UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2022

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 1-06089

H&R Block, Inc.
(Exact name of registrant as specified in its charter)

Missouri	**44-0607856**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One H&R Block Way, Kansas City, Missouri 64105
(Address of principal executive offices, including zip code)

(816) 854-3000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, without par value	HRB	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

The number of shares outstanding of the registrant's Common Stock, without par value, at the close of business on October 31, 2022: 155,468,155 shares.

Form 10-Q for the Period ended September 30, 2022

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS:

(unaudited, in 000s, except per share amounts)

	Three months ended September 30,	
	2022	2021
REVENUES:		
Service revenues	**$ 167,194**	$ 176,977
Royalty, product and other revenues	**12,791**	15,647
	179,985	192,624
OPERATING EXPENSES:		
Costs of revenues	**260,662**	241,532
Selling, general and administrative	**128,434**	125,864
Total operating expenses	**389,096**	367,396
Other income (expense), net	**3,611**	284
Interest expense on borrowings	**(15,824)**	(22,830)
Loss from continuing operations before income tax benefit	**(221,324)**	(197,318)
Income tax benefit	**(53,957)**	(47,373)
Net loss from continuing operations	**(167,367)**	(149,945)
Net loss from discontinued operations, net of tax benefits of $316 and $495	**(1,054)**	(1,656)
NET LOSS	**$ (168,421)**	$ (151,601)
BASIC AND DILUTED LOSS PER SHARE:		
Continuing operations	**$ (1.05)**	$ (0.84)
Discontinued operations	**(0.01)**	(0.01)
Consolidated	**$ (1.06)**	$ (0.85)
DIVIDENDS DECLARED PER SHARE	**$ 0.29**	$ 0.27
COMPREHENSIVE LOSS:		
Net loss	**$ (168,421)**	$ (151,601)
Change in foreign currency translation adjustments	**(32,345)**	(11,177)
Other comprehensive loss	**(32,345)**	(11,177)
Comprehensive loss	**$ (200,766)**	$ (162,778)

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(unaudited, in 000s, except share and per share amounts)

As of		September 30, 2022		June 30, 2022
ASSETS				
Cash and cash equivalents	**$**	**322,824**	$	885,015
Cash and cash equivalents - restricted		**108,550**		165,698
Receivables, less allowance for credit losses of $65,217 and $65,351		**61,035**		58,447
Income taxes receivable		**154,123**		202,838
Prepaid expenses and other current assets		**77,906**		72,460
Total current assets		**724,438**		1,384,458
Property and equipment, at cost, less accumulated depreciation and amortization of $867,402 and $857,468		**127,934**		123,912
Operating lease right of use assets		**412,823**		427,783
Intangible assets, net		**303,483**		309,644
Goodwill		**746,711**		760,401
Deferred tax assets and income taxes receivable		**193,761**		208,948
Other noncurrent assets		**50,082**		54,012
Total assets	**$**	**2,559,232**	$	3,269,158
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES:				
Accounts payable and accrued expenses	**$**	**168,496**	$	160,929
Accrued salaries, wages and payroll taxes		**56,162**		154,764
Accrued income taxes and reserves for uncertain tax positions		**188,118**		280,115
Operating lease liabilities		**197,491**		206,898
Deferred revenue and other current liabilities		**179,956**		196,107
Total current liabilities		**790,223**		998,813
Long-term debt		**1,487,407**		1,486,876
Deferred tax liabilities and reserves for uncertain tax positions		**229,340**		226,362
Operating lease liabilities		**222,914**		228,820
Deferred revenue and other noncurrent liabilities		**94,333**		116,656
Total liabilities		**2,824,217**		3,057,527
COMMITMENTS AND CONTINGENCIES				
STOCKHOLDERS' EQUITY:				
Common stock, no par, stated value $0.01 per share, 800,000,000 shares authorized, shares issued of 188,644,066 and 193,571,309		**1,887**		1,936
Additional paid-in capital		**759,629**		772,182
Accumulated other comprehensive loss		**(53,990)**		(21,645)
Retained earnings (deficit)		**(311,671)**		120,405
Less treasury shares, at cost, of 33,176,727 and 33,640,988		**(660,840)**		(661,247)
Total stockholders' equity (deficiency)		**(264,985)**		211,631
Total liabilities and stockholders' equity	**$**	**2,559,232**	$	3,269,158

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in 000s)

Three months ended September 30,	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	**$ (168,421)**	$ (151,601)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	**33,624**	35,715
Provision	**1,077**	1,850
Deferred taxes	**16,918**	(13,547)
Stock-based compensation	**7,654**	6,847
Changes in assets and liabilities, net of acquisitions:		
Receivables	**3,702**	35,913
Prepaid expenses, other current and noncurrent assets	**(2,669)**	8,610
Accounts payable, accrued expenses, salaries, wages and payroll taxes	**(129,908)**	(134,215)
Deferred revenue, other current and noncurrent liabilities	**(41,549)**	(27,990)
Income tax receivables, accrued income taxes and income tax reserves	**(41,659)**	(72,768)
Other, net	**(435)**	(1,438)
Net cash used in operating activities	**(321,666)**	(312,624)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	**(16,161)**	(15,620)
Payments made for business acquisitions, net of cash acquired	**(16,507)**	(4,265)
Franchise loans funded	**(6,686)**	(4,474)
Payments from franchisees	**2,270**	2,839
Other, net	**(274)**	2,067
Net cash used in investing activities	**(37,358)**	(19,453)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	**(43,093)**	(48,996)
Repurchase of common stock, including shares surrendered	**(202,845)**	(165,800)
Proceeds from exercise of stock options	**—**	3,385
Other, net	**(955)**	(5,911)
Net cash used in financing activities	**(246,893)**	(217,322)
Effects of exchange rate changes on cash	**(13,422)**	(3,959)
Net decrease in cash and cash equivalents, including restricted balances	**(619,339)**	(553,358)
Cash, cash equivalents and restricted cash, beginning of period	**1,050,713**	1,584,164
Cash, cash equivalents and restricted cash, end of period	**$ 431,374**	$ 1,030,806
SUPPLEMENTARY CASH FLOW DATA:		
Income taxes paid (received), net	**$ (29,811)**	$ 38,419
Interest paid on borrowings	**19,792**	12,594
Accrued purchase of common stock	**32,356**	4,785
Accrued additions to property and equipment	**4,704**	6,273
New operating right of use assets and related lease liabilities	**52,265**	29,371
Accrued dividends payable to common shareholders	**46,100**	47,940

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(amounts in 000s, except per share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)(1)	Retained Earnings (Deficit)	Treasury Stock Shares	Treasury Stock Amount	Total Stockholders' Equity
Balances as of July 1, 2022	**193,571**	**$ 1,936**	**$ 772,182**	**$ (21,645)**	**$ 120,405**	**(33,641)**	**$ (661,247)**	**$ 211,631**
Net loss	—	—	—	—	**(168,421)**	—	—	**(168,421)**
Other comprehensive loss	—	—	—	**(32,345)**	—	—	—	**(32,345)**
Stock-based compensation	—	—	**5,630**	—	—	—	—	**5,630**
Stock-based awards exercised or vested	—	—	**(15,276)**	—	**(742)**	**805**	**15,839**	**(179)**
Acquisition of treasury shares(2)	—	—	—	—	—	**(341)**	**(15,432)**	**(15,432)**
Repurchase and retirement of common shares	**(4,927)**	**(49)**	**(2,907)**	—	**(216,813)**	—	—	**(219,769)**
Cash dividends declared - $0.29 per share	—	—	—	—	**(46,100)**	—	—	**(46,100)**
Balances as of September 30, 2022	**188,644**	**$ 1,887**	**$ 759,629**	**$ (53,990)**	**$ (311,671)**	**(33,177)**	**$ (660,840)**	**$ (264,985)**

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)(1)	Retained Earnings (Deficit)	Treasury Stock Shares	Treasury Stock Amount	Total Stockholders' Equity
Balances as of July 1, 2021	216,656	$ 2,167	$ 779,465	$ 88	$ 286,694	(34,842)	$ (680,356)	$ 388,058
Net loss	—	—	—	—	(151,601)	—	—	(151,601)
Other comprehensive loss	—	—	—	(11,177)	—	—	—	(11,177)
Stock-based compensation	—	—	5,627	—	—	—	—	5,627
Stock-based awards exercised or vested	—	—	(10,328)	—	(291)	705	13,765	3,146
Acquisition of treasury shares(2)	—	—	—	—	—	(205)	(4,817)	(4,817)
Repurchase and retirement of common shares	(6,802)	(68)	(4,081)	—	(161,619)	—	—	(165,768)
Cash dividends declared - $0.27 per share	—	—	—	—	(47,940)	—	—	(47,940)
Balances as of September 30, 2021	209,854	$ 2,099	$ 770,683	$ (11,089)	$ (74,757)	(34,342)	$ (671,408)	$ 15,528

(1) The balance of our accumulated other comprehensive income (loss) consists of foreign currency translation adjustments.
(2) Represents shares swapped or surrendered to us in connection with the vesting or exercise of stock-based awards.

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION – The consolidated balance sheets as of September 30, 2022 and June 30, 2022, the consolidated statements of operations and comprehensive loss for the three months ended September 30, 2022 and 2021, the consolidated statements of cash flows for the three months ended September 30, 2022 and 2021, and the consolidated statements of stockholders' equity for the three months ended September 30, 2022 and 2021 have been prepared by the Company, without audit. In the opinion of management, all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position, results of operations, and cash flows as of September 30, 2022 and 2021 and for all periods presented, have been made.

"H&R Block," "the Company," "we," "our," and "us" are used interchangeably to refer to H&R Block, Inc., to H&R Block, Inc. and its subsidiaries, or to H&R Block, Inc.'s operating subsidiaries, as appropriate to the context.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) have been condensed or omitted. These consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in our June 30, 2022 Annual Report to Shareholders on Form 10-K. All amounts presented herein as of June 30, 2022 or for the year then ended are derived from our Annual Report on Form 10-K.

MANAGEMENT ESTIMATES – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates, assumptions and judgments are applied in the evaluation of contingent losses arising from our discontinued mortgage business, contingent losses associated with pending claims and litigation, reserves for uncertain tax positions, fair value of reporting units, and related matters. Estimates have been prepared based on the best information available as of each balance sheet date. As such, actual results could differ materially from those estimates.

SEASONALITY OF BUSINESS – Our operating revenues are seasonal in nature with peak revenues typically occurring in the months of February through April. Therefore, results for interim periods are not indicative of results to be expected for the full year.

DISCONTINUED OPERATIONS – Our discontinued operations include the results of operations of Sand Canyon Corporation, previously known as Option One Mortgage Corporation (including its subsidiaries, collectively, SCC), which exited its mortgage business in fiscal year 2008. See note 9 for additional information on loss contingencies related to our discontinued operations.

NOTE 2: REVENUE RECOGNITION

The majority of our revenues are from our U.S. tax services business. The following table disaggregates our U.S. tax services revenues by major service line, with revenues from our international tax services businesses and from Wave included as separate lines:

(in 000s)

	Three months ended September 30, 2022	2021
Revenues:		
U.S. assisted tax preparation	**$ 36,312**	$ 33,607
U.S. royalties	**6,228**	7,358
U.S. DIY tax preparation	**3,158**	4,061
Refund Transfers	**1,284**	1,665
Peace of Mind® Extended Service Plan	**24,770**	24,836
Tax Identity Shield®	**5,167**	5,153
Emerald Card® and Spruce℠	**11,612**	28,258
Interest and fee income on Emerald Advance℠	**614**	479
International	**58,834**	58,325
Wave	**22,646**	19,137
Other	**9,360**	9,745
Total revenues	**$ 179,985**	$ 192,624

Changes in the balances of deferred revenue and wages for our Peace of Mind® Extended Service Plan (POM) are as follows:

(in 000s)

POM	Deferred Revenue		Deferred Wages	
Three months ended September 30,	**2022**	2021	**2022**	2021
Balance, beginning of the period	**$ 173,486**	$ 172,759	**$ 19,495**	$ 17,867
Amounts deferred	**1,360**	1,492	**5**	7
Amounts recognized on previous deferrals	**(28,703)**	(28,948)	**(2,988)**	(2,847)
Balance, end of the period	**$ 146,143**	$ 145,303	**$ 16,512**	$ 15,027

As of September 30, 2022, deferred revenue related to POM was $146.1 million. We expect that $97.0 million will be recognized over the next twelve months, while the remaining balance will be recognized over the following five years.

As of September 30, 2022 and 2021, Tax Identity Shield® (TIS) deferred revenue was $21.2 million and $23.5 million, respectively. Deferred revenue related to TIS was $25.8 million and $28.3 million as of June 30, 2022 and June 30, 2021, respectively. All deferred revenue related to TIS will be recognized by April 2023.

NOTE 3: EARNINGS PER SHARE AND STOCKHOLDERS' EQUITY

EARNINGS PER SHARE – Basic and diluted earnings (loss) per share is computed using the two-class method. The two-class method is an earnings allocation formula that determines net income per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. Per share amounts are computed by dividing net income (loss) from continuing operations attributable to common shareholders by the weighted average shares outstanding during each period. Diluted earnings per share excludes the impact of shares of common stock issuable upon the lapse of certain restrictions or the exercise of options to purchase 4.4 million shares and 5.3 million shares for the three months ended September 30, 2022 and 2021, respectively, as the effect would be antidilutive due to the net loss from continuing operations during the periods.

The computations of basic and diluted earnings (loss) per share from continuing operations are as follows:

(in 000s, except per share amounts)

	Three months ended September 30,	
	2022	2021
Net loss from continuing operations attributable to shareholders	**$ (167,367)**	$ (149,945)
Amounts allocated to participating securities	**(179)**	(239)
Net loss from continuing operations attributable to common shareholders	**$ (167,546)**	$ (150,184)
Basic weighted average common shares	**159,284**	178,099
Potential dilutive shares	**—**	—
Dilutive weighted average common shares	**159,284**	178,099
Loss per share from continuing operations attributable to common shareholders:		
Basic	**$ (1.05)**	$ (0.84)
Diluted	**(1.05)**	(0.84)

The decrease in the weighted average shares outstanding is due to share repurchases completed in the current and prior fiscal years.

STOCK-BASED COMPENSATION – During the three months ended September 30, 2022, we granted 0.9 million shares under our stock-based compensation plan. We granted awards of 1.4 million shares under our stock-based compensation plans during the three months ended September 30, 2021. Stock-based compensation expense of our continuing operations totaled $7.7 million for the three months ended September 30, 2022 and $6.8 million for the three months ended September 30, 2021. As of September 30, 2022, unrecognized compensation cost for stock options totaled $0.4 million, and for nonvested shares and units totaled $76.9 million.

NOTE 4: RECEIVABLES

Receivables, net of their related allowance, consist of the following:

(in 000s)

As of	**September 30, 2022**		June 30, 2022	
	Short-term	Long-term	Short-term	Long-term
Loans to franchisees	**$ 9,628**	**$ 23,054**	$ 6,194	$ 22,036
Receivables for U.S. assisted and DIY tax preparation and related fees	**14,104**	**2,337**	18,893	2,560
H&R Block's Instant Refund[SM] receivables	**1,412**	**112**	3,491	198
H&R Block Emerald Advance® lines of credit	**6,800**	**7,098**	6,691	8,825
Software receivables from retailers	**607**	**—**	3,992	—
Royalties and other receivables from franchisees	**6,208**	**55**	3,682	73
Wave payment processing receivables	**1,306**	**—**	1,393	—
Other	**20,970**	**1,679**	14,111	1,172
Total	**$ 61,035**	**$ 34,335**	$ 58,447	$ 34,864

Balances presented above as short-term are included in receivables, while the long-term portions are included in other noncurrent assets in the consolidated balance sheets.

LOANS TO FRANCHISEES – Franchisee loan balances consist of term loans made primarily to finance the purchase of franchises and revolving lines of credit primarily for the purpose of funding working capital needs. As of September 30, 2022 and June 30, 2022, loans with a principal balance more than 90 days past due, or on non-accrual status, are not material.

H&R BLOCK'S INSTANT REFUNDSM – H&R Block's Instant RefundSM amounts are generally received from the Canada Revenue Agency within 60 days of filing the client's return, with the remaining balance collectible from the client.

We review the credit quality of our Instant Refund receivables based on pools, which are segregated by the tax return year of origination, with older years being deemed more unlikely to be repaid. We establish an allowance for credit losses at an amount that we believe reflects the receivable at net realizable value. In December of each year we charge-off the receivables to an amount we believe represents the net realizable value.

Balances and amounts on non-accrual status and classified as impaired, or more than 60 days past due, by tax return year of origination, as of September 30, 2022 are as follows:

(in 000s)

Tax return year of origination	Current Balance	More Than 60 Days Past Due
2021	**$ 2,781**	**$ 2,261**
2020 and prior	**111**	**111**
	2,892	**$ 2,372**
Allowance	**(1,368)**	
Net balance	**$ 1,524**	

H&R BLOCK EMERALD ADVANCE® LINES OF CREDIT – We review the credit quality of our purchased participation interests in Emerald AdvanceSM (EA) receivables based on pools, which are segregated by the fiscal year of origination, with older years being deemed more unlikely to be repaid. We establish an allowance for credit losses at an amount that we believe reflects the receivable at net realizable value. In December of each year we charge-off the receivables to an amount we believe represents the net realizable value.

Balances and amounts on non-accrual status and classified as impaired, or more than 60 days past due, by fiscal year of origination, as of September 30, 2022 are as follows:

(in 000s)

Fiscal year of origination	Current Balance	Non-Accrual
2022	**$ 23,865**	**$ 23,865**
2021 and prior	**429**	**429**
Revolving loans	**15,745**	**14,369**
	40,039	**$ 38,663**
Allowance	**(26,141)**	
Net balance	**$ 13,898**	

ALLOWANCE FOR CREDIT LOSSES – Activity in the allowance for credit losses for our EA and all other short-term and long-term receivables for the three months ended September 30, 2022 and 2021 is as follows:

(in 000s)

	EAs	All Other	Total
Balances as of July 1, 2022	**$ 26,141**	**$ 51,126**	**$ 77,267**
Provision	**—**	**1,077**	**1,077**
Charge-offs, recoveries and other	**—**	**(1,281)**	**(1,281)**
Balances as of September 30, 2022	**$ 26,141**	**$ 50,922**	**$ 77,063**
Balances as of July 1, 2021	$ 27,704	$ 60,272	$ 87,976
Provision	—	1,850	1,850
Charge-offs, recoveries and other	—	(3,583)	(3,583)
Balances as of September 30, 2021	$ 27,704	$ 58,539	$ 86,243

NOTE 5: GOODWILL AND INTANGIBLE ASSETS

Changes in the carrying amount of goodwill for the three months ended September 30, 2022 are as follows:

(in 000s)

	Goodwill	Accumulated Impairment Losses	Net
Balances as of July 1, 2022	$ 898,698	$ (138,297)	$ 760,401
Acquisitions	7,879	—	7,879
Disposals and foreign currency changes, net	(21,569)	—	(21,569)
Impairments	—	—	—
Balances as of September 30, 2022	$ 885,008	$ (138,297)	$ 746,711

We test goodwill for impairment annually as of February 1, or more frequently if events occur or circumstances change which would, more likely than not, reduce the fair value of a reporting unit below its carrying value.

Components of intangible assets are as follows:

(in 000s)

	Gross Carrying Amount	Accumulated Amortization	Net
As of September 30, 2022:			
Reacquired franchise rights	$ 383,809	$ (200,442)	$ 183,367
Customer relationships	335,766	(283,515)	52,251
Internally-developed software	138,600	(112,561)	26,039
Noncompete agreements	41,949	(38,106)	3,843
Franchise agreements	19,201	(17,708)	1,493
Purchased technology	122,700	(90,125)	32,575
Trade name	5,800	(1,885)	3,915
	$ 1,047,825	$ (744,342)	$ 303,483
As of June 30, 2022:			
Reacquired franchise rights	$ 379,114	$ (197,068)	$ 182,046
Customer relationships	331,020	(278,717)	52,303
Internally-developed software	137,638	(107,111)	30,527
Noncompete agreements	41,789	(37,684)	4,105
Franchise agreements	19,201	(17,388)	1,813
Purchased technology	122,700	(87,910)	34,790
Trade name	5,800	(1,740)	4,060
	$ 1,037,262	$ (727,618)	$ 309,644

We made payments to acquire businesses totaling $16.5 million and $4.3 million during the three months ended September 30, 2022 and 2021, respectively. The amounts and weighted-average lives of intangible assets acquired during the three months ended September 30, 2022, including amounts capitalized related to internally-developed software, are as follows:

(dollars in 000s)

		Amount	Weighted-Average Life (in years)
Internally-developed software	**$**	**1,254**	**2**
Customer relationships		**6,331**	**5**
Reacquired franchise rights		**4,897**	**4**
Noncompete agreements		**220**	**5**
Total	**$**	**12,702**	**4**

Amortization of intangible assets for the three months ended September 30, 2022 was $18.4 million compared to $19.8 million for the three months ended September 30, 2021. Estimated amortization of intangible assets for fiscal years ending June 30, 2023, 2024, 2025, 2026, and 2027 is $68.8 million, $49.1 million, $27.5 million, $19.3 million and $13.8 million, respectively.

NOTE 6: LONG-TERM DEBT

The components of long-term debt are as follows:

(in 000s)

As of		**September 30, 2022**		June 30, 2022
Senior Notes, 5.250%, due October 2025	**$**	**350,000**	$	350,000
Senior Notes, 2.500%, due July 2028		**500,000**		500,000
Senior Notes, 3.875%, due August 2030		**650,000**		650,000
Debt issuance costs and discounts		**(12,593)**		(13,124)
Total long-term debt		**1,487,407**		1,486,876
Less: Current portion		**—**		—
Long-term portion	**$**	**1,487,407**	$	1,486,876
Estimated fair value of long-term debt	**$**	**1,312,000**	$	1,377,000

Our unsecured committed line of credit (CLOC) provides for an unsecured senior revolving credit facility in the aggregate principal amount of $1.5 billion, which includes a $175.0 million sublimit for swingline loans and a $50.0 million sublimit for standby letters of credit. We may request increases in the aggregate principal amount of the revolving credit facility of up to $500.0 million, subject to obtaining commitments from lenders and meeting certain other conditions. The CLOC will mature on June 11, 2026, unless extended pursuant to the terms of the CLOC, at which time all outstanding amounts thereunder will be due and payable. Our CLOC includes an annual facility fee, which will vary depending on our then current credit ratings.

The CLOC is subject to various conditions, triggers, events or occurrences that could result in earlier termination and contains customary representations, warranties, covenants and events of default, including, without limitation: (1) a covenant requiring the Company to maintain a debt-to-EBITDA ratio, as defined by the CLOC agreement, calculated on a consolidated basis of no greater than (a) 3.50 to 1.00 as of the last day of each fiscal quarter ending on March 31, June 30, and September 30 of each year and (b) 4.50 to 1.00 as of the last day of each fiscal quarter ending on December 31 of each year; (2) a covenant requiring us to maintain an interest coverage ratio (EBITDA-to-interest expense) calculated on a consolidated basis of not less than 2.50 to 1.00 as of the last date of any fiscal quarter; and (3) covenants restricting our ability to incur certain additional debt, incur liens, merge or consolidate with other companies, sell or dispose of assets (including equity interests), liquidate or dissolve, engage in certain transactions with affiliates or enter into certain restrictive agreements. The CLOC includes provisions for an equity cure which could potentially allow us to independently cure certain defaults. Proceeds under the CLOC may be used for working capital needs or for other general corporate purposes. We were in compliance with these requirements as of September 30, 2022.

We had no outstanding balance under our CLOC and amounts available to borrow were limited by the debt-to-EBITDA covenant to approximately $1.47 billion as of September 30, 2022.

NOTE 7: INCOME TAXES

We file a consolidated federal income tax return in the U.S. with the Internal Revenue Service (IRS) and file tax returns in various state, local, and foreign jurisdictions. Tax returns are typically examined and either settled upon completion of the examination or through the appeals process. Our U.S. federal income tax returns for 2015, 2016, 2019 and later years remain open for examination. Our U.S. federal income tax returns for 2018, 2017, 2014 and all years prior to 2014 are closed. On October 4, 2022, the IRS notified us that it plans to audit our 2020 tax return and related carryback claims. With respect to federal, state and local jurisdictions and countries outside of the U.S., we are typically subject to examination for three to six years after the income tax returns have been filed. Although the outcome of tax audits is always uncertain, we believe that adequate amounts of tax, interest, and penalties have been provided for in the accompanying consolidated financial statements for any adjustments that might be incurred due to federal, state, local or foreign audits.

We had gross unrecognized tax benefits of $231.7 million and $232.0 million as of September 30, 2022 and June 30, 2022, respectively. The gross unrecognized tax benefits decreased by $0.3 million during the three months ended September 30, 2022 due to settlements with state tax authorities. We believe it is reasonably possible that the balance of unrecognized tax benefits could decrease by approximately $33.1 million within the next twelve months. The anticipated decrease is due to the expiration of statutes of limitations and anticipated closure of various state matters currently under examination or in appeals. For such matters where a change in the balance of unrecognized tax benefits is not yet deemed reasonably possible, no estimate has been included.

Our effective tax rate for continuing operations, including the effects of discrete tax items, was 24.4% and 24.0% for the three months ended September 30, 2022 and 2021, respectively.

Consistent with prior years, our pretax loss for the three months ended September 30, 2022 is expected to be offset by income in our third and fourth quarters due to the established pattern of seasonality in our primary business operations. As such, management has determined that it is more-likely-than-not that realization of tax benefits recorded in our financial statements will occur within our fiscal year. The amount of tax benefit recorded for the three months ended September 30, 2022 reflects management’s estimate of the annual effective tax rate applied to year-to-date loss from continuing operations adjusted for the tax impact of discrete items for the periods presented.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Assisted tax returns are covered by our 100% accuracy guarantee, whereby we will reimburse a client for penalties and interest attributable to an H&R Block error on a return. DIY tax returns are covered by our 100% accuracy guarantee, whereby we will reimburse a client up to a maximum of $10,000 if our software makes an arithmetic error that results in payment of penalties and/or interest to the IRS that a client would otherwise not have been required to pay. Our liability related to estimated losses under the 100% accuracy guarantee was $12.7 million and $14.0 million as of September 30, 2022 and June 30, 2022, respectively. The short-term and long-term portions of this liability are included in deferred revenue and other liabilities in the consolidated balance sheets.

Liabilities related to acquisitions for (1) estimated contingent consideration based on expected financial performance of the acquired business and economic conditions at the time of acquisition and (2) estimated accrued compensation related to continued employment of key employees were $16.0 million and $12.9 million as of September 30, 2022 and June 30, 2022, respectively, with amounts recorded in deferred revenue and other liabilities. Should actual results differ from our estimates, future payments made will differ from the above estimate and any differences will be recorded in results from continuing operations.

We have contractual commitments to fund certain franchises with approved revolving lines of credit. Our total obligation under these lines of credit was $15.3 million at September 30, 2022, and net of amounts drawn and outstanding, our remaining commitment to fund totaled $8.7 million.

NOTE 9: LITIGATION AND OTHER RELATED CONTINGENCIES

We are a defendant in numerous litigation and arbitration matters, arising both in the ordinary course of business and otherwise, including as described below. The matters described below are not all of the lawsuits or arbitrations to which we are subject. In some of the matters, very large or indeterminate amounts, including punitive damages, may be sought. U.S. jurisdictions permit considerable variation in the assertion of monetary damages or other relief. Jurisdictions may permit claimants not to specify the monetary damages sought or may permit claimants to state only that the amount sought is sufficient to invoke the jurisdiction. In addition, jurisdictions may permit plaintiffs to allege monetary damages in amounts well exceeding reasonably possible verdicts in the jurisdiction for similar matters. We believe that the monetary relief which may be specified in a lawsuit or claim bears little relevance to its merits or disposition value due to this variability in pleadings and our experience in handling and resolving numerous claims over an extended period of time.

The outcome of a matter and the amount or range of potential loss at particular points in time may be difficult to ascertain. Among other things, uncertainties can include how fact finders will evaluate documentary evidence and the credibility and effectiveness of witness testimony, and how courts and arbitrators will apply the law. Disposition valuations are also subject to the uncertainty of how opposing parties and their counsel will view the relevant evidence and applicable law.

In addition to litigation and arbitration matters, we are also subject to other loss contingencies arising out of our business activities, including as described below.

We accrue liabilities for litigation, arbitration, and other related loss contingencies and any related settlements when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. If a range of loss is estimated, and some amount within that range appears to be a better estimate than any other amount within that range, then that amount is accrued. If no amount within the range can be identified as a better estimate than any other amount, we accrue the minimum amount in the range.

For such matters where a loss is believed to be reasonably possible, but not probable, or the loss cannot be reasonably estimated, no accrual has been made. It is possible that such matters could require us to pay damages or make other expenditures or accrue liabilities in amounts that could not be reasonably estimated as of September 30, 2022. While the potential future liabilities could be material in the particular quarterly or annual periods in which they are recorded, based on information currently known, we do not believe any such liabilities are likely to have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows. Our total accrued liabilities were $1.7 million as of September 30, 2022 and June 30, 2022.

Our estimate of the aggregate range of reasonably possible losses includes (1) matters where a liability has been accrued and there is a reasonably possible loss in excess of the amount accrued for that liability, and (2) matters where a liability has not been accrued but we believe a loss is reasonably possible. This aggregate range only represents those losses as to which we are currently able to estimate a reasonably possible loss or range of loss. It does not represent our maximum loss exposure.

Matters for which we are not currently able to estimate the reasonably possible loss or range of loss are not included in this range. We are often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support an assessment of the reasonably possible loss or range of loss, such as precise information about the amount of damages or other remedies being asserted, the defenses to the claims being asserted, discovery from other parties and investigation of factual allegations, rulings by courts or arbitrators on motions or appeals, analyses by experts, or the status or terms of any settlement negotiations.

The estimated range of reasonably possible loss is based upon currently available information and is subject to significant judgment and a variety of assumptions, as well as known and unknown uncertainties. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate. As of September 30, 2022, we believe the estimate of the aggregate range of reasonably possible losses in excess of amounts accrued, where the range of loss can be estimated, is not material.

At the end of each reporting period, we review relevant information with respect to litigation, arbitration and other related loss contingencies and update our accruals, disclosures, and estimates of reasonably possible loss or range of loss based on such reviews. Costs incurred with defending matters are expensed as incurred. Any receivable for insurance recoveries is recorded separately from the corresponding liability, and only if recovery is determined to be probable and reasonably estimable.

We believe we have meritorious defenses to the claims asserted in the various matters described in this note, and we intend to defend them vigorously. The amounts claimed in the matters are substantial, however, and there can be no assurances as to their outcomes. In the event of unfavorable outcomes, it could require modifications to our operations; in addition, the amounts that may be required to be paid to discharge or settle the matters could be substantial and could have a material adverse impact on our business and our consolidated financial position, results of operations, and cash flows.

LITIGATION, CLAIMS OR OTHER LOSS CONTINGENCIES PERTAINING TO CONTINUING OPERATIONS –

Free File Litigation. On May 6, 2019, the Los Angeles City Attorney filed a lawsuit on behalf of the People of the State of California in the Superior Court of California, County of Los Angeles (Case No. 19STCV15742). The case is styled *The People of the State of California v. HRB Digital LLC, et al*. The complaint alleges that H&R Block, Inc. and HRB Digital LLC engaged in unfair, fraudulent and deceptive business practices and acts in connection with the IRS Free File Program in violation of the California Unfair Competition Law, California Business and Professions Code §§17200 *et seq.* The complaint seeks injunctive relief, restitution of monies paid to H&R Block by persons in the State of California who were eligible to file under the IRS Free File Program for the time period starting 4 years prior to the date of the filing of the complaint, pre-judgment interest, civil penalties and costs. The City Attorney subsequently dismissed H&R Block, Inc. from the case and amended its complaint to add HRB Tax Group, Inc. We filed a motion to stay the case based on the primary jurisdiction doctrine, which was denied. We filed a motion for summary judgment, which remains pending. A trial date is set for August 14, 2023. We have not concluded that a loss related to this matter is probable, nor have we accrued a liability related to this matter.

We have also received and are responding to certain governmental inquiries relating to the IRS Free File Program.

DISCONTINUED MORTGAGE OPERATIONS – Although SCC ceased its mortgage loan origination activities in December 2007 and sold its loan servicing business in April 2008, SCC or the Company has been and may in the future be, subject to litigation and other loss contingencies, including indemnification and contribution claims, pertaining to SCC's mortgage business activities that occurred prior to such termination and sale.

Parties, including underwriters, depositors, and securitization trustees, have been, remain, or may in the future be, involved in lawsuits, threatened lawsuits, or settlements related to securitization transactions in which SCC participated. A variety of claims are alleged in these matters, including violations of federal and state securities laws and common law fraud, breaches of representations and warranties, or violations of statutory requirements. SCC has received notices of potential indemnification or contribution obligations relating to such matters. Additional lawsuits against the parties to the securitization transactions may be filed in the future, and SCC may receive additional notices of potential indemnification, contribution or similar obligations with respect to existing or new lawsuits or settlements of such lawsuits or other claims. We have not concluded that a loss related to any of these potential indemnification or contribution claims is probable, nor have we accrued a liability related to any of these claims.

It is difficult to predict either the likelihood of new matters being initiated or the outcome of existing matters. In many of these matters it is not possible to estimate a reasonably possible loss or range of loss due to, among other things, the inherent uncertainties involved in these matters and the indeterminate damages sought. If the amount that SCC is ultimately required to pay with respect to loss contingencies, together with payment of SCC's related administration and legal expense, exceeds SCC's net assets, the creditors of SCC, other potential claimants, or a bankruptcy trustee if SCC were to file or be forced into bankruptcy, may attempt to assert claims against us for payment of SCC's obligations. Claimants also may attempt to assert claims against or seek payment directly from the Company even if SCC's assets exceed its liabilities. SCC's principal assets, as of September 30, 2022, total approximately $264 million and consist of an intercompany note receivable. We believe our legal position is strong on any potential corporate veil-piercing arguments; however, if this position is challenged and not upheld, it could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

OTHER – We are from time to time a party to litigation, arbitration and other loss contingencies not discussed herein arising out of our business operations. These matters may include actions by state attorneys general, other state regulators, federal regulators, individual plaintiffs, and cases in which plaintiffs seek to represent others who may be similarly situated.

While we cannot provide assurance that we will ultimately prevail in each instance, we believe the amount, if any, we are required to pay to discharge or settle these other matters will not have a material adverse impact on our business and our consolidated financial position, results of operations, and cash flows.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Our subsidiaries provide assisted and DIY tax preparation solutions through multiple channels (including in-person, online and mobile applications, virtual, and desktop software) and distribute H&R Block-branded products and services, including those of our bank partners, to the general public primarily in the U.S., Canada and Australia. Tax returns are either prepared by H&R Block tax professionals (in company-owned or franchise offices, virtually or via an internet review) or prepared and filed by our clients through our DIY tax solutions. We also offer small business solutions through our company-owned and franchise offices and online through Wave. We report a single segment that includes all of our continuing operations.

Consolidated – Financial Results				(in 000s, except per share amounts)
Three months ended September 30,	**2022**	2021	$ Change	% Change
Revenues:				
U.S. tax preparation and related services:				
Assisted tax preparation	**$ 36,312**	$ 33,607	$ 2,705	8.0 %
Royalties	**6,228**	7,358	(1,130)	(15.4)%
DIY tax preparation	**3,158**	4,061	(903)	(22.2)%
Refund Transfers	**1,284**	1,665	(381)	(22.9)%
Peace of Mind® Extended Service Plan	**24,770**	24,836	(66)	(0.3)%
Tax Identity Shield®	**5,167**	5,153	14	0.3 %
Other	**9,360**	9,745	(385)	(4.0)%
Total U.S. tax preparation and related services:	**86,279**	86,425	(146)	(0.2)%
Financial services:				
Emerald Card® and Spruce℠	**11,612**	28,258	(16,646)	(58.9)%
Interest and fee income on Emerald Advance℠	**614**	479	135	28.2 %
Total financial services	**12,226**	28,737	(16,511)	(57.5)%
International	**58,834**	58,325	509	0.9 %
Wave	**22,646**	19,137	3,509	18.3 %
Total revenues	**$ 179,985**	$ 192,624	$ (12,639)	(6.6)%
Compensation and benefits:				
Field wages	**61,673**	56,079	(5,594)	(10.0)%
Other wages	**63,753**	58,064	(5,689)	(9.8)%
Benefits and other compensation	**34,832**	25,450	(9,382)	(36.9)%
	160,258	139,593	(20,665)	(14.8)%
Occupancy	**97,590**	95,822	(1,768)	(1.8)%
Marketing and advertising	**10,649**	10,073	(576)	(5.7)%
Depreciation and amortization	**33,624**	35,715	2,091	5.9 %
Bad debt	**329**	1,043	714	68.5 %
Other	**86,646**	85,150	(1,496)	(1.8)%
Total operating expenses	**389,096**	367,396	(21,700)	(5.9)%
Other income (expense), net	**3,611**	284	3,327	1,171.5 %
Interest expense on borrowings	**(15,824)**	(22,830)	7,006	30.7 %
Pretax loss	**(221,324)**	(197,318)	(24,006)	(12.2)%
Income tax benefit	**(53,957)**	(47,373)	6,584	13.9 %
Net loss from continuing operations	**(167,367)**	(149,945)	(17,422)	(11.6)%
Net loss from discontinued operations	**(1,054)**	(1,656)	602	36.4 %
Net loss	**$ (168,421)**	$ (151,601)	$ (16,820)	(11.1)%
BASIC AND DILUTED LOSS PER SHARE:				
Continuing operations	**$ (1.05)**	$ (0.84)	$ (0.21)	(25.0)%
Discontinued operations	**(0.01)**	(0.01)	—	— %
Consolidated	**$ (1.06)**	$ (0.85)	$ (0.21)	(24.7)%
Adjusted diluted EPS[(1)]	**$ (0.99)**	$ (0.78)	$ (0.21)	(26.9)%
EBITDA [(1)]	**$ (171,876)**	$ (138,773)	$ (33,103)	(23.9)%

[(1)] All non-GAAP measures are results from continuing operations. See "Non-GAAP Financial Information" at the end of this item for a reconciliation of non-GAAP measures.

Three months ended September 30, 2022 compared to September 30, 2021

Revenues decreased $12.6 million, or 6.6%, from the prior year. U.S. assisted tax preparation revenues increased $2.7 million, or 8.0%, primarily due to a higher net average charge and slightly higher return volume in the current year. U.S. royalty revenue decreased $1.1 million, or 15.4%, due to the timing of royalty incentives.

Emerald Card and Spruce revenues decreased $16.6 million, or 58.9%, due to the IRS loading Child Tax Credits monthly to Emerald Cards® in the prior year.

International tax preparation volumes increased in Australia, which was largely offset by the impacts of foreign currency exchange rates compared to the prior year. Wave revenues increased $3.5 million, or 18.3%, due to higher small business payments processing volumes.

Total operating expenses increased $21.7 million, or 5.9%, from the prior year. Field wages increased $5.6 million, or 10%, due to higher field management wages and a bonus accrual adjustment in the prior year. Other wages increased $5.7 million, or 9.8%, due to higher corporate wages in the current year. Benefits and other compensation increased $9.4 million, or 36.9%, due to higher employee insurance costs and higher payroll taxes as a result of the increase in wages. Occupancy expense increased $1.8 million, or 1.8%, due to higher office rent rates in the current year. Depreciation and amortization expense decreased $2.1 million, or 5.9%, due to lower amortization of acquired intangibles.

Other operating expenses increased $1.5 million, or 1.8%. The components of other expenses are as follows:

(in 000s)

Three months ended September 30,	2022	2021	$ Change	% Change
Consulting and outsourced services	**$ 18,053**	$ 25,857	$ 7,804	30.2 %
Bank partner fees	**(19)**	108	127	**
Client claims and refunds	**6,770**	6,015	(755)	(12.6)%
Employee and travel expenses	**6,068**	4,290	(1,778)	(41.4)%
Technology-related expenses	**25,915**	20,325	(5,590)	(27.5)%
Credit card/bank charges	**16,201**	14,961	(1,240)	(8.3)%
Insurance	**3,718**	3,331	(387)	(11.6)%
Legal fees and settlements	**2,286**	3,042	756	24.9 %
Supplies	**3,395**	2,823	(572)	(20.3)%
Other	**4,259**	4,398	139	3.2 %
	$ 86,646	$ 85,150	$ (1,496)	(1.8)%

Consulting and outsourced services expense decreased $7.8 million, or 30.2%, due to lower call center expenses and data processing fees related to lower activity on Emerald Cards. Employee and travel expenses increased $1.8 million, or 41.4%, due to more travel in the current year. Technology-related expenses increased $5.6 million, or 27.5%, due to increased investments in information technology. Credit card and bank charges increased $1.2 million, or 8.3%, due to higher Wave small business payment processing fees.

Other income (expense), net increased $3.3 million primarily due to higher interest income as a result of higher interest rates. Interest expense on borrowings decreased $7.0 million, or 30.7%, due to the repayment of our $500 million 5.500% Senior Notes in May 2022.

We recorded an income tax benefit of $54.0 million in the current year compared to $47.4 million in the prior year. The effective tax rate for the three months ended September 30, 2022, and 2021 was 24.4% and 24.0%, respectively.

FINANCIAL CONDITION

These comments should be read in conjunction with the consolidated balance sheets and consolidated statements of cash flows included in Part 1, Item 1.

CAPITAL RESOURCES AND LIQUIDITY –

OVERVIEW – Our primary sources of capital and liquidity include cash from operations (including changes in working capital), draws on our CLOC, and issuances of debt. We use our sources of liquidity primarily to fund working capital, service and repay debt, pay dividends, repurchase shares of our common stock, and acquire businesses.

Our operations are highly seasonal and substantially all of our revenues and cash flow are generated during the period from February through April in a typical year. Therefore, we normally require the use of cash to fund losses and working capital needs, periodically resulting in a working capital deficit, during the months of May through January. We typically have relied on available cash balances from the prior tax season and borrowings to meet liquidity needs.

Given the likely availability of a number of liquidity options discussed herein, we believe that, in the absence of any unexpected developments, our existing sources of capital as of September 30, 2022 are sufficient to meet our operating, investing and financing needs.

DISCUSSION OF CONSOLIDATED STATEMENTS OF CASH FLOWS – The following table summarizes our statements of cash flows for the three months ended September 30, 2022 and 2021. See Item 1 for the complete consolidated statements of cash flows for these periods.

(in 000s)

Three months ended September 30,		2022		2021
Net cash used in:				
Operating activities	**$**	**(321,666)**	$	(312,624)
Investing activities		**(37,358)**		(19,453)
Financing activities		**(246,893)**		(217,322)
Effects of exchange rates on cash		**(13,422)**		(3,959)
Net decrease in cash and cash equivalents, including restricted balances	**$**	**(619,339)**	$	(553,358)

Operating Activities. Cash used in operations totaled $321.7 million for the three months ended September 30, 2022 compared to $312.6 million in the prior year period. The change is primarily due to the timing of receivables collections and an increase in our net loss, partially offset by the receipt of an income tax receivable in the current year.

Investing Activities. Cash used in investing activities totaled $37.4 million for the three months ended September 30, 2022 compared to $19.5 million in the prior year period. The change is primarily due to payments to acquire businesses in the current year.

Financing Activities. Cash used in financing activities totaled $246.9 million for the three months ended September 30, 2022 compared to $217.3 million in the prior year period. The change is due to higher share repurchases in the current year.

CASH REQUIREMENTS –

Dividends and Share Repurchases. Returning capital to shareholders in the form of dividends and the repurchase of outstanding shares is, and has historically been, a significant component of our capital allocation plan.

We have consistently paid quarterly dividends. Dividends paid totaled $43.1 million and $49.0 million for the three months ended September 30, 2022 and 2021, respectively. Although we have historically paid dividends and plan to continue to do so, there can be no assurances that circumstances will not change in the future that could affect our ability or decisions to pay dividends.

In August 2022, the Board of Directors approved a $1.25 billion share repurchase program, effective through fiscal year 2025. During the three months ended September 30, 2022, we repurchased $219.8 million of our common stock at an average price of $44.60 per share. In the prior year period, we repurchased $165.8 million of our common stock at an average price of $24.37 per share. Our current share repurchase program has remaining authorization of $1.03 billion which is effective through June 2025.

Share repurchases may be effectuated through open market transactions, some of which may be effectuated under SEC Rule 10b5-1. The Company may cancel, suspend, or extend the period for the purchase of shares at any time. Any repurchases will be funded primarily through available cash and cash from operations. Although we may continue to repurchase shares, there is no assurance that we will purchase up to the full Board authorization.

Capital Investment. Capital expenditures totaled $16.2 million and $15.6 million for the three months ended September 30, 2022 and 2021, respectively. Our capital expenditures relate primarily to recurring improvements to retail offices, as well as investments in computers, software and related assets. In addition to our capital expenditures, we also made payments to acquire businesses. We acquired franchisee and competitor businesses totaling $16.5 million and $4.3 million during the three months ended September 30, 2022 and 2021, respectively. See Item 1, note 5 for additional information on our acquisitions.

FINANCING RESOURCES – The CLOC has capacity up to $1.5 billion and is scheduled to expire in June 2026. Proceeds under the CLOC may be used for working capital needs or for other general corporate purposes. We had no outstanding balance under our CLOC and amounts available to borrow were limited by the debt-to-EBITDA covenant to approximately $1.47 billion as of September 30, 2022.

The following table provides ratings for debt issued by Block Financial LLC (Block Financial) as of September 30, 2022 and June 30, 2022:

As of	**September 30, 2022**			June 30, 2022		
	Short-term	Long-term	Outlook	Short-term	Long-term	Outlook
Moody's	**P-3**	**Baa3**	**Positive**	P-3	Baa3	Stable
S&P	**A-2**	**BBB**	**Stable**	A-2	BBB	Stable

Other than described above, there have been no material changes in our borrowings from those reported as of June 30, 2022 in our Annual Report to Shareholders on Form 10-K.

CASH AND OTHER ASSETS – As of September 30, 2022, we held cash and cash equivalents, excluding restricted amounts, of $322.8 million, including $127.4 million held by our foreign subsidiaries. We received $100.6 million of our federal income tax receivable subsequent to September 30, 2022.

Foreign Operations. Seasonal borrowing needs of our Canadian operations are typically funded by our U.S. operations. To mitigate foreign currency risk, we sometimes enter into foreign exchange forward contracts. There were no forward contracts outstanding as of September 30, 2022.

We do not currently intend to repatriate non-borrowed funds held by our foreign subsidiaries in a manner that would trigger a material tax liability.

The impact of changes in foreign exchange rates during the period on our international cash balances resulted in a decrease of $13.4 million during the three months ended September 30, 2022 and in a decrease of $4.0 million during the three months ended September 30, 2021.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS – There have been no material changes in our contractual obligations and commercial commitments from those reported in our June 30, 2022 Annual Report to Shareholders on Form 10-K.

SUMMARIZED GUARANTOR FINANCIAL STATEMENTS – Block Financial is a 100% owned subsidiary of H&R Block, Inc. Block Financial is the Issuer and H&R Block, Inc. is the full and unconditional Guarantor of our Senior Notes, CLOC and other indebtedness issued from time to time.

The following table presents summarized financial information for H&R Block, Inc. (Guarantor) and Block Financial (Issuer) on a combined basis after intercompany eliminations and excludes investments in and equity earnings in non-guarantor subsidiaries.

SUMMARIZED BALANCE SHEET - GUARANTOR AND ISSUER		(in 000s)
As of	**September 30, 2022**	June 30, 2022
Current assets	**$ 50,399**	$ 38,922
Noncurrent assets	**1,682,102**	1,698,242
Current liabilities	**106,679**	75,855
Noncurrent liabilities	**1,497,818**	1,495,732

SUMMARIZED STATEMENTS OF OPERATIONS - GUARANTOR AND ISSUER		(in 000s)
	Three months ended September 30, 2022	Twelve months ended June 30, 2022
Total revenues	**$ 13,420**	$ 199,683
Income from continuing operations before income taxes	**771**	44,404
Net income from continuing operations	**3,490**	41,979
Net income	**2,437**	35,007

The table above reflects $1.6 billion of non-current intercompany receivables due to the Issuer from non-guarantor subsidiaries as of September 30, 2022 and June 30, 2022.

REGULATORY ENVIRONMENT

As previously disclosed, in 2017 the Consumer Financial Protection Bureau (CFPB) published its final rule regulating certain consumer credit products (Payday Rule), which the CFPB later limited by removing the mandatory underwriting provisions. Certain limited provisions of the Payday Rule became effective in 2018, but most provisions were scheduled to go into effect in 2019. Litigation in a federal district court in Texas had stayed that effective date, but on August 31, 2021 the judge in that litigation ruled in favor of the CFPB. The plaintiffs appealed, and, on October 14, 2021, the United States Court of Appeals for the Fifth Circuit extended the compliance deadline until after the appeal is resolved. On October 19, 2022, the appellate court found that the funding mechanism for the CFPB was unconstitutional and vacated the Payday Rule; however, the CFPB may take further action to challenge this ruling.

We are unsure whether, when, or in what form the Payday Rule will go into effect. Though we do not currently expect the Payday Rule to have a material adverse impact on Emerald Advance℠, our business, or our consolidated financial position, results of operations, and cash flows, we will continue to monitor and analyze the potential impact of any further developments on the Company.

There have been no other material changes in our regulatory environment from what was reported in our June 30, 2022 Annual Report to Shareholders on Form 10-K.

NON-GAAP FINANCIAL INFORMATION

Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with 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.

We consider our non-GAAP financial measures to be performance measures and a useful metric for management and investors to evaluate and compare the ongoing operating performance of our business. We make adjustments for certain non-GAAP financial measures related to amortization of intangibles from acquisitions and goodwill impairments. We may consider whether other significant items that arise in the future should be excluded from our non-GAAP financial measures.

We measure the performance of our business using a variety of metrics, including earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations, adjusted EBITDA from continuing operations, adjusted diluted earnings per share from continuing operations, free cash flow and free cash flow yield. We also use EBITDA from continuing operations and pretax income of continuing operations, each subject to permitted adjustments, as performance metrics in incentive compensation calculations for our employees.

The following is a reconciliation of net loss to EBITDA from continuing operations, which is a non-GAAP financial measure:

		(in 000s)		
	Three months ended September 30,			
		2022		2021
Net loss - as reported	**$**	**(168,421)**	$	(151,601)
Discontinued operations, net		**1,054**		1,656
Net loss from continuing operations - as reported		**(167,367)**		(149,945)
Add back:				
Income tax benefit		**(53,957)**		(47,373)
Interest expense		**15,824**		22,830
Depreciation and amortization		**33,624**		35,715
		(4,509)		11,172
EBITDA from continuing operations	**$**	**(171,876)**	$	(138,773)

The following is a reconciliation of our results from continuing operations to our adjusted results from continuing operations, which is a non-GAAP financial measure:

		(in 000s, except per share amounts)		
	Three months ended September 30,			
		2022		2021
Net loss from continuing operations - as reported	**$**	**(167,367)**	$	(149,945)
Adjustments:				
Amortization of intangibles related to acquisitions (pretax)		**12,696**		14,870
Tax effect of adjustments [1]		**(3,221)**		(3,635)
Adjusted net loss from continuing operations	**$**	**(157,892)**	$	(138,710)
Diluted loss per share from continuing operations - as reported	**$**	**(1.05)**	$	(0.84)
Adjustments, net of tax		**0.06**		0.06
Adjusted diluted loss per share from continuing operations	**$**	**(0.99)**	$	(0.78)

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

FORWARD-LOOKING INFORMATION

This report and other documents filed with the SEC may contain forward-looking statements. In addition, our senior management may make forward-looking statements orally to analysts, investors, the media and others. 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, services or products, or descriptions of assumptions underlying any of the above. They may 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, 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 relating 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, operational and regulatory factors, many of which are beyond the Company's control. 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. Investors should understand that it is not possible to predict or identify all such factors and, consequently, should not consider any such list to be a complete set of all potential risks or uncertainties.

Details about risks, uncertainties and assumptions that could affect various aspects of our business are included throughout our Annual Report on Form 10-K for the fiscal year ended June 30, 2022 and are also described from time to time in other filings with the SEC. Investors should carefully consider all of these risks, and should pay particular attention to Item 1A, "Risk Factors," and Item 7 under "Critical Accounting Policies" of our Annual Report on Form 10-K for the fiscal year ended June 30, 2022.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risks from those reported in our June 30, 2022 Annual Report to Shareholders on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES – As of the end of the period covered by this Form 10-Q, management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING – There were no changes during the three months ended September 30, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of our material pending legal proceedings, see discussion in Part I, Item 1, note 9 to the consolidated financial statements.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those reported in our June 30, 2022 Annual Report to Shareholders on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

A summary of our purchases of H&R Block common stock during the three months ended September 30, 2022 is as follows:

(in 000s, except per share amounts)

	Total Number of Shares Purchased [(1)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [(2)]	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [(2)]
July 1 - July 31	**2**	**$ 36.77**	**—**	**$ —**
August 1 - August 31	**1,021**	**$ 45.88**	**684**	**$ 1,218,409**
September 1 - September 30	**4,245**	**$ 44.33**	**4,243**	**$ 1,030,304**
	5,268	**$ 44.63**	**4,927**	

(1) We purchased approximately 341 thousand shares in connection with funding employee income tax withholding obligations arising upon the lapse of restrictions on restricted share units.

(2) In August 2022, we announced that our Board of Directors approved a $1.25 billion share repurchase program, effective through June 2025.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are numbered in accordance with the Exhibit Table of Item 601 of Regulation S-K:

10.1	Form of 2018 Long Term Incentive Plan Award Agreement for Restricted Share Units, as approved on August 11, 2022, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed August 17, 2022, file number 1-06089, is incorporated herein by reference.
10.2	Form of 2018 Long Term Incentive Plan Award Agreement for Performance Share Units, as approved on August 11, 2022, filed as Exhibit 10.2 to the Company's current report on Form 8-K filed August 17, 2022, file number 1-06089, is incorporated herein by reference.
22	List of Guarantor and Issuer Subsidiaries, filed as Exhibit 22 to the Company's Annual Report on Form 10-K for the year ended June 30, 2022, file number 1-06089, is incorporated herein by reference.
31.1	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Extension Calculation Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

H&R BLOCK, INC.

/s/ Jeffrey J. Jones II
Jeffrey J. Jones II
President and Chief Executive Officer
November 3, 2022

/s/ Tony G. Bowen
Tony G. Bowen
Chief Financial Officer
November 3, 2022

/s/ Kellie J. Logerwell
Kellie J. Logerwell
Chief Accounting Officer
November 3, 2022

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey J. Jones II, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of H&R Block, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2022

/s/ Jeffrey J. Jones II
Jeffrey J. Jones II
Chief Executive Officer
H&R Block, Inc.

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Tony G. Bowen, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of H&R Block, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2022

/s/ Tony G. Bowen
Tony G. Bowen
Chief Financial Officer
H&R Block, Inc.

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of H&R Block, Inc. (the “Company”) on Form 10-Q for the fiscal quarter ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jeffrey J. Jones II, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffrey J. Jones II

Jeffrey J. Jones II
Chief Executive Officer
H&R Block, Inc.

November 3, 2022

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of H&R Block, Inc. (the “Company”) on Form 10-Q for the fiscal quarter ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Tony G. Bowen, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Tony G. Bowen

Tony G. Bowen
Chief Financial Officer
H&R Block, Inc.
November 3, 2022