

H&R Block Q1 FY26
Financial Results Conference Call Transcript
November 6, 2025

Jessica Hazel, Vice President, Investor Relations: Thank you. Good afternoon, and welcome to H&R Block's fiscal 2026 first quarter financial results conference call.

Joining me today are Jeff Jones, our President and Chief Executive Officer, Tiffany Mason, our Chief Financial Officer, and Curtis Campbell, our CEO elect, and current President of Global Consumer Tax and Chief Product Officer.

Earlier today, we issued a press release and presentation, which can be downloaded or viewed live on our website at investors.hrblock.com. Our call is being broadcast and webcast live, and a replay of the webcast will be available for 90 days.

Before we begin, I'd like to remind listeners that comments made by management may include forward-looking statements within the meaning of federal securities laws. These statements involve material risks and uncertainties, and actual results could differ from those projected in any forward-looking statement due to numerous factors. For a description of these risks and uncertainties, please see H&R Block's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, as updated periodically with our other SEC filings.

Please note, some metrics we'll discuss today are presented on a non-GAAP basis. We've reconciled the comparable GAAP and non-GAAP figures in the appendix of our presentation.

Finally, the content of this call contains time-sensitive information accurate only as of today, November 6, 2025. H&R Block undertakes no obligation to revise or otherwise update any statements to reflect events or circumstances after the date of this call.

I will now turn it over to Jeff.

Jeff Jones, President, and Chief Executive Officer: Thank you Jessica. Good afternoon, everyone, and thank you for joining us.

I'm going to kick us off with a few opening comments and highlight some of our plans for the upcoming tax season. Tiffany will then provide details on our Q1 performance and outlook for fiscal year 2026. Curtis will share some observations on the business, and then I'll come back to wrap the call before Q&A.

We are off to a strong start to fiscal 26 and I'm pleased to see the early results in several areas of our business -- assisted consumer tax, small business tax and Wave.

At this time of year, teams are putting finishing touches on our tax season plans, considering the successes and key learnings from last year.

At the top of the list continues to be the work of the marketing team to strengthen how we communicate our consumer and small business value propositions, our approach to personalization and management of the funnel.

The retail and DIY teams are focused on capturing the demand created by marketing by eliminating customer experience friction and managing more clients through to conversion.

Second Look, AI Tax Assist, Tax Pro Review, and Spruce are key products that deliver great value to clients and help distinguish Block, and will all play important roles in our tax season plans.

With this context, I'll turn it over to Tiffany to provide detail on our first quarter performance, capital allocation priorities and our fiscal 2026 outlook.

Tiffany Mason, Chief Financial Officer: Thank you Jeff, and good afternoon everyone.

We are off to a strong start this fiscal year. In the first quarter, we achieved revenue growth of 5.0% and delivered a 9.4% EBITDA improvement compared to the prior year. Additionally, we returned approximately \$455 million in capital to our shareholders during the quarter.

As I review details of our first quarter results, I'd like to remind everyone that our business is highly seasonal, and this quarter consistently reflects that pattern. Historically, Q1 contributes just over 5.0% of our annual total revenue and typically results in a net loss.

In the first quarter, we generated \$204 million in total revenue, an increase of \$10 million over the prior year. This 5.0% growth was driven by higher net average charge or "NAC" and higher volumes in the U.S. Assisted category and continued double-digit growth at Wave.

In our U.S. Assisted business during the first quarter, we helped individuals file prior year and amended returns that were often related to our Second Look offering and complete their current year returns ahead of the extension deadlines. As a reminder, Second Look is a unique offering that provides new clients a review of their past three years' tax returns to identify any missed refund opportunities.

We also helped our small business clients file their entity returns ahead of the September 15th extension deadline.

At Wave, we continued to see momentum in our high margin subscription product, ProTier, as well as strong payments volume.

Total operating expenses for the quarter were \$411 million, a decrease of \$12 million compared to the prior year. This favorability was primarily the result of lower legal fees and settlements.

As a reminder, we reported significantly elevated legal expenses in last year's first quarter. In contrast, legal expenses this quarter were consistent with our historical trend for this period.

We remain disciplined in managing expenses, which is reflected in our strong first quarter results and our full year outlook.

Our first quarter EBITDA loss was \$170 million, an improvement of \$18 million, or 9.4%, compared to last year.

The effective tax rate was 23.6% compared to 26.2% in the prior year. Last year, we recognized a larger excess tax benefit from stock-based compensation, which contributed to a higher effective tax rate for the period.

Our net loss from continuing operations was \$165 million, representing a 3.5% improvement over the prior year.

Loss per share from continuing operations was \$1.26, while adjusted loss per share was \$1.20, compared to \$1.17 last year.

As a reminder, in quarters with a loss, having fewer shares outstanding increases the loss per share. However, this is accretive as we generate earnings for the full year. This dynamic is reflected in the three-cent year-over-year increase in adjusted loss per share, even as our net loss improved by \$6 million.

Our long-term capital allocation priorities remain unchanged and continue to drive meaningful results as we invest in the business, grow the dividend, and through opportunistic share repurchases, return excess capital to shareholders.

Last month we paid our regular quarterly dividend, which you'll recall reflected the 12% increase we announced in August, and on Tuesday, we announced our next quarterly dividend payment.

During the quarter, we also repurchased a total of 7.9 million shares of stock for \$400 million at an average price of \$50.90 per share. This completed our share repurchase plans for fiscal 2026, and retired approximately 6% of our shares outstanding.

In total, we returned approximately \$455 million to shareholders in the first quarter through dividends and share repurchases, bringing the cumulative total of capital returned to H&R Block shareholders since 2016 to nearly \$5 billion.

We are proud of this track record and remain committed to our disciplined approach to capital allocation.

Our first quarter results and full-year plans position us well to reaffirm the outlook we provided in August. We continue to expect:

- Revenue between \$3.875 and \$3.895 billion;
- EBITDA between \$1.015 and \$1.035 billion;
- An effective tax rate of approximately 25%, and,
- Adjusted EPS between \$4.85 and \$5.00.

Let me briefly revisit some of the key assumptions that shaped our full-year outlook.

- First, we expect industry growth to remain consistent with historical trends, or about 1%.
- Second, we're focused on achieving a healthier balance of volume, price, and mix, supported by ongoing improvements to client experience and conversion.
- Third, we anticipate small business will continue to be a more meaningful revenue contributor.
- And lastly, we remain committed to acquiring franchise locations when opportunities arise at attractive EBITDA multiples.

I'll close with a reminder. Our investment thesis remains strong amid ever evolving industry and macroeconomic conditions. We operate in a stable industry, we have a strong national presence, and we maintain a compelling financial profile with healthy margins and disciplined capital allocation. This underpins our confidence in driving substantial long-term value for our shareholders.

With that, I'm pleased to welcome Curtis, whom I've had the privilege to work alongside for the last fifteen months, to his first earnings call.

Curtis Campbell, President of Global Consumer Tax and Chief Product Officer: Thank you Tiffany. I am pleased to be here.

As I transition with Jeff and prepare to step into the CEO role on January 1st, we wanted to leverage today's call to share some of the key themes that reflect the alignment between the two of us, the

Board, and the entire leadership team. I hope that this will serve as a backdrop for our conversations in the coming quarters.

Hearing Jeff speak about our business over time, you know that we serve two distinct audiences: consumers and small businesses. There are three points about these audiences and our priorities, that I'd like to share.

First, the total addressable markets for tax preparation and related small business services are very large.

With over 130 million returns filed annually, the U.S. consumer tax preparation TAM is estimated between \$20 to \$25 billion. Additionally, there are roughly 35 million self-employed individuals and small businesses nationwide, representing a significant segment of the economy. The U.S. small business TAM including- entity formation, tax preparation, bookkeeping, payroll, invoicing, and payments is estimated at more than \$100 billion. Given that, we have ample opportunity for continued growth with both audiences.

Second, we'll continue to focus our investments on more complex paid filers who have greater needs, demonstrate stronger loyalty and tend to value additional services. This is true for consumers and small business owners alike. We've spoken about our success in attracting these types of customers over the last couple of years and it remains important.

Unlike many industries, market share in the tax prep industry does not directly equate to revenue. To focus on client growth that delivers the greatest long-term economic benefit to our business, we'll continue to evolve how we attract those clients who are free today but have the propensity to becoming paying clients over time. We are committed to making investments in acquiring customers that deliver the strongest lifetime value.

Third, we continue to invest in improving the experience and innovating on products and services for both audiences. For example, in the consumer business, our Second Look offering helps new clients recover missed savings from prior returns, sometimes thousands of dollars, and Spruce

supports year-round financial wellness while also playing a key role in elevating the client experience.

In small business, integrating Wave's digital-first product capabilities into our Block Advisors offering creates a more unified experience and expands the value we deliver to small business clients, and without a doubt, I'm excited about the potential it brings.

With my background in technology and product, you should expect me to accelerate the evolution of our product, design and engineering capabilities, with a focus on ensuring that we're leveraging technology and AI to improve the customer experience, increase the efficiency and effectiveness of our tax professionals, and drive productivity improvements throughout the organization.

Jeff and I, the Board, and the entire leadership team are aligned on these three themes.

It's also important to remember that delivering assistance to our clients, in whatever way they desire, remains critically important. Our omni-channel experience allows clients to seek assistance on their terms whether that's face-to-face, virtual, or fully digital with support from solutions like MyBlock, AI Tax Assist, and Tax Pro Review.

For additional industry context, the IRS classifies filings as either signed by a tax professional or signed by a self-preparer, and the industry refers to this classification as Assisted and DIY.

Based on industry reporting, the market is split roughly 55% Assisted and 45% DIY. However, what is easy to forget is that Assisted continues to show strength and has gained share in three of the last four years -- and is projected to gain further share in 2026. This reflects the importance consumers place on the expertise, confidence, and trust that comes from working with a tax professional, especially in light of the numerous tax law changes and complexity in the tax code at a state and federal level.

Capturing market share in Assisted requires us to demonstrate our value versus independents - the highly fragmented and largest segment of the market, which remains our primary competitive focus.

Having worked in the industry for approximately a decade and spending the last year and a half leading our global consumer tax business, I know first-hand that H&R Block's edge lies in our ability to meet customers where they are, digitally and in person. It's this unique combination of trusted human expertise and forward-thinking innovation that will set us apart.

To wrap, I look forward to sharing more and getting to know you in the coming years. Now, let me hand it back to Jeff for closing comments before moving to Q&A.

Jeff Jones: Thanks Curtis.

I hope you can see why we're all excited about Curtis. He brings both leadership and strategic continuity, *and* a fresh perspective on all that lies ahead.

This is my final call as CEO of H&R Block. Over the last year and a half, Curtis and I have worked closely alongside the entire Senior Leadership Team, and with input from the Board, not only to deliver on our business objectives, but also to develop a shared perspective for our next chapter, and I want to acknowledge how fortunate we are to be able to make such a smooth transition between Curtis and me.

H&R Block plays an important role in enabling financial freedom for our clients by maximizing tax outcomes, providing actionable advice and value-added services for small businesses, and offering a platform for financial wellness through Spruce.

Reflecting on our performance, progress and lessons learned over multiple years, we have even greater conviction in what the company can achieve when we execute at our best.

I've appreciated your engagement over these last eight years and as I move into my advisory role for Curtis in January, I do so with great belief in all that remains possible for H&R Block.

Now operator, we will open the line for questions.

Forward-Looking Statements

These materials contain 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 may also include the expected impact of external events beyond the Company's control, such as outbreaks of infectious disease, severe weather events, natural or manmade disasters, or changes in the regulatory environment in which we operate. 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.

Non-GAAP Measures

We refer to certain Non-GAAP financial measures in these materials, including adjusted earnings per share (EPS) and earnings before interest, taxes, depreciation, and amortization (EBITDA), which management believes provide additional meaningful information regarding the Company's performance and financial strength. All non-GAAP financial measures in these materials 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 these materials and previously filed press releases posted on our investor relations website at <https://investors.hrblock.com>.

Market, Industry, and Operational Tax Data

The data included in these materials 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 these materials. H&R Block is not a bank. Bank products and services are offered by Pathward, N.A.