

## H&R Block Releases Interim Tax Season Results; Preliminary Third Quarter Earnings

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KANSAS CITY, MO, Feb 23, 2011 (MARKETWIRE via COMTEX) --

H&R Block, Inc. (NYSE: HRB)

- Total tax returns prepared through Feb. 15 grow 2.5 percent; retail returns prepared up 0.5 percent
- Total online(1) returns prepared through Feb. 15 grow nearly 28 percent; total digital returns increase 7.3 percent
- Growth in total retail and total online returns prepared accelerates to 17 percent and 32 percent, respectively for the period Feb. 1 to Feb. 15(2)
- Industry-wide slow start to tax season, which disproportionately impacted complex returns, results in 7.6 percent decline in net tax preparation fees through Feb. 15
- Company expects near break-even net earnings in fiscal third quarter ended Jan. 31

H&R Block, Inc. today released its first interim tax season results, reflecting returns prepared through Feb. 15, 2011. An inability of the IRS to accept certain filings prior to Feb. 14 led to changes in taxpayer filing patterns, a delayed start to the tax season, and declines in tax returns prepared through Jan. 31. Volume declines in January were more than offset by strong unit growth in February.

Total tax returns prepared through Feb. 15 grew 2.5 percent compared to the prior year. Total digital tax returns increased 7.3 percent, including a 27.6 percent increase in online filings. Total retail returns prepared increased 0.5 percent for the period, contrasted with losses in the comparable periods in each of last several years.

For the Feb. 1 to Feb. 15 period, total retail and total online(1) returns prepared grew 17 and 32 percent, respectively(2). This trend has continued through the balance of the month to date. From Feb. 1 to Feb. 22, total retail and total online returns prepared increased 17 and 39 percent, respectively.

"After the industry-wide slow start to the tax season and despite the absence of a refund anticipation loan product offering, we have seen strong momentum throughout February," said Alan Bennett, H&R Block's president and chief executive officer. "Our early-season client growth initiatives have proven to be very effective, and clients have accepted less expensive financial products in the post-RAL world. We have a lot of work ahead of us in the second half of the season, but I am very pleased with our focused execution, effective marketing, and the exceptional service our tax professionals and support staff have provided our clients to date. Reversing recent trends, we saw our client base grow in the first half of the season and believe we have gained share in both the retail and online markets," added Bennett.

Total digital returns in the strategically important online segment grew 27.6 percent through Feb. 15. The company's marketing campaign has proven to be effective in driving new traffic to its website and conversion rates have improved, resulting in new online client growth (excluding FFA) of 46.2 percent. The strong growth in online filings was partially offset by a 10.4 percent decline in software-based returns and a 16.0 percent decline in FFA. Total digital tax returns, including online, software and Free File Alliance ("FFA"), increased 7.3 percent. Total digital returns excluding FFA increased 11.0 percent.

Primarily as a result of strong new client growth resulting from this year's free federal 1040 EZ offer and the IRS delay in accepting certain forms prior to Feb. 14, the retail net average charge ("NAC") declined 8.0 percent through Feb. 15. Excluding 1040 EZ returns and fees, the adjusted NAC increased 2.9 percent versus the prior year. For the full fiscal year ending April 30, 2011, the company anticipates its NAC will be down 1 to 3 percentage points compared to the prior year, primarily due to the success of its 1040 EZ promotion.

The company's efforts to promote early season filings led to retail new client growth of more than 23 percent on a day-to-day basis through Feb. 22, and growth of more than 46 percent in the Feb. 1 to Feb. 15 period. The company offered clients

traditional refund anticipation checks ("RAC's"), a lower cost financial product compared with refund anticipation loans, and through Feb. 22, more than 4.6 million, or 57 percent, of the company's retail tax clients established a RAC account.

### Preliminary Third Quarter Earnings

The company expects to report revenues of approximately \$850 million and near break-even net earnings from continuing operations for the fiscal third quarter ended Jan. 31, 2011. This reflects the industry-wide slow start to the tax season and approximately \$20 million of revenue deferral related to the IRS' delay in accepting certain forms. Those revenues will be recognized in the company's fiscal fourth quarter. In addition, the company recorded pretax charges of approximately \$38 million, largely due to goodwill impairment at an ancillary tax business, as well as incremental legal expense.

Additional commentary will be available when the company reports fiscal 2011 third quarter financial results on Wednesday, March 9, after the New York Stock Exchange market closing. At that time, a copy of the press release will be available on the company's Investor Relations Web site at [www.hrblock.com](http://www.hrblock.com).

At 4:30 p.m. Eastern on March 9, the company will host a conference call for analysts, institutional investors and shareholders. To access the call, please dial the number below approximately 5 to 10 minutes prior to the scheduled starting time:

U.S./Canada (877) 809-6980 or International (706) 758-0071  
Conference ID: 46637713

The call will also be webcast in a listen-only format for the media and public. The link to the webcast can be accessed on the Company's Investor Relations Web site at [www.hrblock.com](http://www.hrblock.com).

A replay of the call will be available beginning at 5:30 p.m. Eastern on March 9 and continuing until March 25, 2011, by dialing (800) 642-1687 (U.S./Canada) or (706) 645-9291 (International). The conference ID is 46637713. The webcast will be available for replay beginning on March 10.

### Forward Looking Statements

This announcement may contain forward-looking statements, which are any statements that are not historical facts. These forward-looking statements, as well as the Company's guidance, are based upon the Company's current expectations and there can be no assurance that such expectations will prove to be correct. Because forward-looking statements involve risks and uncertainties and speak only as of the date on which they are made, the Company's actual results could differ materially from these statements. These risks and uncertainties relate to, among other things, uncertainties regarding the Company's ability to attract and retain clients; meet its prepared returns targets; uncertainties and potential contingent liabilities arising from our former mortgage loan origination and servicing business; uncertainties in the residential mortgage market and its impact on loan loss provisions; uncertainties pertaining to the commercial debt market; competitive factors; the Company's effective income tax rate; litigation defense expenses and costs of judgments or settlements; uncertainties regarding the level of share repurchases; and changes in market, economic, political or regulatory conditions. Information concerning these risks and uncertainties is contained in Item 1A of the Company's 2010 annual report on Form 10-K and in other filings by the Company with the Securities and Exchange Commission. The Company does not undertake any duty to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

### About H&R Block

H&R Block Inc. (NYSE: HRB) is one of the world's largest tax services providers, having prepared more than 550 million tax returns worldwide since 1955. In fiscal 2010, H&R Block had annual revenues of \$3.9 billion and prepared more than 23 million tax returns worldwide, utilizing more than 100,000 highly trained tax professionals. The Company provides tax return preparation services in person, through H&R Block At Home(TM) online and desktop software products, and through other channels. The Company is also one of the leading providers of business services through RSM McGladrey. For more information, visit our Online Press Center.

(1) Total online returns prepared exclude software-based and Free File Alliance ("FFA") returns.

(2) Tax returns prepared for the February periods are measured on a day-to-day basis.

TABLE FOLLOWS

H&R BLOCK

Preliminary U.S. Tax Operating Data

(in thousands, except net average fee)

	Tax Season		Percent change	Tax Season		Percent change
	YTD 1/31 FY11	YTD 1/31 FY10		YTD 2/15 FY11	YTD 2/15 FY10	
Net tax preparation fees - retail: (1, 2, 4)						
Company-owned operations	\$ 391,143	\$ 449,578	-13.0%	\$ 767,350	\$ 840,512	-8.7%
Franchise operations	241,908	264,610	-8.6%	470,767	499,449	-5.7%
	\$ 633,051	\$ 714,188	-11.4%	\$ 1,238,117	\$ 1,339,961	-7.6%
Total returns prepared: (2, 4)						
Company-owned operations	2,046	2,190	-6.6%	4,262	4,209	1.3%
Franchise operations	1,382	1,449	-4.6%	2,811	2,832	-0.7%
Total retail operations	3,428	3,639	-5.8%	7,073	7,041	0.5%
Software	601	635	-5.4%	1,020	1,138	-10.4%
Online	942	719	31.0%	1,874	1,469	27.6%
Sub-total	1,543	1,354	14.0%	2,894	2,607	11.0%
Free File Alliance	167	201	-16.9%	346	412	-16.0%
Total digital tax solutions	1,710	1,555	10.0%	3,240	3,019	7.3%
	5,138	5,194	-1.1%	10,313	10,060	2.5%
Net average fee - retail: (2, 3, 4)						
Company-owned operations	\$ 191.20	\$ 205.25	-6.8%	\$ 180.04	\$ 199.71	-9.8%
Franchise operations	175.03	182.60	-4.1%	167.45	176.35	-5.0%
	\$ 184.68	\$ 196.23	-5.9%	\$ 175.04	\$ 190.31	-8.0%

- (1) Amounts include gross tax preparation fees less coupons and discounts.
- (2) Prior year numbers have been reclassified between company-owned and franchise operations for offices which were refranchised during either year.
- (3) Amounts are calculated as net retail tax preparation fees divided by retail tax returns.
- (4) Amounts and counts include tax returns which were completed and paid

for, but are pending IRS acceptance due to the delay in filing of Schedule A.

The 2011 results above include 104,297 returns and \$25,145,626 fees related to returns which included a Schedule A. Revenue for the returns are deferred until the tax return is filed.

For Further Information

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