

H&R Block Reports Preliminary Results for 2006 Tax Season

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KANSAS CITY, Mo.--(BUSINESS WIRE)--May 10, 2006--H&R Block Inc. (NYSE:HRB) today reported solid gains in tax preparation and related fees for the 2006 tax season along with an increase in total clients served over last year.

Tax preparation and related fees for H&R Block's U.S. retail operations increased 4.5 percent to \$2.5 billion. The average fee per client served rose 6.6 percent to \$160. Total clients served by the company's retail operations and digital (online/software) tax business grew 1.4 percent to 19 million.

"The 19 percent increase in digital tax clients this year demonstrates both the momentum we're building in this business along with the importance of offering a full range of ways for clients to access our services," said Mark A. Ernst, chairman and chief executive officer.

In its retail tax operations, H&R Block closed the season serving more clients in March and April 2006 than in the same months of last year. "We benefited from stepped-up marketing programs and better end-to-end client service," Ernst said, following early 2006 technical problems that had cost several hundred thousand clients versus prior year. For the 2006 tax season overall, total clients served in U.S. retail offices was off 2 percent from prior year.

The company notes that it expects full-year earnings per share to come in slightly below the \$1.65 low end of its previously communicated range, in part due to weaker than expected results from mortgage services.

"The actions we've taken during fiscal 2006 to strengthen our competitive position in our various businesses is enhancing our capacity to serve our many clients," Ernst said. The earnings guidance does not include the effect of previously announced charges to resolve refund anticipation loan litigation and for related fees, or charges for consolidation of a number of mortgage operations to reduce ongoing operating cost structures.

Fourth quarter and full-year 2006 financial results are scheduled to be reported June 7, along with further analysis of the 2006 tax season.

Forward-Looking Statements

Except for historical information contained herein, the matters set forth in this press release are forward-looking statements based upon current information and expectations. Such statements speak only as of the date on which they are made, are not guarantees of future performance, and involve certain risks, uncertainties and assumptions that could cause actual results to differ materially from what is expressed, implied or forecast in such forward-looking statements.

Such differences could be caused by a number of factors, including, but not limited to: the uncertainty that the company will achieve or exceed its revenue, earnings, and earnings-per-share growth goals or expectations for fiscal year 2006; the uncertainty of the company's ability to purchase shares of its common stock pursuant to the board's authorization; the uncertainty of the effect of any share repurchases upon the company and its shareholders; changes in interest rates; changes in the company's effective income tax rate; changes in economic, political or regulatory environments; changes in competition; litigation involving the company and its subsidiaries; and risks described from time to time in reports and registration statements filed by H&R Block Inc. and its subsidiaries with the Securities and Exchange Commission. Readers should take these factors into account in evaluating such forward-looking statements.

About H&R Block

H&R Block Inc. (NYSE:HRB) is a leading provider of tax, financial, mortgage, accounting and business consulting services and products. H&R Block is the world's largest tax services provider, having prepared more than 400 million tax returns since 1955. The company and its subsidiaries generated revenues of \$4.4 billion and net income of \$624 million in fiscal year 2005 from operations in four principal business segments: tax preparation and advice via in-office, online and software solutions; investment and financial advisory services; retail and wholesale mortgage services; and tax/accounting/business consulting services for mid-sized businesses. Headquartered in Kansas City, Mo., H&R Block markets its services and products under three leading brands -

Table follows

H&R BLOCK

Preliminary U.S. Tax Operating Data

(in thousands, except average fee and number of offices)

	January 1/1-1/31	February 2/1-2/28	March 3/1-3/31	April 4/1-4/18(6)	YTD 1/1-4/18(6)

Tax preparation & related fees:					
Fiscal year 2006					
Company-owned operations	\$379,959	\$627,020	\$355,543	\$349,118	\$1,711,640
Franchise operations	191,610	288,406	139,680	129,897	749,593
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	\$571,569	\$915,426	\$495,223	\$479,015	\$2,461,233
	=====	=====	=====	=====	=====
Fiscal year 2005 (1)					
Company-owned operations	\$367,294	\$621,831	\$325,351	\$325,153	\$1,639,629
Franchise operations	183,556	284,961	127,770	119,903	716,190
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	\$550,850	\$906,792	\$453,121	\$445,056	\$2,355,819
	=====	=====	=====	=====	=====
Percent change					
Company-owned operations	3.4%	0.8%	9.3%	7.4%	4.4%
Franchise operations	4.4%	1.2%	9.3%	8.3%	4.7%
Total retail operations	3.8%	1.0%	9.3%	7.6%	4.5%

Total clients served:					
Fiscal year 2006					
Company-owned operations	2,372	3,852	2,043	1,869	10,136
Franchise operations	1,398	2,084	943	821	5,246
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Total retail operations	3,770	5,936	2,986	2,690	15,382
Digital tax solutions(2)	1,143	1,294	628	534	3,599
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	4,913	7,230	3,614	3,224	18,981
	=====	=====	=====	=====	=====
Fiscal year 2005(1)					

Company-owned operations	2,450	4,093	2,007	1,860	10,410
Franchise operations	1,403	2,160	913	806	5,282

Total retail operations	3,853	6,253	2,920	2,666	15,692
Digital tax solutions(2)	1,129	1,016	456	422	3,023

	4,982	7,269	3,376	3,088	18,715
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Percent change

Company-owned operations	-3.2%	-5.9%	1.8%	0.5%	-2.6%

Franchise operations	-0.4%	-3.5%	3.3%	1.9%	-0.7%

Total retail operations	-2.2%	-5.1%	2.3%	0.9%	-2.0%

Digital tax solutions(2)	1.2%	27.4%	37.7%	26.5%	19.1%

Total	-1.4%	-0.5%	7.0%	4.4%	1.4%

Total retail day-to-day(3)	-10.7%	0.1%	6.2%	-1.3%	-2.0%

Average fee per client served:(4)

Fiscal year 2006

Company-owned operations	\$160.19	\$162.78	\$174.03	\$186.79	\$168.87
Franchise operations	137.06	138.39	148.12	158.22	142.89

	\$151.61	\$154.22	\$165.85	\$178.07	\$160.01
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Fiscal year 2005(1)

Company-owned operations	\$149.92	\$151.93	\$162.11	\$174.81	\$157.51
Franchise operations	130.83	131.93	139.95	148.76	135.59

	\$142.97	\$145.02	\$155.18	\$166.94	\$150.13
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Percent change

Company-owned operations	6.8%	7.1%	7.4%	6.9%	7.2%

Franchise operations	4.8%	4.9%	5.8%	6.4%	5.4%

Total retail					

operations	6.0%	6.3%	6.9%	6.7%	6.6%
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Offices:	FY 2006	FY 2005	
Company-owned offices	6,387	5,811	9.9%
Company-owned shared office locations(5)	1,473	1,296	13.7%
Total company-owned offices	7,860	7,107	10.6%
Franchise offices	3,703	3,528	5.0%
Franchise shared office locations(5)	602	526	14.4%
Total franchise offices	4,305	4,054	6.2%
	12,165	11,161	9.0%

- (1) Prior year numbers have been reclassified between company-owned and franchise operations for offices which commenced company-owned operations during fiscal year 2006.
- (2) Includes federal Taxcut software units sold, online completed and paid federal returns, and paid state returns and e-filings only when no payment was made for a federal return.
- (3) Calculated as the % difference between current year actuals and day-to-day adjusted fiscal year 2005.
- (4) Calculated as gross tax preparation and related fees divided by clients served.
- (5) Shared office locations include offices located within Wal-Mart, Sears and other third-party businesses.
- (6) Data for both years presented is through April 18, as April 15, 2006, fell on a Saturday, and certain parts of the country observed a legal holiday on April 17, 2006. The number of clients served through our software channel, which is included in Digital Tax Solutions, is through April 22 for both years.

CONTACT: H&R Block Inc.
Media Relations:
Nick Iammartino, 816-932-4835
nick.iammartino@hrblock.com
or
Investor Relations:
Scott Dudley, 816-932-8342
scott.dudley@hrblock.com

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