COLBY BROWN
Vice President, Investor Relations
Forward-Looking Statements
This presentation contains forward-looking statements within the meaning of the securities laws. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words or variation of words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "projects," "forecasts," "targets," "would," "will," "should," "could" or "may" or other similar expressions. Forward-looking statements provide management's current expectations or predictions of future conditions, events or results. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements. They may include estimates of revenues, income, earnings per share, cost savings, capital expenditures, dividends, share repurchases, liquidity, capital structure or other financial items, descriptions of management’s plans or objectives for future operations, products or services, or descriptions of assumptions underlying any of the above. All forward-looking statements speak only as of the date they are made and reflect the company's good faith beliefs, assumptions and expectations, but they are not guarantees of future performance or events. Furthermore, the company disclaims any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions, factors, or expectations, new information, data or methods, future events or other changes, except as required by law. By their nature, forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Factors that might cause such differences include, but are not limited to, a variety of economic, competitive and regulatory factors, many of which are beyond the company's control, that are described in our Annual Report on Form 10-K for the fiscal year ended April 30, 2015 in the section entitled “Risk Factors” and additional factors we may describe from time to time in other filings with the Securities and Exchange Commission. You may get such filings for free at our website at http://investors.hrblock.com.  You should understand that it is not possible to predict or identify all such factors and, consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

Non-GAAP Measures
We refer to certain Non-GAAP financial measures in this presentation. 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. For a description of these non-GAAP financial measures, including the reasons management uses each measure, and reconciliations of these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP, please refer to our previously filed press releases posted on our investor relations website at http://investors.hrblock.com.

Market and Industry Data
The data included in this presentation regarding the tax preparation services industry, including trends in the market and the Company's position and the position of its competitors within this industry, are based on the Company's estimates, which have been derived from management’s knowledge and experience in the industry, and information obtained from customers, trade and business organizations, internal research, publicly available information, industry publications and surveys and other contacts in the industry. The Company has also cited information compiled by industry publications, governmental agencies and publicly available sources. Although the Company believes these third-party sources to be reliable, it has not independently verified the data obtained from these sources and it cannot assure you of the accuracy or completeness of the data. Estimates of market size and relative positions in a market are difficult to develop and inherently uncertain and the Company cannot assure you that it is accurate. Accordingly, you should not place undue weight on the industry and market share data presented in this presentation.
H&R Block
The Leader in Tax Preparation

BILL COBB
President & CEO
Today’s Objectives

A Look Back at Our Transformation

Opportunities Going Forward

Continue Driving Value For Shareholders
Today’s Presenters

Kathy Pickering
Vice President, Regulatory Affairs

Laura Scobie
Vice President, Client Insights

Jason Houseworth
President U.S. Tax Product Strategy & Development

Mark Ciaramitaro
Vice President, Taxes and Healthcare Services

Greg Macfarlane
Chief Financial Officer
What I’ll Cover

- A Look Back
- Industry Issues
- Who We Are Today & Our Positioning for the Future
A Look Back

A Company in Turmoil
Lagging Results
“Financial Supermarket”

Unsure of what we wanted to be
... and who our clients were
Leadership Challenges

- Activist involvement
- Revolving leadership
  - Four CEOs from 2007 - April 2011
Why I Took the CEO Job

Great Company

Great Products

Great People
The Need For Focus

- Core tax business
- Sustainably growing the top line
- Improving margins
Exiting Non-Core Businesses

Option One Mortgage

Express Tax

RSM McGladrey

Red Gear Technologies
Innovated With Tax Plus Strategy

**BEFORE THE TAX EVENT**

**EMERALD ADVANCE**
Line of credit

**DURING THE TAX EVENT**

**REFUND TRANSFER**
Fees from refund

**EMERALD CARD**
Reloadable debit card

**AFTER THE TAX EVENT**

**PEACE OF MIND**
Audit rep, covers additional tax if HRB error

**Tax ID Shield**
Tax identity theft services

The only company with a suite of products like this
Tax Plus Strategy Has Generated...

$1.2 billion of product revenue

11% growth over 3 years
Stable Leadership

- Executed our strategy
- Continuity of leadership
- Multiple tax seasons with proven results
Bank Divestiture

- Final step in transformation back to a **focused tax company**
- **More value for shareholders through new capital structure**
- **Freedom** to make decisions
A History of Returning Capital to Shareholders

213th consecutive quarterly dividend

33% dividend increase
Capital Structure

- $3.5B share repurchase program through June 2019
- $1.5B Tender Offer - 40.5M shares at $37 per share
- Upsized line of credit from $1.5B to $2B
- Issued $1B of new long-term debt
Since May 2011...

Repurchased 76.4 million shares

That’s 25% of outstanding shares, average price of $26.38 per share
We Did What We Said We Would Do
A Transformed Company

2007

- Mortgage
- Tax Preparation
- Option One
- Bank
- Non-Core Add-ons
- Broker Dealer
- Consulting

Today

Tax Preparation
- Assisted
- Online
- Mobile
- Desktop
- International

Tax Plus Products
- Emerald Card
- Refund Transfers
- Emerald Advance
- Peace of Mind
- Tax Identity Shield
...and Our Business Results?
Revenue Has Grown Three Straight Years

FY13: $2,906
FY14: $3,024
FY15: $3,079
Profitability Has Dramatically Increased

- **EBITDA increased $136 million since FY11**
- **EBITDA margin up 5 points since FY12**

Note: EBITDA (earning before interest, taxes, depreciation, and amortization) is a non-GAAP financial measure. Please refer to our Dec 7, 2015 earning release for more specific information.
Digital

- Revenue growth outpacing industry
- Consumer awareness has increased 16 pts to 67% since 2010
International

Canada
- 10% Market Share
- +13% Revenue Growth in FY15

Australia
- 6% Market Share
- +5% Revenue Growth in FY15

New Markets
- India and U.S. Expat Tax Services

$239M of FY15 revenue

1In local currency. USD results impacted by foreign currency translation impacts. Canada includes tax prep fees for returns prepared through May 5, 2015 due to the extension of the Canadian tax season.
Invested Back Into the Business

Continued enhancements of our retail stores

Inside

Outside
Technology Investments
Bought Franchise & Independent Locations
The Market Has Responded

May 2, 2011
$17.48

Nov. 30, 2015
$36.69

HRB
S&P 500
We’re Committed to Leading This Industry
Industry Issues

TAX FRAUD
Stolen Identity Refund Fraud

SIRF reached alarming levels in 2015 tax season

Federal Tax ID Theft Cases

Threatens taxpayer confidence in the system
Dealing With Fraud

Public-Private Partnership

Federal Government  Industry  State Tax Authorities
Stolen Identity Refund Fraud is Just One Part of the Problem
EITC Fraud & Improper Payments

- DIY filers don’t have to answer the same eligibility questions
- Migration from assisted to digital primarily due to fraud
- Excluding fraud, percentage of assisted filers may have grown

1Source: H&R Block estimates
Lack of Return Preparer Minimum Standards

Unscrupulous preparers

All 50 states set standards for barbers

Only 4 states have preparer standards

That Makes No Sense
We Need...
Mandatory Testing, Continuing Education & Background Checks for All Paid Return Preparers
“…we must come together as an industry, with government, to make the system safer for consumers and stop the billions of fraudulent refunds that are issued every year.”

- Bill Cobb, Feb. 17, 2015, New York Times

“…we urge Congress to listen to consumers and move to enact minimum standards for return preparers and implement consistent anti-fraud measures for all taxpayers…”

- Bill Cobb, April 8, 2014, testimony before the Senate Finance Committee
…we urge Congress to listen to consumers and move to enact minimum standards for return preparers and implement consistent anti-fraud measures for all taxpayers…

- Bill Cobb, April 8, 2014, testimony before the Senate Finance Committee

Why We Continue Talking About Fraud

Level Playing Field

Reduce Fraud

Better Protect Consumers
Complexity and Tax Reform

Candidates Air Sharp Differences on Taxes

- Politico
Complexity and Tax Reform

Public Policies Administered Through the Tax Code

Complexity Impacts Us Too

We Follow the Law... Must Train 80,000 Tax Pros Every Year

EITC

Affordable Care Act
- Over 3 million ACA clients served last season
- Millions enrolled through the exchanges
- ACA opportunity will take several years to unfold
Enduring Taxpayer Truths

Pay Only What They Owe

Want Maximum Refund

Want Accurate Tax Return

Minimize Stress of Filing
The Tax Code

- **74,000+ pages & counting**

- In 1955, much simpler but people still wanted help...

- ...H&R Block invented the industry

![Tax Code Graph](chart.png)
People Want Help
We Serve the Entire Category
To This Point…

**Transformation**

**Capital Structure**

**Industry Leadership**
The Tax Preparation Industry Is...

Steady and...

Not very exciting to some...
Challenges Of...

- Implementing complex new tax laws
- Tackling issues affecting millions of Americans
- Navigating the assisted and DIY categories
Challenges translate into opportunities
Opportunity in the Tax Preparation Industry

- 135 million returns filed in tax season...and counting
- No one better able to help

H&R Block is the Clear Industry Leader
Growth Potential & Stability

Over $3 Billion in Annual Revenue

Note: See description of non-GAAP measures earlier in this presentation.
Growth Potential & Stability

Return on Invested Capital
Nearing Top Decile
of S&P 500

Proven Record of
Returning Capital
to Shareholders

1Source: FactSet, H&R Block internal calculation
There’s ROOM TO RUN
In Assisted, We’re Bringing New Ideas

Better Align Services to Dynamics of the Tax Season

Meet Challenge of Growing Early Season Clients

Serve Clients With More Sophisticated Tax Situations
Growing Revenue & Awareness of Our DIY Products
In International

Fast Growing Business

Exciting Opportunities in India and Expat Services
Continuing to Meet Growing Needs of Our Clients
In Conclusion...

Excited to be in This Industry

Continuing to Lead

H&R Block is a Great Investment
Fraud’s Impact on the Tax Preparation Industry and the Way Forward

KATHY PICKERING
Vice President, Regulatory Affairs & Executive Director of the Tax Institute
The Impact of Fraud & the Lack of Standards

EITC Improper Payments

Return Preparer Standards

Stolen Identity Refund Fraud
Two Key Themes

- Lack of Consistent Standards
- Anonymity of DIY

Opens the Door to Tax Refund Fraud
Why Should You Care?

- Solutions being implemented for upcoming tax seasons
- Will impact the industry...
  ...especially our competitors
The Amount of Fraud & Dollars Represented are Staggering...
EITC Improper Payments

EITC IMPROPER PAYMENTS
Worst among all federal programs

Source: Department of the Treasury Agency Financial Report
Return Preparer Standards

Unique Insight on Competency

Potential Acquisitions Must Meet Block’s Criteria

- Number of Returns
- Professional Appearance
- Computer Systems

H&R Block Reviews Actual Tax Returns According to Our Standards to Assess Quality
The Results Are Shocking

1 in 2
Prospects has
Non-Compliance Issues

1 in 4
Committing Fraud
Problem Growing Worse

Federal Tax ID Theft Cases

<table>
<thead>
<tr>
<th>Year</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>440K</td>
</tr>
<tr>
<td>2011</td>
<td>1.1M</td>
</tr>
<tr>
<td>2012</td>
<td>1.8M</td>
</tr>
<tr>
<td>2013</td>
<td>2.9M</td>
</tr>
<tr>
<td>2014</td>
<td>?</td>
</tr>
<tr>
<td>2015</td>
<td>?</td>
</tr>
</tbody>
</table>

Source: Treasurer Inspector General for Tax Administration, March 2015
Why is the Stolen Identity Refund Fraud (SIRF) Problem Getting Worse?
Stolen Identity Refund Fraud

- Fraud is reaching a “tipping point”

- Must be addressed effectively...

- ...or else it puts the entire tax administration process at risk

H&R Block is leading the way forward for the industry
The Impact of Fraud & the Lack of Standards

- EITC Improper Payments
- Return Preparer Standards
- Stolen Identity Refund Fraud
EITC Overview
Anti-Poverty Program for Working Families

Bills
Car Repair
Rent

$6,242
EITC Eligibility

- Children must live with taxpayer for at least 6 months
- Taxpayer must have earned income
- Blended family complexity
What is an Improper Payment?

Right Household, Wrong Person
Lack of Documentation
Actual Fraud
EITC Fraud and Improper Payments

- In Tax Season 2015:
  - ~22% to ~26% of EITC payments were improper
  - That amounts to $14-17 billion

- There is a history here...
  - Between years 2012 - 2015, Treasury estimated a total of ~$60 billion in fraud and improper payments

Source: Department of the Treasury Agency Financial Report
Driving Change to Reduce Fraud

We Need Practical Measures to Reduce Fraud

Protect the Program for Those it was Meant to Benefit
EITC by Number of Children & Filing Status

Credit Amount

EITC by Number of Children & Filing Status

Credit Amount

Income

Single, 3 Children

Market Shift Resulting From Inconsistent Standards

<table>
<thead>
<tr>
<th>Year</th>
<th>ASSISTED</th>
<th>DIY</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>72%</td>
<td>28%</td>
</tr>
<tr>
<td>2010</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>2012</td>
<td>61%</td>
<td>39%</td>
</tr>
<tr>
<td>2014</td>
<td>57%</td>
<td>43%</td>
</tr>
<tr>
<td>2015</td>
<td>55%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Source: IRS data
EITC Fraud Migration - Many Factors at Play

- Increasing Availability of Technology
- DIY Software
- Increasing Burden on Return Preparers
- Ghost Preparers
- DIY Competitive Offers
- Free / Free
### EITC: Some Good News

<table>
<thead>
<tr>
<th>TS16 Changes: Gov’t-Industry Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pilot test in DIY to learn the impact of additional questions</td>
</tr>
<tr>
<td>Retail clients no longer subjected to certain invasive questions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Planned TS17 Changes: There’s More to Come</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consistency in EITC eligibility cross channels</td>
</tr>
<tr>
<td>Legislation: Reduce refund for unsubstantiated EITC claims</td>
</tr>
</tbody>
</table>
Will This Stop EITC Fraud?

In the short term, no, but...

- This will reduce EITC fraud and improper payments
- It will get fixed
- It’s just a question of when
The Impact of Fraud & the Lack of Standards

- **EITC Improper Payments**
- **Return Preparer Standards**
- **Stolen Identity Refund Fraud**
No Federal Minimum Standards in the Industry

- IRS’ return preparer program overruled in court in 2014
- Some states responding with their own minimum standards
- Others considering starting minimum standards programs
- Oregon: GAO report found state’s preparers more accurate

1Source: Government Accountability Office, 2008
All the IRS is Able to Require is…

- Name, SSN, DOB
- $50 fee
- Explanations if you owe taxes or have a felony record

PTIN – Preparer Tax ID Number
H&R Block Sets High Standards for its 80,000 Tax Preparers:

- 60 hours of basic income tax training
- Competency exam
- 18 hours of continuing education annually
- Background checks
- Internal compliance & ethics program
Competency and Ethics Should be Table Stakes
The Impact of Fraud & the Lack of Standards

EITC Improper Payments

Return Preparer Standards

Stolen Identity Refund Fraud
Stolen Identity Refund Fraud 101

Name, SSN, DOB

Anonymous Transaction

Funnels Stolen Money
The Nature of Fraud is Changing

Self described as “The Queen of IRS Tax Fraud”
- Understand the tax code and the holes in tax administration systems
- Employ computer programmers, write scripts & submit returns in volume
- Reverse engineer IRS and state fraud filters
- A small percentage of success means a huge payday
- Relatively low risk of getting caught, very high pay off
Why We’ve Seen an Increase in Stolen Identity Refund Fraud

- Rise in Anonymous Unauthenticated Accounts
- Accessibility of Stolen Identities
Required Accepted Federal Return Before State

Team of Dedicated Fraud Analysts

We Authenticate Identity for our Pre-paid Emerald Card
Stolen Identity Refund Fraud Needs to be Addressed in a Cohesive and Unified Way

Public-Private Partnership

Federal Government

Industry

State Tax Authorities
Everyone Can Agree...

We Have a Common Enemy

And a Common Goal:

Fighting Fraud with a Unified Defense for 2016 & Beyond
How are Government & Industry Leveling the Playing Field?
Key Reasons SIRF Has Increased

- The DIY online filing process is virtually anonymous

- IRS and the states can’t always see the tax filer behaviors
  - Devices being used
  - Location of IP address
For 2016, All Software Providers Must...

- Authenticate online filer identity
- Implement strong security protocols:
  - Stronger passwords
  - Security questions

Not a heavy lift for H&R Block
Each tax preparation company required to conduct fraud monitoring and analysis

Report leads to the IRS in a timely manner

Secure infrastructure that respects taxpayer rights and protects personal information

Information Sharing

Not a Heavy Lift for H&R Block
Key Changes for 2017 & Beyond

Security Technology

Centralized Information Sharing

Financial Products
What These Changes Mean

H&R Block is well-positioned

Our solid relationships with the IRS and States better protects our programs and products

Our competitors have to catch up with us.
What These Changes Mean for Competitors

Assisted Independent Competitors
Without an IT staff, the risks are much greater

Smaller DIY Competitors
Many have not had centralized fraud detection and compliance capabilities
Again, H&R Block is Well-Positioned
A Good Start

A Holistic Problem... Only Solved by Working Together

More Needs to be Done in

Standards  Technology  Investment  Legislation
Final Thoughts

- None of the steps individually solve the problem
- But together—IRS, States and Industry—we are making a positive difference
- It’s the right thing to do...
  - For taxpayers
  - For the tax industry
Fueling New Client Growth in Assisted Tax Preparation

LAURA SCOBIE
Vice President, Client Insights
Growing Assisted Tax

Segmentation

Early Season Growth

New Brand Launch
We Understand Tax Filers

135 million tax season filers
SIMILAR NEEDS

GROUP INTO SEGMENTS

SEGMENT A

SEGMENT B

SEGMENT C
SEGMENT A

All about the money
Refund is their biggest payday of the year

SEGMENT B

High touch, year-round
Believe their situation is complex
Willing to pay for more expertise

SEGMENT C

Believe they are capable of preparing own tax return
We Have a Way Forward

For How to Win All Types of New Clients
Works 60 hours a week as a waitress

Single mother of 2

Receives the Earned Income Tax Credit

1 of 33 million eligible
Segment A Files Early in the Season

TS15 RETURN COUNT BY DAY - H&R BLOCK SEGMENT A

JANUARY  FEBRUARY  MARCH  APRIL

EARLY SEASON  LATE SEASON
Early Season Focus is Critical

H&R Block TS15 Results

JAN ▼ FEB ▼ MAR ▲ APR ▲
EITC makes up 2/3 of client loss
H&R Block Has Historically Done Well With EITC Clients

Well known brand

Respected

Products that benefit them

Skilled at handling complexity
We Know What Really Matters
We Know What it Takes to Win Them Back.
A POWERFUL EARLY SEASON MARKETING PROGRAM

Positive Difference in Our Clients’ Lives

Stand Out in the Marketplace
TARGETED MARKETING

- Likely Switchers
- Customer Relationship Management (CRM)
- Bilingual Messaging
- W2 Advertising
A Targeted Multi Year, Multi Dimensional Plan to Win Back EITC Clients

TARGETED MARKETING

CLIENT EXPERIENCE

GOVERNMENT RELATIONS
CLIENT EXPERIENCE

More Quality Tax Pros

More Bilingual Associates

Personalized Interviews
GOVERNMENT RELATIONS

Return Preparer Standards

EITC Improper Payments

Stolen Identity Refund Fraud
A Targeted Multi Year, Multi Dimensional Plan to Win Back EITC Clients

TARGETED MARKETING

CLIENT EXPERIENCE

GOVERNMENT RELATIONS
Added level of expertise
Believe their situation is complicated
Partner year-round
Same person every year
Get to know their personal situation
H&R Block Premium

Premium started in 1982

Experts at navigating complex tax situations

Deliver on Segment B client needs year after year
Transitioning Premium

Historically Premium lacked focus

We’ve decided to give it more attention

Created a new brand and business model
INTRODUCING...
1 in 5 are Small Business Owners
Block Advisors Will Offer

PAYROLL

BOOKKEEPING

BUSINESS TAXES

PERSONAL TAXES
Two Businesses, Two Types of Clients, Two Avenues For Growth

- Tax is a financial event
- Skilled tax professionals
- Accurate Return + Tax Products
- We get you every dollar you deserve
- Tax is about a refund

- Tax is a year-round process
- Team of tax advisors
- Tax + Planning + Small Business
- Customized tax plan
- Tax is part of a financial plan
Different Consumers
Different Needs
Different Value Propositions
Launching With...

287 Locations

Converted Premium Offices
H&R Block’s Winning Formula in DIY

JASON HOUSEWORTH
President, U.S. Product Strategy & Development
H&R Block’s Winning Formula in DIY

DIY Trends Shaping the Digital Category

Fraud

Value / Premium Convergence
H&R Block’s Winning Formula in DIY
The Do-It-Yourself (DIY) User
~40% of all tax filers

“I’m confident I can prepare my own tax return!”

“I want control of the tax process.”

“It’s convenient to do taxes when I want.”

“If I do it myself, I’m going to save money for the time I invested.”
H&R Block’s Winning Formula in DIY

1. Product Innovation: *Intelligence as a service*

2. ‘Multi-Screen’ Focus

3. Brand: Awareness & Tax Services
Consistent Product Innovation
Never Settle For Less™

Welcome to H&R Block At Home. We'll help you prepare your taxes and make sure you get your maximum refund — guaranteed.

1. Prepare Returns
   We'll work together to get your federal and any state returns ready.

2. File Returns
   Once your returns are all set, we'll help you e-file or print and mail.

3. Check Status
   Come back to make sure the IRS and state tax office accepted your returns.
Welcome

Let's get started with your 2013 taxes

Start My Taxes

Resources that might help

Form Availability
View Federal Forms
View State Forms

Worry-free Audit Support
More Information
Make a claim

Tax Filing Resources
File an Extension
File an amended return
Reset my pin
Wondering how your refund of $5,075 was calculated? It's easy! Let's find out.

Based on income, here's what you owe (after deductions). Together, these amounts decrease your refund by $3,179.
- Kate's income from Acme Corp
- Interest income from Fidelity
- Investments
- Mortgage interest in Bank Liberty
- State and local taxes

Next we'll add in every credit you're entitled to. Together, these increased your refund by $2,000.
- Child tax credits for ABBY & CHLOE
- Learn more

Finally, we'll include the taxes you paid last year. This increased your refund by $6,254.
- Taxes paid from Kate's employment at Acme Corp
- Learn more

Time to bring it all together.
- $3,179 Income and deductions that decreased your refund.
- $2,000 Credits that increased your refund.
- $6,254 Taxes you've already paid that increased your refund.

Your refund of $5,075
Your maximum refund - guaranteed.
DIY Results Over 4 Years

1. Product Innovation: Intelligence as a service

7% Tax Return CAGR

9% Revenue CAGR

Note: Period covered includes FY12 - FY15, excludes FFA returns
Designed For All Types of Devices
DIY Results Over 4 Years

‘Multi-Screen’ Focus

+30 pts

Mobile Conversion Improvement
DIY Results Over 4 Years

3 Brand: Awareness & Tax Services

+16 pts Awareness Growth
H&R Block’s Winning Formula in DIY

1. Product Innovation: *Intelligence as a service*

2. ‘Multi-Screen’ Focus

3. Brand: Awareness & Tax Services

4. (Continue) Industry Leading, Proactive & Secure Anti-Fraud Platform
H&R Block’s Formula to Win

DIY Trends Shaping the Digital Category

Fraud

Value / Premium Convergence
Florida Return Fluctuations

US Unemployment  | Florida Unemployment  | IRS DIY E-File Growth  | Florida IRS E-File Growth

Our View:
Federal filters caused fraud to originate in other states via online filings
“So far in this year’s tax filing season [TS15], Intuit has seen between three and 37-fold increases in unlinked, state-only returns. Convinced that most of those requests are fraudulent, the company now blocks users from filing unlinked returns via TurboTax.”

- Indu Kodukula, Chief Information Security Officer at Intuit (February 15, 2015)
IRS e-File Rejects

- Valid reasons exist for e-Files to be rejected
- The rate of rejects *should* be similar across DIY software providers
- It is not
High IRS Reject Rates Correspond With High e-File Growth

Source: H&R Block analysis of IRS Third Party Data Sort e-file data from 2013-2015
H&R Block’s Formula to Win

DIY Trends Shaping the Digital Category

Fraud

Value / Premium Convergence
Value/Premium Convergence

DIY

Value DIYer: Competitors lose ability to compete on price alone

Premium DIYer: Category leader raising price to fund simple filer pricing

HRB is well-positioned for the future
<table>
<thead>
<tr>
<th>Category Leader</th>
<th>Simple DIYer</th>
<th>Complex DIYer</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free Federal</td>
<td>Charged up to $40 more</td>
<td>+1040EZ share</td>
<td></td>
</tr>
<tr>
<td>Free State</td>
<td>$9.99 State</td>
<td>+3 pts desktop share +1040 online share</td>
<td></td>
</tr>
</tbody>
</table>

Source: H&R Block estimates, companies’ 10-Ks
<table>
<thead>
<tr>
<th>IRS e-File</th>
<th>Revenue</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>+6.3%</td>
<td>+12.3%</td>
<td>Sustainable Growth!</td>
</tr>
<tr>
<td>+6.2%</td>
<td>+9.2%</td>
<td>Revenue from Price; 1040EZ Volume</td>
</tr>
<tr>
<td>-1.2%</td>
<td>+13.4%</td>
<td>Revenue from Price</td>
</tr>
</tbody>
</table>

Source: H&R Block analysis of IRS Third Party Data Sort e-file data, companies’ 10Ks
H&R Block’s Winning Formula in DIY

1. Product Innovation: *Intelligence as a service*

2. ‘Multi-Screen’ Focus

3. Brand: Awareness & Tax Services

(Continue) Industry Leading, Proactive & Secure Anti-Fraud Platform
ACA Update

MARK CIARAMITARO
Vice President, Taxes & Healthcare Services
### Desired Outcomes
- Expanded Health Insurance Coverage
- Reducing Healthcare Costs

### Objectives
- Driving Consistent Quality
- Improving Affordability
- Expanding Access

### Mechanisms
- “Individual Mandate”
- Health Plan Regulations
- Health Insurance “Marketplaces”
- Expanded Medicaid
- “Employer Mandate & Cadillac Tax”
ACA tax impact on filers is pervasive and complex

ACA tax impact = Opportunities for tax industry

H&R Block is best positioned to capitalize

Still in early stages... opportunity will take time to develop

As an Investor, Why Should You Care?
ACA Agenda

What Happened in 2015

What’s New For 2016

Going Forward Implications & Expectations
TS15: What Happened
Lower Uninsured Rates

Percent Uninsured in U.S. by Quarter

16.1 16.4 16.6 17.5 18 17.1 12.9


~17 million gained insurance coverage

Source: Gallup Healthways Survey 2015; Kaiser Foundation
Tax Filers Experienced New ACA Tax Forms

1095A
Insurance Coverage Verification

8962
Premium Tax Credit (PTC) Reconciliation

Penalty Worksheet
Shared Responsibility Payment (SRP)

8965
Penalty Exemption
ACA-Impacted Filers

1.4% Did not properly file

2.3%
Premium Tax Credit (PTC)
Reconciliation

5.5%
Shared Responsibility
Payment (SRP)

8.7%
Exemptions

25M
ACA-Impacted Families

12M

2M

3M

8M

Percentages above represent percent of IRS base of ~135M tax season returns

Source: IRS June 2015 ACA Press Release
Channel Mix Among ACA-Impacted Returns

~60%

ASSISTED

Penalty

65%

35%

PTC Reconciliation

60%

40%

Exemption

54%

46%

~40%

DIY
The Most Significant Impact Faced by ACA Filers…

Many were caught off guard

...was on their refund
Shared Responsibility Payment

Penalty Worksheet

- 7.5M paid penalties
- $1.5B total penalty payments collected
- $201 average payment per household
- 56% of penalty payers have income under $30K

Source: IRS ACA Factsheet Publication Date 7/30/15
ACA Refund Impacts

Premium Tax Credit Reconciliation

- $9.6B total claimed
- $2,998 average received
- 3.1M impacted
- 51% owe back....average >30% refund reduction

Source: IRS ACA Factsheet Publication Date 7/30/15
ACA Tax Filing Mistakes

- Failed to properly file: 32%
- Made math errors or should not have paid: 17%
- Filed Incorrectly without 8962: 35%
- Extended without 8962: 16%

2.2M 
Tax Filing Errors

Source: IRS June 2015 ACA Press Release

Not filing properly can mean losing access to Premium Tax Credits
H&R Block Results
TRAINING

- ~7 Hours ACA certification training
- Instructor led, web-based and BlockWorks software practice
- Included over 50 case studies
- Invested and deployed extensive ACA support resources
H&R Block Readiness

RESULTS

- Invested **600k** total hours of ACA-specific training
- Trained >**80k** tax pros across **10k** offices
- Higher average Net Promoter Scores
- Tax professionals capable of handling full range of ACA situations
Profile of ACA Impacted HRB Client

More Likely to be...

Early Season
Lower Average Income
Single/HOH/Latino

New, Assisted
1040A or EZ

Residence: CA, FL, TX & Non-Expansion Medicaid States
% HRB Clients Impacted by ACA Tax Forms Similar to Overall Tax Category

Majority of ACA-impacted filers, claimed exemptions or paid a penalty
HRB Clients Saw Lower Penalty Payments

Average Shared Responsibility Payment Amount (Per Return)

$178

$201
2015 Key Learnings

Significant # of tax filers impacted...especially lower income households

Added tax complexity led to filing issues for many

HRB’s % of returns impacted by ACA tax forms was similar to overall category...retail clients impacted at a higher rate

ACA related tax refund impacts were a surprise & in some cases significant for many filers...and some delayed filing
ACA: What’s New in TS16
New Coverage Verification Notices

NEW:

1095-A continues as “must have” filing document

1095-B & C notices sent to all covered households
Will generate lots of questions
... but in most cases not required in order to file
Expect Increased IRS Enforcement

- Why...because IRS will now have access to ALL household coverage data

- Refunds for Marketplace enrolled clients who don’t properly reconcile their Premium Tax Credits will be held
Expect millions to be sent in 2016
Increasing ACA Penalties

- Increased ACA tax penalties for non-coverage
  Higher of 2% or $325/adult for Tax Year 2015

- Average penalty will increase
  ~$400-$500

- Increased motivation to secure qualified coverage

- More interest in exemptions expertise!

- Even higher penalties for 2016!
  Higher of 2.5% or $695/adult

**Source:** IRS.gov, Internal HRB estimates
Must file using form 8962

This complexity impacts both prior and a new group of enrollees

Expect number of impacted filers to double
Marketplace Enrollment Growth Uncertain

**DRivers**
- Increased Shared Responsibility Payments
- Increased IRS enforcement
- Targeted enrollment outreach efforts
- Easier Marketplace sign up & Auto Re-enrollment
- Medicaid Expansion ...some states

**Limiters**
- Growing employment coverage
- Premium & Out of Pocket Affordability
- Proper documentation/HHS enforcement
- Stalling Medicaid expansion
- High enrollee churn

Source: HHS October 2015 release; Kaiser Foundation
New Marketplace Enrollment Dates

New 2016 Enrollment Dates

Feb 1: higher penalties “lock in” for 2016 tax year

Continuing Our Enrollment Services Partnership With

GoHealth™
Going Forward
ACA Implications & Expectations
2016 Implications

- Client confusion with new 1095 notices
- Higher penalties will impact filers
- Increased IRS enforcement
- Greater interest in exemption expertise
- Continuing tax refund surprises
- Overall... more ACA-impacted tax clients
Expected ACA Tax Form Mix Changes

**KEY DRIVERS**

- Growing Marketplace enrollment
- Higher penalties
- Increased IRS enforcement
- Exemption Expertise

1HRB estimates
Growth in ACA-Impacted Clients Expected

...Over Time

16.4%

20-25%

IMPLICATIONS

- Client growth
- Client retention
- Higher tax preparation fees
What We Covered

What Happened in 2015

What’s New For 2016

Going Forward Implications & Expectations
H&R Block is best positioned as ACA tax impact continues to expand because of our....

- Trusted Brand
- Tax Expertise
- Network Investment & Assets
- Client Profile
GREG MACFARLANE
CFO
What We’ll Cover

Q2 Overview
HRB & the Tax Industry
Looking In

Looking Out
Financials
Outlook
Q2 Overview
## Q2 FY16 Summary - Continuing Operations

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year 2016</th>
<th>Fiscal Year 2015</th>
<th>Fiscal Year 2016</th>
<th>Fiscal Year 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>$ 128</td>
<td>$ 135</td>
<td>$ 128</td>
<td>$ 135</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>$(181)</td>
<td>$(148)</td>
<td>$(169)</td>
<td>$(149)</td>
</tr>
<tr>
<td><strong>Pretax Loss</strong></td>
<td>$(238)</td>
<td>$(201)</td>
<td>$(226)</td>
<td>$(202)</td>
</tr>
<tr>
<td><strong>Net Loss</strong></td>
<td>$(143)</td>
<td>$(113)</td>
<td>$(135)</td>
<td>$(114)</td>
</tr>
<tr>
<td><strong>Weighted-Avg. Shares - Diluted</strong></td>
<td>266.3</td>
<td>275.1</td>
<td>266.3</td>
<td>275.1</td>
</tr>
<tr>
<td><strong>EPS</strong></td>
<td>$(0.54)</td>
<td>$(0.41)</td>
<td>$(0.51)</td>
<td>$(0.41)</td>
</tr>
</tbody>
</table>

Note: Adjusted amounts and EBITDA (earning before interest, taxes, depreciation, and amortization) are non-GAAP financial measures. Please refer to our Dec 7, 2015 earning release for more specific information.
Sand Canyon Corporation (SCC), H&R Block’s legacy sub-prime mortgage loans business has been in wind-down, including its remaining obligations under representation and warranties (R&W), since it ceased originating mortgage loans in December 2007.

- SCC has neither issued nor securitized mortgage loans in the past 7 years.
- SCC remains engaged in bulk settlement discussions with the counterparties from which SCC has received a significant majority of its asserted claims.
- Accrual for representation and warranty claims of $154M at October 31, 2015.
- SCC is, and has always been, operated as a separate legal entity from H&R Block; H&R Block believes its legal position is strong on any potential corporate veil piercing arguments.

Limited Mortgage Exposure Expected
Formally exited banking system

Simultaneously entered into new banking relationship

Announced new capital structure

Executed key parts of capital structure
Why Exit the Banking System?

- Initially chartered to offer banking products to unbanked/underbanked tax clients
- Dodd-Frank Act of 2010 imposed restrictive capital requirements on H&R Block, Inc. as the holding company of H&R Block Bank
- Capital requirements didn’t make good business sense under current business model
Post Regulatory Approval, We Moved Fast

Regulatory approval of H&R Block Bank divestiture

Closed divestiture in less than 30 days
Successful Bank Transition

- No longer regulated as a savings and loan holding company
- Successfully transitioned operations to BofI
- Currently offering Emerald Advance, ready to offer other products in the upcoming tax season
- Seamless client experience
## Financial Impact of Bank Divestiture

<table>
<thead>
<tr>
<th>Annual Impact, $M</th>
<th>Revenue</th>
<th>Expense/Other</th>
<th>EBITDA/ Pretax Inc.</th>
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<td>BofI Management Agreement Economics</td>
<td>$(12)-(15)</td>
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<td>-</td>
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<td><strong>Total Annual Impact</strong></td>
<td><strong>$(27)-(30)</strong></td>
<td><strong>$9-11</strong></td>
<td><strong>$(36)-(41)</strong></td>
</tr>
</tbody>
</table>

**Net Impact FY16 vs. FY15**
- ~1% decrease
- ~0.5% increase
- ~1 pt drop in EBITDA margin

*Note: See description of non-GAAP measures earlier in this presentation.*
# New Capital Structure

## Line of Credit
- Upsized from $1.5B to $2.0B
- Covenants in line with new financial structure
- Provides seasonal liquidity for next 5 years

## Long Term Debt
- Added $1B of long-term debt in two tranches:
  - $650 million, 4.125% notes due 2020
  - $350 million, 5.25% notes due 2025

## Share Repurchase Program
- $3.5B repurchase program runs through June 2019
- Completed $1.5B Tender Offer October 2015
- ~40.5 million shares repurchased at $37.00 per share
- Current shares outstanding: ~236M

Note: Details regarding the bank divestiture and related agreements, capital structure transactions and share repurchase program can be found in previously filed press releases issued, as well as Forms 8-K filed with the Securities and Exchange Commission in September and October of 2015.
Capital Structure Now Aligned With Our Strategy and Business Model

The leading global consumer tax company

- **Strategy**
  - Strong free cash flow generation, high margins, & quick cash conversion cycle

- **Business Model**
  - Low capital needs, primarily technology & office infrastructure, ... approx 3-4% of revenues a year
  - Seasonal working capital needs due to the offseason cash burn
Debt Capacity

- Current long-term credit ratings of BBB stable/Baa3 stable at S&P and Moody’s, respectively

- Investment grade ratings metrics assume adjusted gross debt to adjusted EBITDA ratios of 2.5 to 3.0\(^1\)

- As of Oct. 31, HRB’s adjusted gross debt to adjusted EBITDA ratio is approximately 2.2 - 2.5 based on outstanding long-term debt as of Oct. 31, historical EBITDA levels and possible future average line of credit draws

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\(^1\) Adjusted gross debt to adjusted EBITDA is based on a rolling 4-quarter average of outstanding short-and-long-term gross debt and includes adjustments to gross debt and to EBITDA for items such as operating leases. Refer to SEC filings for additional information.
Substantial Return of Capital to Shareholders

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Dividends Paid</th>
<th>Share Repurchase</th>
<th>% of Net Income-cont ops</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY10</td>
<td>$201</td>
<td>$250</td>
<td>99%</td>
</tr>
<tr>
<td>FY11</td>
<td>$187</td>
<td>$280</td>
<td>119%</td>
</tr>
<tr>
<td>FY12</td>
<td>$209</td>
<td>$200</td>
<td>118%</td>
</tr>
<tr>
<td>FY13</td>
<td>$217</td>
<td>$315</td>
<td>114%</td>
</tr>
<tr>
<td>FY14</td>
<td>$219</td>
<td>$219</td>
<td>44%</td>
</tr>
<tr>
<td>FY15</td>
<td>$220</td>
<td>$220</td>
<td>45%</td>
</tr>
<tr>
<td>FYTD16¹</td>
<td>$110</td>
<td>$1,610</td>
<td>N/A</td>
</tr>
</tbody>
</table>

¹ Represents dividends paid and share repurchases through December 7, 2015. Refer to press releases issued and SEC filings from September and October 2015 for additional information.
... Especially the Last 4 ½ Years

Since May 2011:

- Repurchased ~76M shares (~25% of shares outstanding)
- Raised the dividend 33%
- Returned a total of ~$3.0B of capital

Note: FY2016 represents dividends paid and share repurchases through December 7, 2015. Refer to press releases issued and SEC filings from September and October 2015 for additional information.
H&R Block & the Tax Industry
We invented this industry.
We are here for the long term.
We will be successful.
Large, Resilient Industry That Grows With Employment

U.S. Tax Filings (in millions)

Sources: IRS and Bureau of Labor Statistics
Industry Pricing is Inelastic

- Taxes are non-discretionary
- Complexity-based pricing model
- Approximately 75% of all tax filers get a refund; for many it’s their most significant financial event each year
We Know More About Tax Preparation Than Anyone

- Founded the industry
- 680+ million returns since 1955
- Largest tax prep provider
- Only real omni-channel provider
- File ~1 in 7 U.S tax returns
- Large amounts of data; understand customer needs
- Ability to acquire best tax prep businesses in industry
We Are All In

We only compete in one space...TAX

No distractions with non-core businesses

Help from one end of the preparation spectrum to the other

DIY ← ASSISTED
HRB is Well-Established & Positioned to Grow

U.S. Industry Tax Preparation Revenue

- Branded Assisted Preparers: 44%
- Intuit: 26%
- H&R Block: 15%
- CPAs: 9%
- Other DIY: 5%
- Independents: 1%

Sources: IRS data, competitor public filings, competitive intelligence data
We are not solving for a quarter.

We provide a lifetime experience for our clients.

Maintaining longer-term focus is critical.
Brand Says it All

96%
Brand Awareness

Source: Millward Brown
We Have the Capital to Make Things Happen

1. Provide Adequate Funds for Operational and Liquidity Needs
   - Consistent and Stable Earnings
   - High Margins
   - Significant Free Cash Flow
   - Seasonal Liquidity Needs
   - Strong Capital Efficiency
   - Superior ROIC

2. Invest in Strategic Initiatives
   - Affordable Care Act
   - CRM
   - Information Security
   - Office Footprint
   - Digital
   - International
   - Tax Plus
   - Franchise/Independent A&D
   - Block Advisors

3. Support Quarterly Dividend
   - 213 consecutive dividends; current ~2.2% yield; 46% div. payout ratio in FY15

4. Strategic Returns of Capital
   - Ceased being regulated as a savings a loan holding company
Unmatched Distribution
H&R Block Premium was an **underutilized asset** with a history of revenue growth

- Rebranded and **redesigned** to better meet clients’ needs
- **Investment** within targeted capital expenditure levels

**Longer-term strategic opportunity**
Looking Out
Increased Standards are Inevitable

Quality
- Should be a baseline in the industry
- Taxpayer protection is paramount

Fraud
- Impacts all
- It will be fixed
HRB Well-Positioned for DIY Changes

DIY

Value DIYer:
Competitors lose ability to compete on price alone

Premium DIYer:
Category leader raising price to fund simple filer pricing
Healthcare is Here to Stay
H&R Block is best positioned as ACA tax impact continues to expand because of our....
Expected ACA Tax Form Mix Changes

High

Premium Tax Credit (PTC) Reconciliation

Exemption

Penalty Worksheet

Low

1HRB estimates
Growth in ACA-Impacted Clients Expected…Over Time

Now

Future

16.4%

20-25%
Four Key Components of Revenue

- PRICE
- VOLUME
- MIX
- ATTACH
Four Key Components of Revenue

PRICE
Pleased with results
Strategic vs. tactical approach

VOLUME

MIX

ATTACH
Four Key Components of Revenue

- PRICE
- VOLUME
  Disappointed with assisted results, mostly early season
  Multi-year solution
- MIX
- ATTACH
Four Key Components of Revenue

- **PRICE**
- **VOLUME**
- **MIX**
  - Pleased with improvement
  - Focus on lifetime value
- **ATTACH**
Four Key Components of Revenue

- **PRICE**
- **VOLUME**
- **MIX**
- **ATTACH**

Pleased with attach rates
Strong product offerings
Strong EBITDA Margin Outperforms Peers

Target Range of 28% to 32%

S&P 500\textsuperscript{1}

\begin{itemize}
  \item 2011: 19%
  \item 2012: 19%
  \item 2013: 19%
  \item 2014: 19%
  \item 2015: 18%
\end{itemize}

\textsuperscript{1}Source: Bloomberg
Note: All numbers represent continuing operations
Capital-Light Model

Peak Year: FY2020

D&A ($M)
- FY11: 91
- FY12: 89
- FY13: 92
- FY14: 116
- FY15: 160
- FY16 Est.: 180

CapEx % of Revenue
- FY11: 2%
- FY12: 3%
- FY13: 4%
- FY14: 5%
- FY15: 4%
- FY16 Est.: 4%

Future Range: 3% - 4%
Breaking Down Depreciation & Amortization

($ millions)

Franchise Buybacks

Independent Acquisitions

CapEx - Other

FY11  |  FY12  |  FY13  |  FY14  |  FY15  |  FY16 Est.
--- | --- | --- | --- | --- | ---
18  |  20  |  17  |  17  |  25  |  34
73  |  69  |  75  |  93  |  23  |  26

CapEx % of Revenue

91  |  89  |  92  |  116  |  160  |  180

($ millions)
### Franchise Buybacks Winding Down; Independent Acquisitions Continue

<table>
<thead>
<tr>
<th>Franchise Buybacks</th>
<th>Independents</th>
</tr>
</thead>
<tbody>
<tr>
<td>§ Repurchasing offices previously sold to franchisees</td>
<td>§ Acquiring quality businesses on annual basis</td>
</tr>
<tr>
<td>§ Purchased 341 offices in FY15, expect ~260 offices in FY16</td>
<td>§ Attractive rate of return</td>
</tr>
<tr>
<td>§ Attractive rate of return</td>
<td>§ Expansion into key client segments</td>
</tr>
<tr>
<td>§ Company-run to franchise split expected to be approx. 65%/35%</td>
<td>§ Arbitrage opportunity</td>
</tr>
<tr>
<td>§ Likely minimal buyback opportunity after Tax Season 2016</td>
<td>§ Fewer available quality businesses going forward</td>
</tr>
</tbody>
</table>
Consistently Strong ROIC

ROIC
- FY11: 20.5%
- FY12: 14.4%
- FY13: 24.6%
- FY14: 25.4%
- FY15: 24.0%

WACC
- FY11: 9.8%
- FY12: 8.9%
- FY13: 9.4%
- FY14: 9.1%
- FY15: 9.1%

Source: Company calculation
A Focus on Income Taxes

- High-end of corp. tax rate
- Driven by distribution model
- Tax compliance/accounting issues

**Then**

**Now**

- Cleaned up compliance/accounting issues
- Active planning and focus
- Executed a number of strategies both one-time and long-term
- Established efficient structures for non-U.S. cash

HRB Effective Tax Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2004</td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td>39%</td>
</tr>
<tr>
<td></td>
<td>41%</td>
</tr>
<tr>
<td>FY2012</td>
<td>39%</td>
</tr>
<tr>
<td></td>
<td>39%</td>
</tr>
<tr>
<td></td>
<td>38%</td>
</tr>
<tr>
<td>FY2015</td>
<td>37%</td>
</tr>
<tr>
<td></td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td>34%</td>
</tr>
<tr>
<td></td>
<td>34%</td>
</tr>
</tbody>
</table>
A Focus on Income Taxes

HRB Effective Tax Rate

FY2004: 40%
FY2005: 39%
FY2006: 41%
FY2007: 41%
FY2008: 39%
FY2009: 39%
FY2010: 38%
FY2011: 37%
FY2012: 40%
FY2015: 34%

3-Year Savings of ~$100 million

Future Expected Base Tax Rate: ~35-36%
## Market Outlook

<table>
<thead>
<tr>
<th>Market Outlook</th>
<th>FY 2016</th>
<th>3-Year Expectation</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRS Tax Filings</td>
<td>Increase 1 - 2%</td>
<td>Increase 1 - 2% annually</td>
</tr>
<tr>
<td>Assisted</td>
<td>Increase 0 - 1%</td>
<td>Consistent growth in assisted</td>
</tr>
<tr>
<td>DIY</td>
<td>Increase 4 - 5%</td>
<td>Digital expected to moderate</td>
</tr>
</tbody>
</table>
## Financial Impact of Bank Divestiture

<table>
<thead>
<tr>
<th>Annual Impact, $M</th>
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<th>Comments</th>
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<tr>
<td>BofI Management Agreement Economics</td>
<td>$(12)-(15)</td>
<td>$18-20</td>
<td>$(30)-(35)</td>
<td>Trans.-based fees for Emerald Card and Refund Transfer; EA participation</td>
</tr>
<tr>
<td>Lost Interest Income on AFS Securities</td>
<td>(6)</td>
<td>-</td>
<td>(6)</td>
<td>Securities liquidated Q2 FY16</td>
</tr>
<tr>
<td>New Accounting Treatment</td>
<td>(9)</td>
<td>(9)</td>
<td>-</td>
<td>Reclassification to properly reflect non-banking reporting</td>
</tr>
<tr>
<td><strong>Total Annual Impact</strong></td>
<td><strong>$(27)-(30)</strong></td>
<td><strong>$9-11</strong></td>
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| Net Impact FY16 vs. FY15 | ~1% decrease | ~0.5% increase | ~1 pt drop in EBITDA margin |

Note: See description of non-GAAP measures earlier in this presentation.
# HRB Outlook

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<tr>
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<th>3-Year Expectation</th>
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<tbody>
<tr>
<td><strong>Impact from Bank Divestiture</strong></td>
<td></td>
<td>Continues</td>
</tr>
<tr>
<td>• 1% reduction of overall revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• 5% reduction in pretax earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• 1 point reduction in EBITDA Margin</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>One-Time Bank Transaction &amp; Capital Structure Costs</strong></td>
<td>~$22M</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Foreign Exchange</strong></td>
<td></td>
<td>Not providing forecast</td>
</tr>
<tr>
<td>• 1% reduction of overall revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• ~$0.01 EPS decrease</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Compensation &amp; Benefits</strong></td>
<td></td>
<td>Inflationary increases</td>
</tr>
<tr>
<td>• Inflationary increase</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• FY15 training costs offset by franchise and independent acquisitions</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted EBITDA Margin</strong></td>
<td>29% - 30%</td>
<td>28% - 32%</td>
</tr>
<tr>
<td><strong>Interest Expense</strong></td>
<td>$66M - $69M</td>
<td>Not providing forecast</td>
</tr>
</tbody>
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<tr>
<th>HRB Outlook</th>
<th>FY2016</th>
<th>3-Year Expectation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditures</td>
<td>~3% - 4% of revenue</td>
<td>~3% - 4% of revenue</td>
</tr>
<tr>
<td><strong>A&amp;D/Franchise Buybacks</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Independent acquisitions consistent with prior years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Franchise buybacks: approx. 260 offices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Total acquisitions ~$90M-$100M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Franchise buybacks winding down</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Depreciation &amp; Amortization</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amort. - Acquisition Related</td>
<td>~$175M - $180M</td>
<td>~$180M - $195M</td>
</tr>
<tr>
<td>D&amp;A - Non-Acq. Related</td>
<td>~$58M - $60M</td>
<td>~$60M - $70M</td>
</tr>
<tr>
<td></td>
<td>~$117M - $120M</td>
<td>~$120M - $125M</td>
</tr>
<tr>
<td><strong>Tax Rate</strong></td>
<td>Effective Tax Rate -33% - 34%</td>
<td>Base Tax Rate -35% - 36%</td>
</tr>
<tr>
<td><strong>Weighted Average Diluted Shares Outstanding</strong></td>
<td>250M - 255M</td>
<td>Not providing forecast</td>
</tr>
</tbody>
</table>
HRB Investment Thesis

**Growth**
- Healthcare Reform
- “Tax Plus” Product Attach
- Digital Expansion
- International Growth
- Consistent Management

**Value**
- Long Track Record of Significant Free Cash Flow
- Superior ROIC
- Solid Dividend & Share Repurchase Record
- Limited Mortgage Loan Exposure Expected

**Stability**
- Predictable and Growing Core Industry
- Favorable Macro Conditions

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