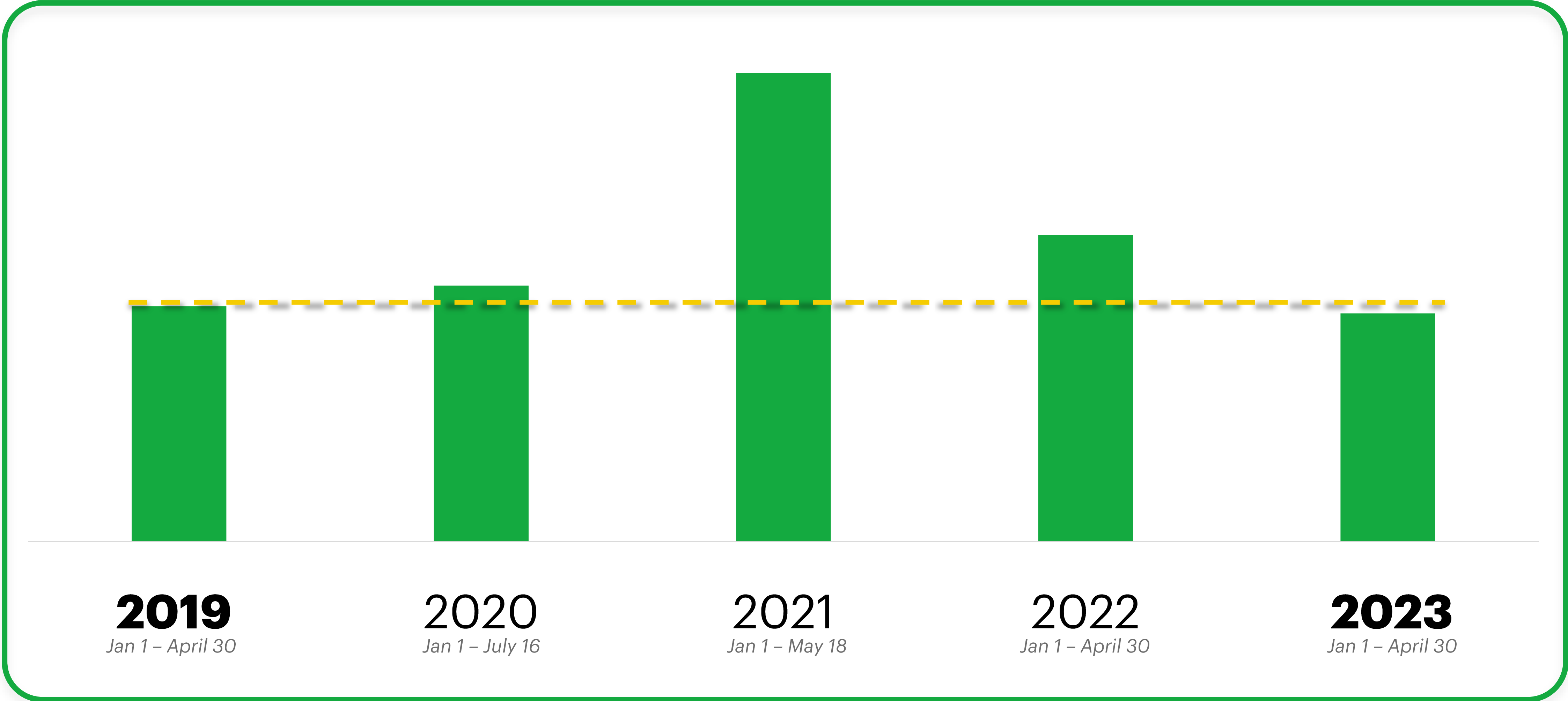
3 IRS deadline extensions

The IRS extended the filing deadline in multiple states, including California

~15-20% of client loss

Clients with <\$5K of Income Return to Pre-Pandemic Levels

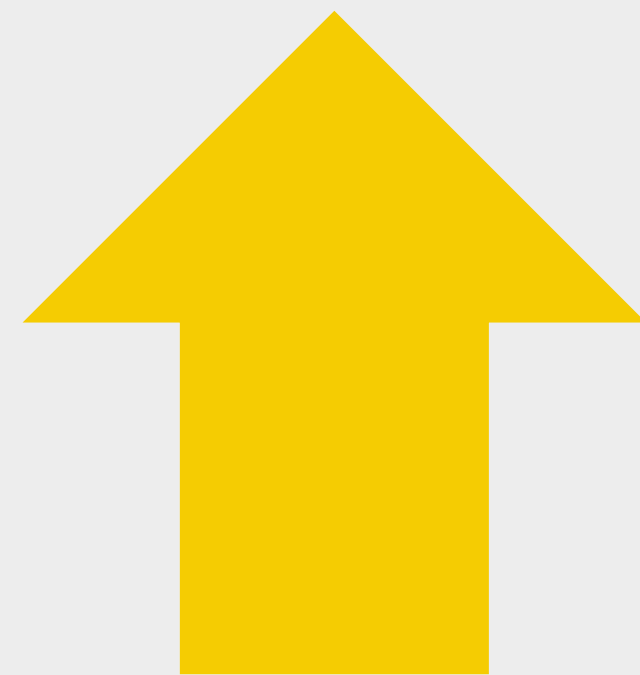
We believe stimulus filers are now behind us



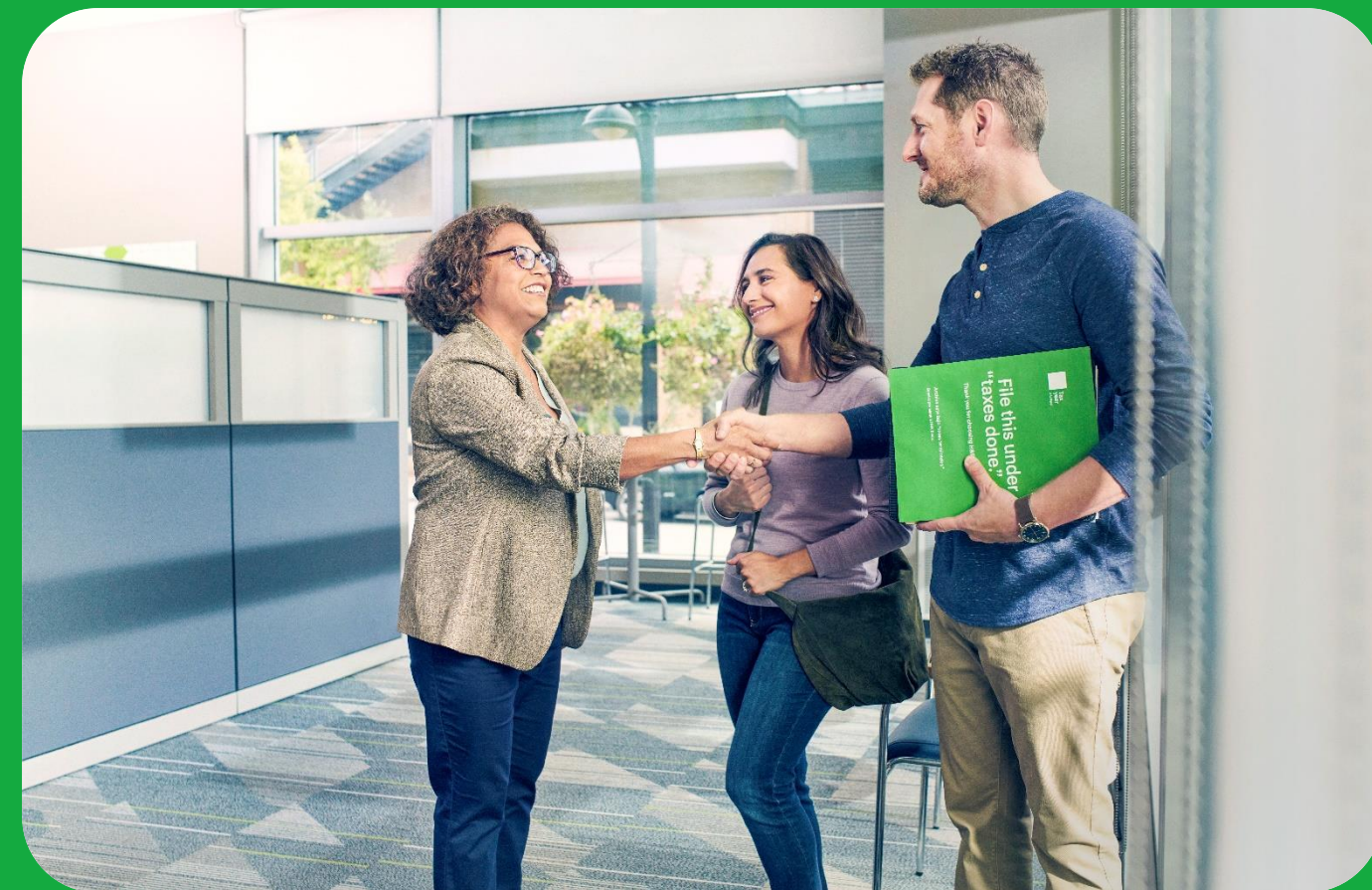
Progress in the Assisted Business



+4% Assisted NAC
increase YoY;
successfully offset
two-point revenue
headwind



**Client satisfaction
scores improved**
despite headwinds



>30% of Assisted
clients **leveraged a
virtual tool**



Small Business Imperative

Creating value for clients through year-round services



-
- NAC **+5%** YoY in **Assisted small business tax**
 - Positive client satisfaction metrics demonstrate value verses CPAs
 - **Entity clients +6%** and company **entity revenue** increased **double digits** YoY



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- **+10%** revenue growth YoY in Q3
 - Focused on accelerating revenue growth & driving long term profitability

Spruce: Mobile Banking Platform

Launched in Assisted channel in January

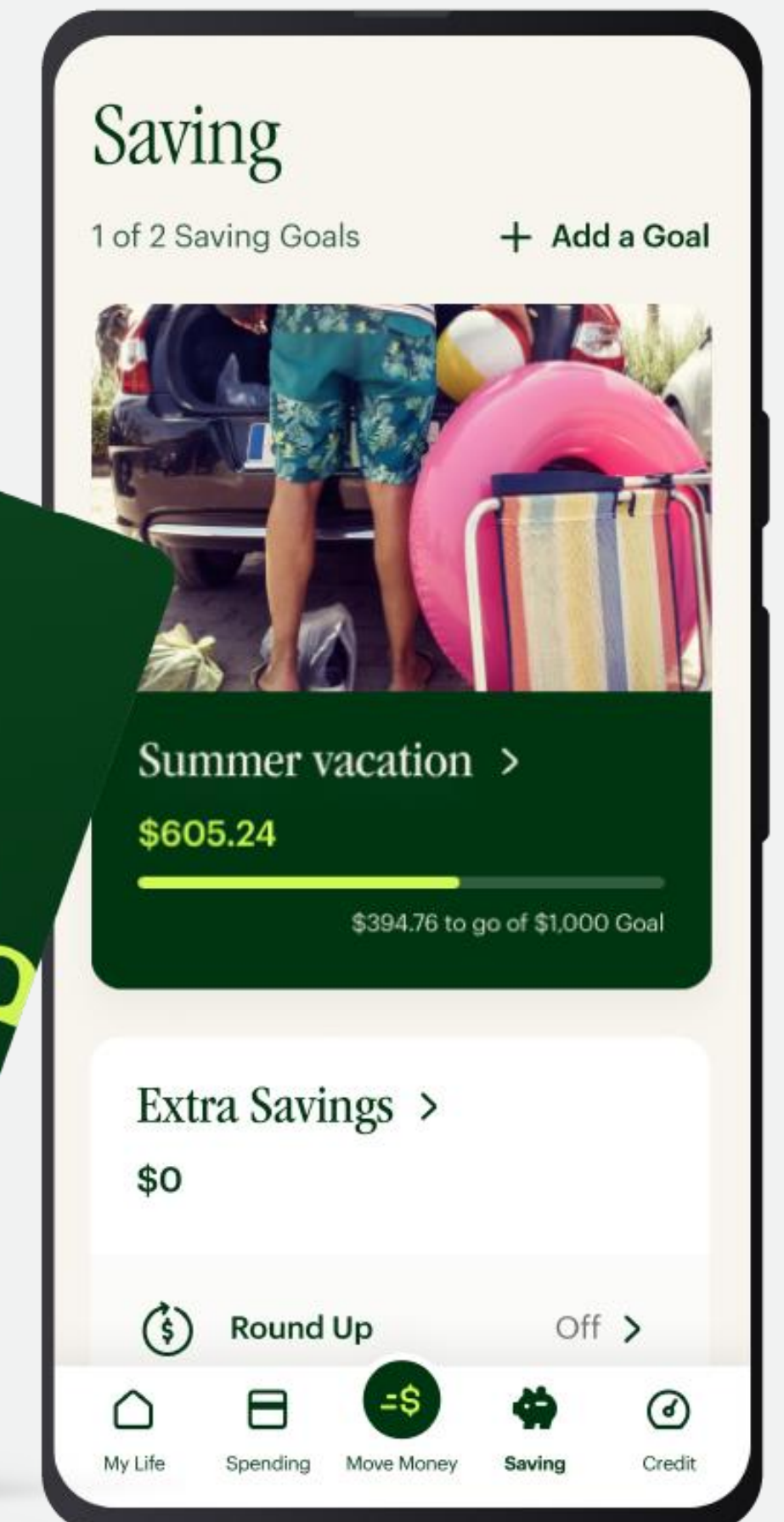


Since launch through April 30, 2023:

291K sign ups

\$288M customer deposits

- **Millions of refunds** deposited to Spruce accounts up to **5 days early**
- New feature to easily set up direct deposit in the app with **just a few clicks**



Jeff Jones

President & Chief
Executive Officer

Tony Bowen

Chief Financial
Officer

Q3 FY23 Financial Results

<i>In millions, except per share amounts</i>	<i>For the three months ended March 31, 2023 Q3 FY23</i>	<i>For the three months ended March 31, 2022 Q3 FY22</i>	Change
Revenue	\$2,093.6	\$2,061.8	1.5%
Pretax Income	\$855.4	\$861.9	(0.7%)
Net Income	\$646.1	\$675.0	(4.3%)
Weighted Avg Shares - Diluted	155.6	165.6	(6.1)
EBITDA ¹	\$910.0	\$921.7	(1.3%)
Earnings Per Share ¹	\$4.14	\$4.06	2.0%
Adjusted Earnings Per Share ¹	\$4.20	\$4.11	2.2%

In FY23, repurchased >8M shares for \$350M; retired 5% of the float

Note: All amounts are unaudited and represent results from continuing operations.

¹All share amounts are based on weighted average fully diluted shares over the corresponding period. EBITDA and adjusted EPS are non-GAAP financial measures.

Updated FY23 Outlook

	Previous Outlook	Updated Outlook
Revenue	\$3,535 - \$3,585M	\$3,440 - \$3,465M
EBITDA¹	\$915 - \$950M	\$895 - \$910M
Effective Tax Rate	~22%	~22%
Adjusted EPS¹	\$3.70 - \$3.95	\$3.65 - \$3.80

Continue to expect double digit Adjusted EPS¹ growth annually through 2025

¹ EBITDA and adjusted EPS from continuing operations are non-GAAP financial measures. Future period non-GAAP outlook includes adjustments for items not indicative of our core operations, which may include, without limitation, items described in the Appendix. Such adjustments may be affected by changes in ongoing assumptions and judgments, as well as nonrecurring, unusual, or unanticipated charges, expenses or gains, or other items that may not directly correlate to the underlying performance of our business operations. The exact amounts of these adjustments are not currently determinable but may be significant. It is therefore not practicable to provide the comparable GAAP measures or reconcile this non-GAAP outlook to the most comparable GAAP measures. Please see the safe harbor statement at the beginning of this presentation for information on non-GAAP financial measures.

Where We Are Going

Total shareholder return



Revenue	3 - 6% long term	<i>Industry growth, low single digit price increases, franchise acquisitions, and Wave; Block Horizons as upside</i>
EBITDA¹	Can grow up to ~1.5x revenue	<i>Leverage our fixed cost structure</i>
Share Repurchase	\$1.25B authorization through 2025	<i>Opportunistic share buybacks are a core element of capital allocation strategy</i>
Adjusted EPS¹	Double digit growth	<i>Annually through 2025</i>
Dividend	\$0.29/share quarterly	<i>7% dividend increase announced in August 2022</i>
Free Cash Flow¹	>100% FCF generation relative to net income	<i>13% Free Cash Flow Yield¹ in FY22</i>

¹ EBITDA, Adjusted EPS, Free Cash Flow, and Free Cash Flow Yield are non-GAAP financial measures. Please see the prior slide for additional information on EBITDA, Adjusted EPS, and our future period non-GAAP outlook. See the Appendix for additional information on Free Cash Flow and Free Cash Flow Yield.

Jeff Jones

President & Chief
Executive Officer

Q&A

Appendix

H&R Block Filing Volumes

U.S. Tax Operating Data

Tax Returns Prepared¹ (in 000s)	July 1, 2022 – April 30, 2023	July 1, 2021 – April 30, 2022	% Change
Company-owned	8,528	8,568	(0.5%)
Franchise Operations ²	2,773	3,092	(10.3%)
Total Assisted	11,301	11,660	(3.1%)
Desktop	1,776	1,845	(3.7%)
Online	6,655	6,495	2.5%
Total DIY	8,431	8,340	1.1%
Total H&R Block	19,732	20,000	(1.3%)

¹ An assisted tax return is defined as a current or prior year individual or business tax return that has been accepted by the client. A DIY online return is defined as a current year individual or business tax return that has been accepted by the client. A DIY desktop return is defined as a current year individual or business tax return that has been electronically submitted to the IRS.

² Franchise Operations returns include assisted returns prepared in a franchise office in the reported year. Following the Company's acquisition of a franchise office, returns from such office are included in the Company-owned line for that year; prior years are not reclassified.

Non-GAAP Measure: EBITDA

The following is a reconciliation of EBITDA, which is a non-GAAP financial measure:



EBITDA (in 000's)	Three months ended March 31, 2023	Three months ended March 31, 2022
Net income - as reported	\$643,429	\$673,177
Discontinued operations, net	2,648	1,796
Net income from continuing operations - as reported	646,077	674,973
Add back:		
Income taxes	209,351	186,884
Interest expense	22,298	23,746
Depreciation and amortization	32,313	36,116
	263,962	246,746
EBITDA from continuing operations	\$910,039	\$921,719

Non-GAAP Measure: Adjusted EPS

The following is a reconciliation of Adjusted EPS, which is a non-GAAP financial measure:



Adjusted EPS <i>(in 000's except for amounts per share)</i>	Three months ended March 31, 2023	Three months ended March 31, 2022
Net income from continuing operations – as reported	\$646,077	\$674,973
Adjustments:		
Amortization of intangibles related to acquisitions (pretax)	13,011	13,979
Tax effect of adjustments ⁽¹⁾	(3,190)	(4,545)
Adjusted net income from continuing operations	\$655,898	\$684,407
Diluted earnings per share from continuing operations – as reported	\$4.14	\$4.06
Adjustments, net of tax	0.06	0.05
Adjusted diluted earnings per share from continuing operations	\$4.20	\$4.11

¹ Tax effect of adjustments is the difference between the tax provision calculated on a GAAP basis and on an adjusted non-GAAP basis.

Non-GAAP Measures: FY22 Free Cash Flow and Free Cash Flow Yield



The following is a reconciliation of Free Cash Flow and Free Cash Flow Yield, which are non-GAAP financial measures:

Free Cash Flow Yield <i>(in 000's except for amounts per share)</i>	Year ended June 30, 2022
Operating cash flow - as reported	\$808,537
Less: Capital expenditures	(61,955)
Free cash flow	\$746,582
Market price	\$35.32
Shares outstanding	159,930
Market cap	\$5,648,728
Free cash flow yield	13.2%

Note: Free Cash Flow Yield is defined as free cash flow divided by the market value of equity (market capitalization). Free cash flow is defined as net cash provided by operating activities less capital expenditures. The Company believes Free Cash Flow Yield is useful to investors as an indication of the strength of the Company and its ability to generate cash and to evaluate the Company's cash generation ability relative to competitors. It should not be inferred that the entire free cash flow amount is available for discretionary expenditures.