

Q2 FY23 Financial Results Conference Call

February 7, 2023



**H&R
BLOCK®**

Michaela Gallina

VP, Investor Relations

Safe Harbor Statement



Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the securities laws. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words or variation of words such as "expects," "anticipates," "intends," "plans," "believes," "commits," "seeks," "estimates," "projects," "forecasts," "targets," "would," "will," "should," "goal," "could," "may," or other similar expressions. Forward-looking statements provide management's current expectations or predictions of future conditions, events or results. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements. They may include estimates of revenues, client trajectory, income, effective tax rate, earnings per share, cost savings, capital expenditures, dividends, share repurchases, liquidity, capital structure, market share, industry volumes, or other financial items, descriptions of management's plans or objectives for future operations, products or services, or descriptions of assumptions underlying any of the above. They also include the expected impact of the coronavirus (COVID-19) pandemic, including, without limitation, the impact on economic and financial markets, the Company's capital resources and financial condition, the expected use of proceeds under the Company's revolving credit facility, future expenditures, potential regulatory actions, such as extensions of tax filing deadlines or other related relief, changes in consumer behaviors and modifications to the Company's operations related thereto. All forward-looking statements speak only as of the date they are made and reflect the Company's good faith beliefs, assumptions and expectations, but they are not guarantees of future performance or events. Furthermore, the Company disclaims any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions, factors, or expectations, new information, data or methods, future events or other changes, except as required by law. By their nature, forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Factors that might cause such differences include, but are not limited to a variety of economic, competitive, and regulatory factors, many of which are beyond the Company's control, that are described in our Annual Report on Form 10-K for the most recently completed fiscal year in the section entitled "Risk Factors" and additional factors we may describe from time to time in other filings with the Securities and Exchange Commission. You may get such filings for free at our website at <http://investors.hrblock.com>. In addition, factors that may cause the Company's actual effective tax rate to differ from estimates include the Company's actual results from operations compared to current estimates, future discrete items, changes in interpretations and assumptions the Company has made, future actions of the Company, and increases in applicable tax rates in jurisdictions where the Company operates. You should understand that it is not possible to predict or identify all such factors and, consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

Safe Harbor Statement



Non-GAAP Measures

We refer to certain Non-GAAP financial measures in this presentation, including adjusted earnings per share, earnings before interest, taxes, depreciation, and amortization (EBITDA), free cash flow and free cash flow yield, which management believes provide additional meaningful information regarding the Company's performance and financial strength. All non-GAAP financial measures in this presentation are from continuing operations. Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with accounting principles generally accepted in the United States (GAAP). Because these measures are not measures of financial performance under GAAP and are susceptible to varying calculations, they may not be comparable to similarly titled measures for other companies. For a description of these non-GAAP financial measures, including the reasons management uses each measure, and reconciliations of these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP, please refer to the tables accompanying this presentation and previously filed press releases posted on our investor relations website at <https://investors.hrblock.com>.

Market 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.

Jeff Jones

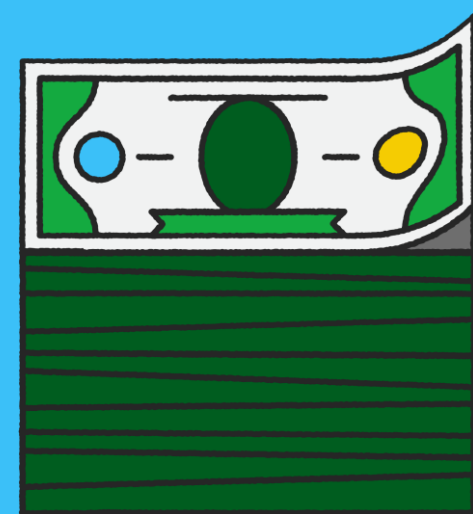
President & Chief
Executive Officer

Q2 Results Met Expectations

Ongoing momentum in the core business



Revenue grew 5% to last year with a **strong ending to the 2022 tax season**



Repurchased another **2%** of shares outstanding



Reaffirming FY23 outlook



Block Horizons

Our strategic transformation

Small Business

Strong revenue growth

Revenue drivers:

- Extended season momentum
- Marketing up to **30% price advantage** to CPAs



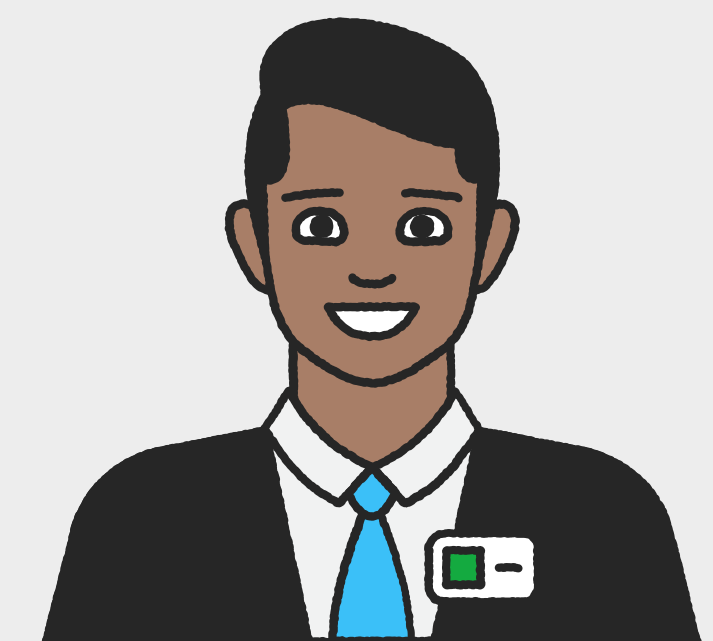
New services:

- Self-serve business formation tool **creates value for clients & HRB**



Increased training:

- **Half** of small business tax pros have **achieved** the **advanced certification** level



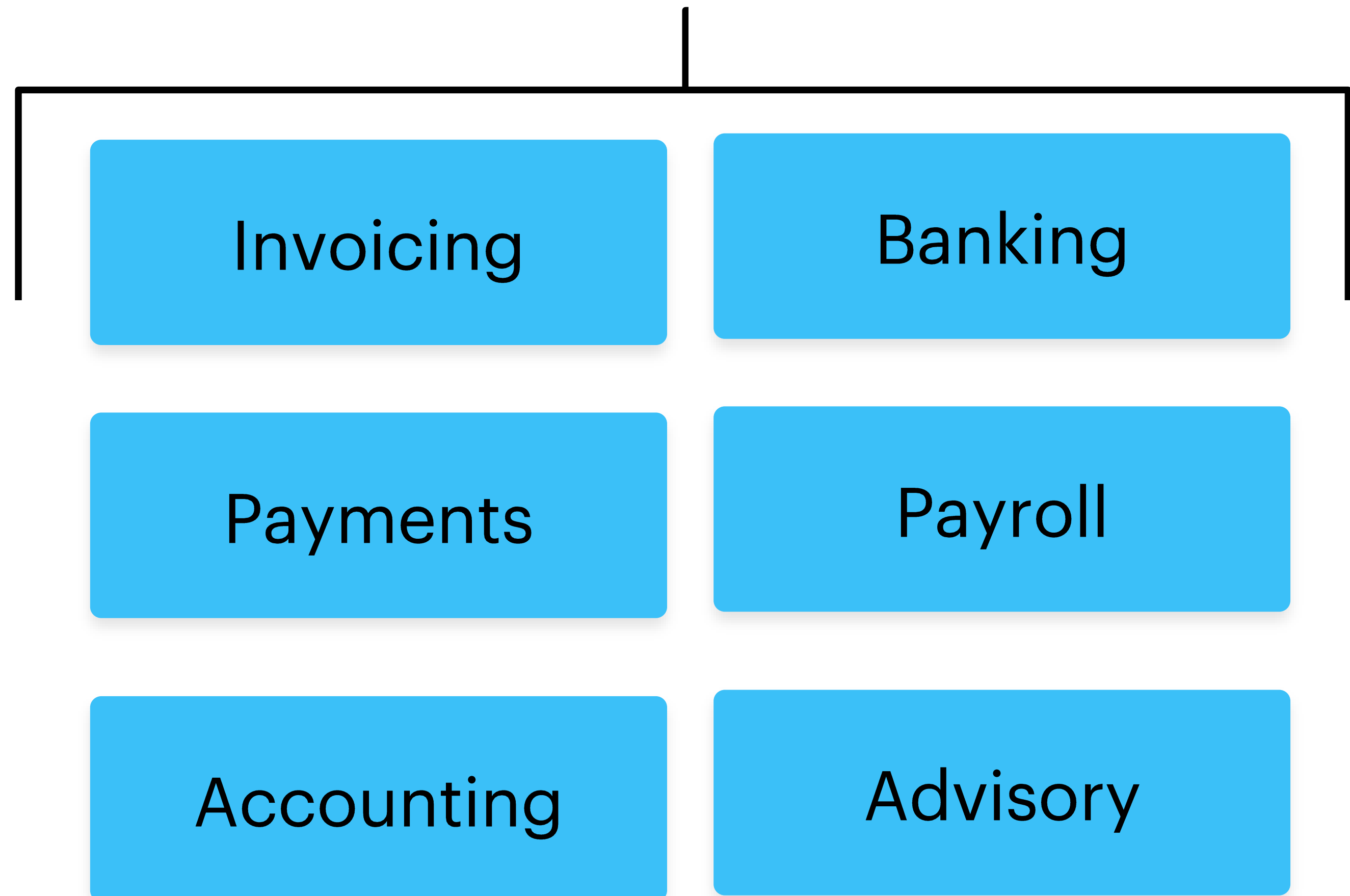
Wave

One-stop money management for small business owners



13% revenue growth YoY in Q2

Focused on accelerating revenue growth & driving long term profitability



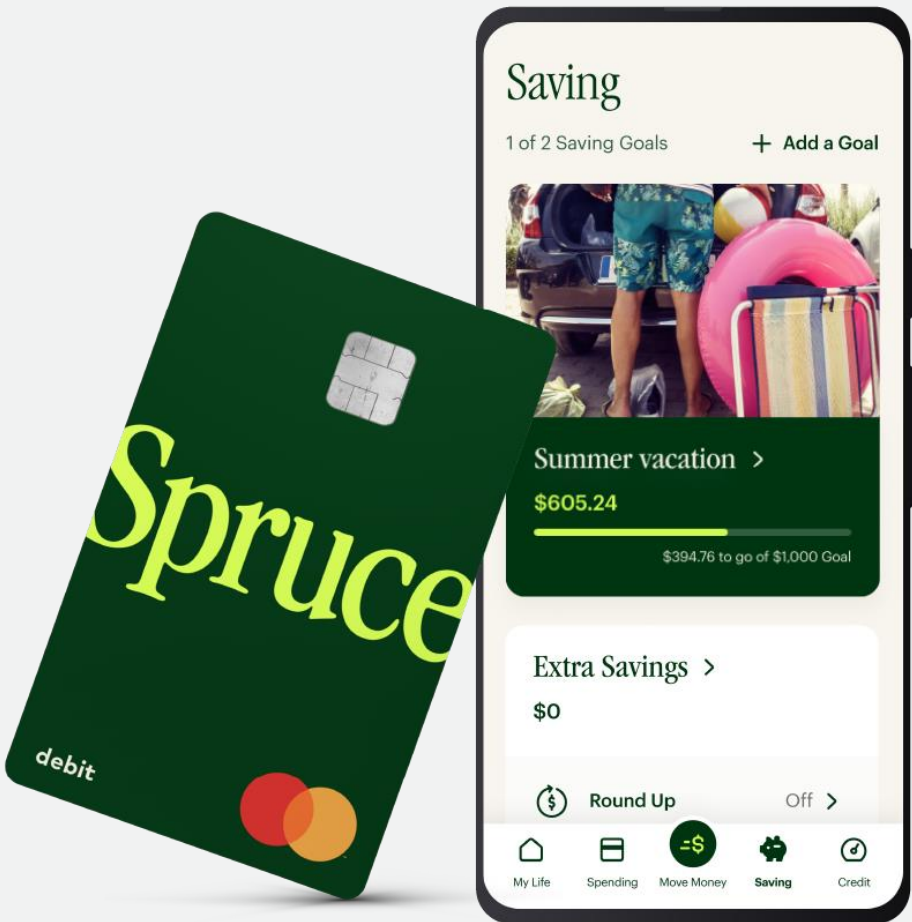
Financial Products

Launched SpruceSM in the Assisted channel in January

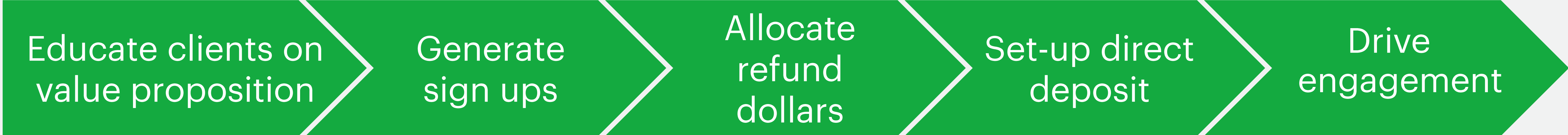


Spruce is living its purpose of helping clients be good with money

As of December 31, 2022:
171K sign ups
\$117M customer deposits



Goals for tax season '23:



Note: Banking products offered by PathwardTM, N.A., Member FDIC.

Block Experience

Blending technology with human expertise



In Assisted:

Increased the use of virtual tools by more than **3x** last year

Continuing to make progress on client adoption

Leveraging the fulfillment network to **benefit clients** and **drive tax pro productivity**

Successfully met hiring and staffing goals for the year



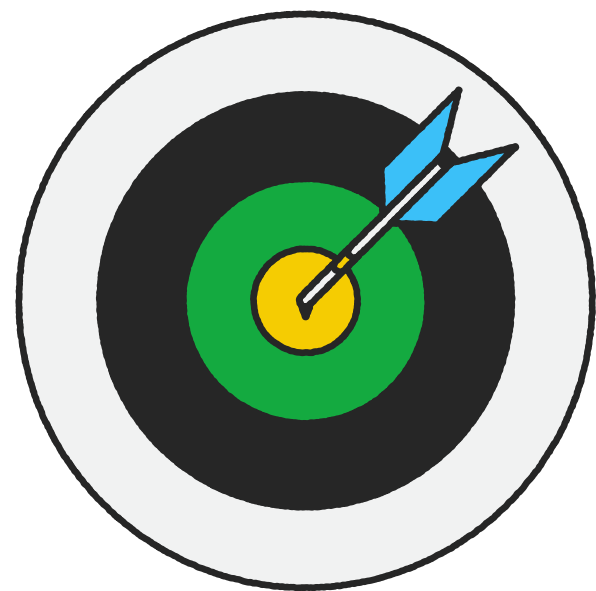
Block Experience

Blending technology with human expertise

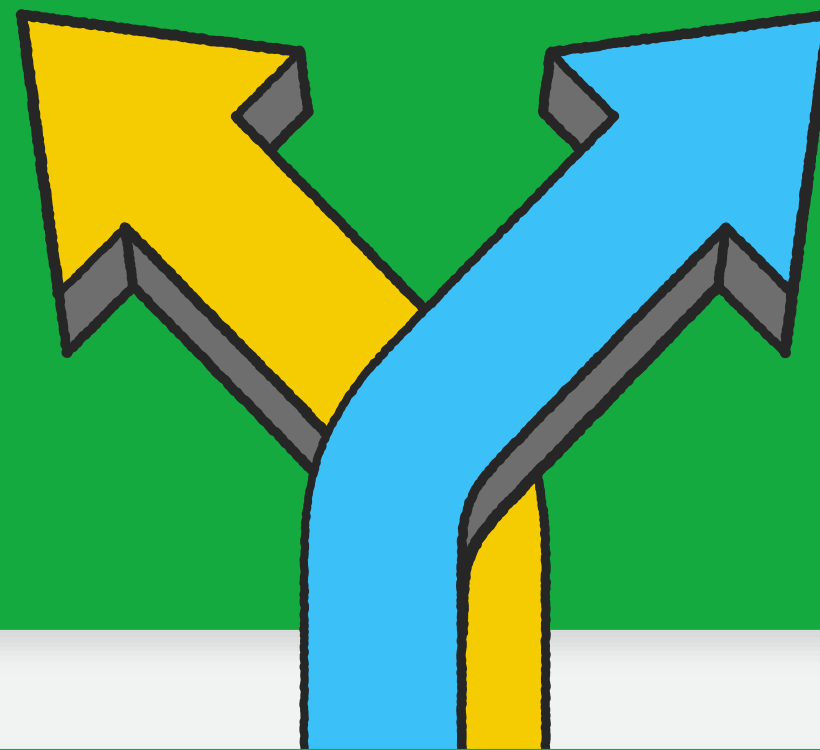


In DIY:

1 Marketing & awareness



2 Ease & benefits of switching



3 Price transparency



New AI-driven technology automatically scans prior year TurboTax[®] returns to identify potential missing refund dollars for clients

Jeff Jones

President & Chief
Executive Officer

Tony Bowen

Chief Financial
Officer

Q2 FY23 Financial Results

<i>In millions, except per share amounts</i>	<i>For the three months ended December 31, 2021</i> Q2 FY22	<i>For the three months ended December 31, 2022</i> Q2 FY23	Change
Revenue	\$158.8	\$166.4	4.8%
Operating Expense	\$436.1	\$449.6	(3.1%)
Interest Expense	\$23.1	\$19.0	17.8%
Pretax Loss	(\$298.9)	(\$298.0)	0.3%
Net Loss	(\$190.6)	(\$223.6)	(17.3%)
EBITDA ¹	(\$240.2)	(\$246.3)	(2.5%)
Loss Per Share ¹	(\$1.09)	(\$1.43)	(31.2%)
Adjusted Loss Per Share ¹	(\$1.02)	(\$1.37)	(34.3%)

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

¹All share amounts are based on weighted average fully diluted shares over the corresponding period. Earnings before interest, tax, depreciation, and amortization (EBITDA) and adjusted loss per share are non-GAAP financial measures. Please see the safe harbor statement at the beginning of this presentation for information on non-GAAP financial measures. A reconciliation of EBITDA and adjusted loss per share to the most comparable GAAP measures can be found in the appendix.

Reiterating FY23 Outlook¹

	Outlook
Revenue	\$3,535 - \$3,585M
EBITDA¹	\$915 - \$950M
Effective Tax Rate	~22%
Adjusted EPS¹	\$3.70 - \$3.95

Double digit Adjusted EPS¹ growth annually through 2025

¹Earnings before interest, tax, depreciation, and amortization (EBITDA) and adjusted earnings per share (EPS) from continuing operations are non-GAAP financial measures. Future period non-GAAP outlook includes adjustments for items not indicative of our core operations, which may include, without limitation, items described in the below section titled “Non-GAAP Financial Information” and in the accompanying tables. Such adjustments may be affected by changes in ongoing assumptions and judgments, as well as nonrecurring, unusual, or unanticipated charges, expenses or gains, or other items that may not directly correlate to the underlying performance of our business operations. The exact amounts of these adjustments are not currently determinable but may be significant. It is therefore not practicable to provide the comparable GAAP measures or reconcile this non-GAAP outlook to the most comparable GAAP measures.

Where We Are Going

Total shareholder return

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

¹ EBITDA, Adjusted EPS, Free Cash Flow, and Free Cash Flow Yield are non-GAAP financial measures. Please see the prior slide for additional information on EBITDA, Adjusted EPS, and our future period non-GAAP outlook. Free Cash Flow Yield is defined as free cash flow divided by the market value of equity (market capitalization). Free cash flow is defined as net cash provided by operating activities less capital expenditures. The Company believes Free Cash Flow Yield is useful to investors as an indication of the strength of the Company and its ability to generate cash and to evaluate the Company's cash generation ability relative to competitors. It should not be inferred that the entire free cash flow amount is available for discretionary expenditures. A reconciliation of Free Cash Flow Yield to Cash Flow from Operating Activities can be found in the appendix.

Capital Allocation Practice Remains Strong

Ongoing value creation for shareholders



Q2 FY23:

Repurchased
3.2M shares
for **\$130M**

Retired another
2% of shares
outstanding

In 1H FY23:

Repurchased
>8M shares for
\$350M

Retired
5%
of the float

Industry Volatility is Low and HRB is Resilient

Even during economic downturns

Stable industry:

- Most correlated to employment, which has remained strong
- More small business formed in tough economic times

Government & client behavior:

- Government history of providing stimulus through tax system
- In tough times, clients desire assurance of maximum refund

Inflationary resistant business:

- Tax pro compensation largely variable
- Rising rates are near-term positive

Tony Bowen

Chief Financial
Officer

Jeff Jones

President & Chief
Executive Officer

Q&A

Appendix

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



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

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

Non-GAAP Measure: EBITDA



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

EBITDA <i>(in 000's)</i>	Three months ended December 31, 2022	Three months ended December 31, 2021
Net Loss - as reported	(\$223,579)	(\$190,605)
Discontinued operations, net	2,716	1,532
Net loss from continuing operations – as reported	(220,863)	(189,073)
Add back:		
Income tax benefit	(77,140)	(109,085)
Interest expense	18,985	23,085
Depreciation and amortization	32,723	35,631
	(25,432)	(51,129)
EBITDA from continuing operations	(\$246,295)	(\$240,202)

Non-GAAP Measure: Adjusted EPS



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

Adjusted EPS <i>(in 000's except for amounts per share)</i>	Three months ended December 31, 2022	Three months ended December 31, 2021
Net loss from continuing operations – as reported	(\$220,863)	(\$189,073)
Adjustments:		
Amortization of intangibles related to acquisitions (pretax)	12,839	14,292
Tax effect of adjustments ⁽¹⁾	(2,787)	(1,922)
Adjusted net loss from continuing operations	(\$210,811)	(\$176,703)
Diluted loss per share from continuing operations – as reported	(\$1.43)	(\$1.09)
Adjustments, net of tax	0.06	0.07
Adjusted diluted loss per share from continuing operations	(\$1.37)	(\$1.02)

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