

Q1 FY24 Financial Results Conference Call

November 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 may also include the expected impact of external events beyond the Company's control, such as outbreaks of infectious disease (including the COVID-19 pandemic), 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.

Safe Harbor Statement



Non-GAAP Measures

We refer to certain Non-GAAP financial measures in this presentation, including adjusted earnings per share (EPS), 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, Industry, and Operational Tax 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

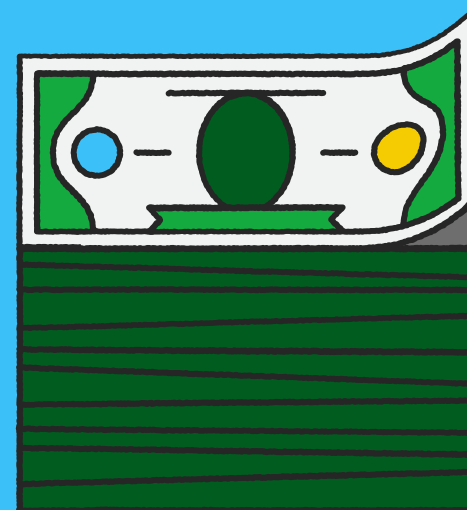
Good Start to the Year

Q1 highlights:

**Reaffirming
FY24 outlook**



**Grew
revenue
and managed
expenses
well**



Ongoing
progress on
**Block
Horizons**
strategy



Repurchased
\$132M of
shares
outstanding,
retiring
another **2%**

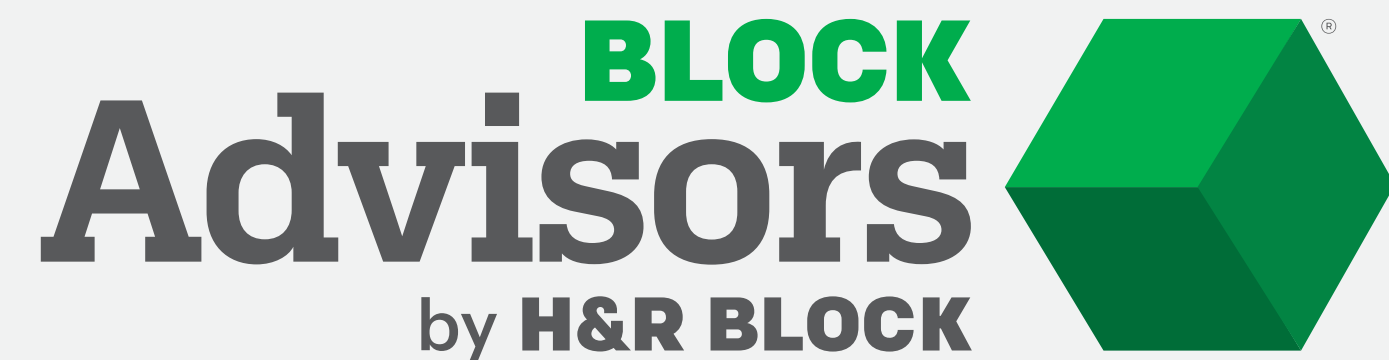


Block Horizons

The next phase of
our strategic transformation

Small Business

Continues to be a growth driver



- **+6%** Assisted Small Business total revenue growth YoY
- **Double digit growth** in bookkeeping and payroll services revenue YoY
- Long runway of opportunity ahead



- **+6% revenue growth** YoY
- Plan to accelerate revenue growth and put us on a path to profitability:
 - Monetizing more premium features
 - Allowing customers to be paid through alternative methods

Financial Products

Spruce: H&R Block's mobile banking platform

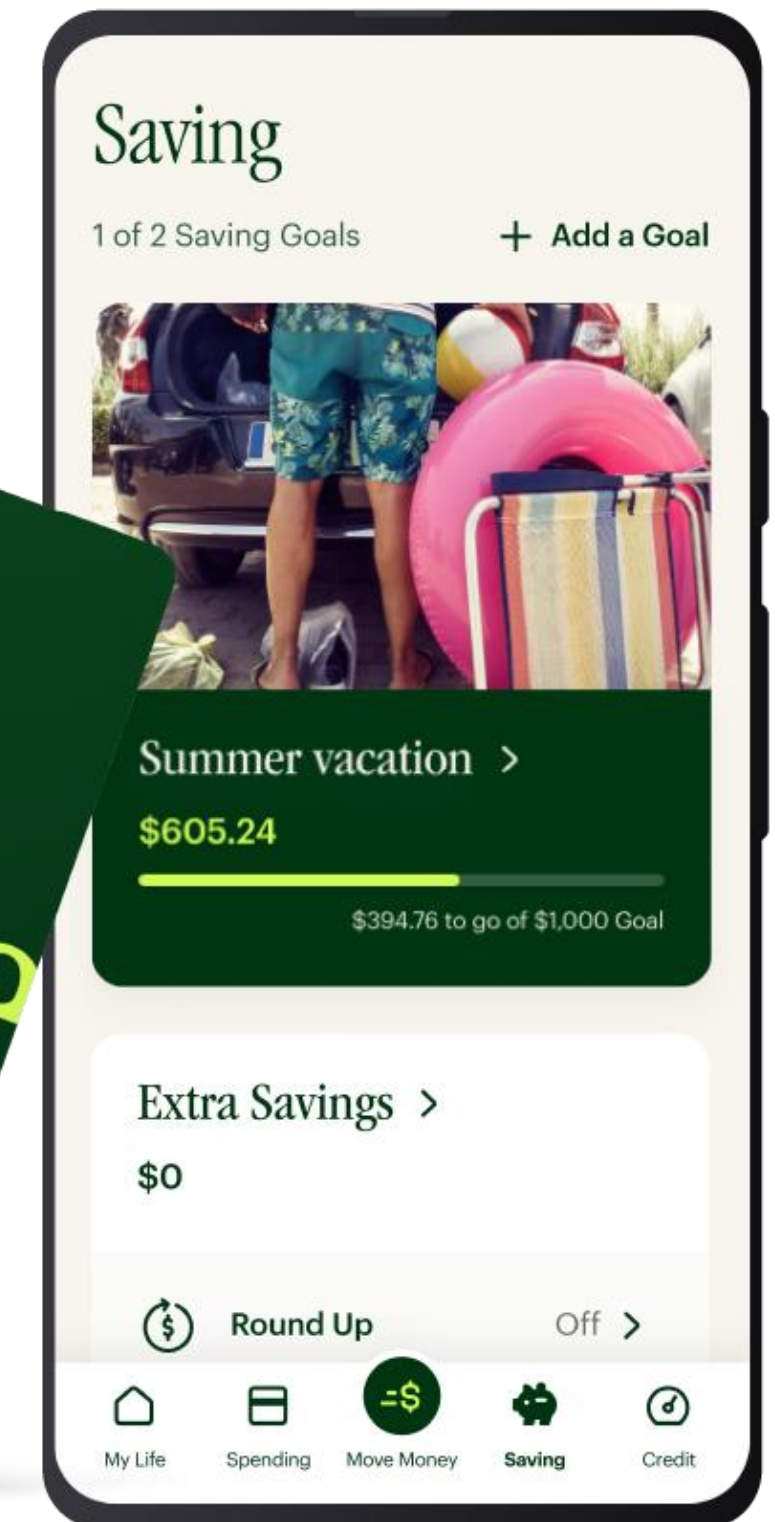


Since launch through September 30, 2023:

>**300K**
signups

~**\$400M**
customer
deposits

- Deposit trends improving
- Focused on **acquiring clients** at tax time & **driving user engagement** within the app



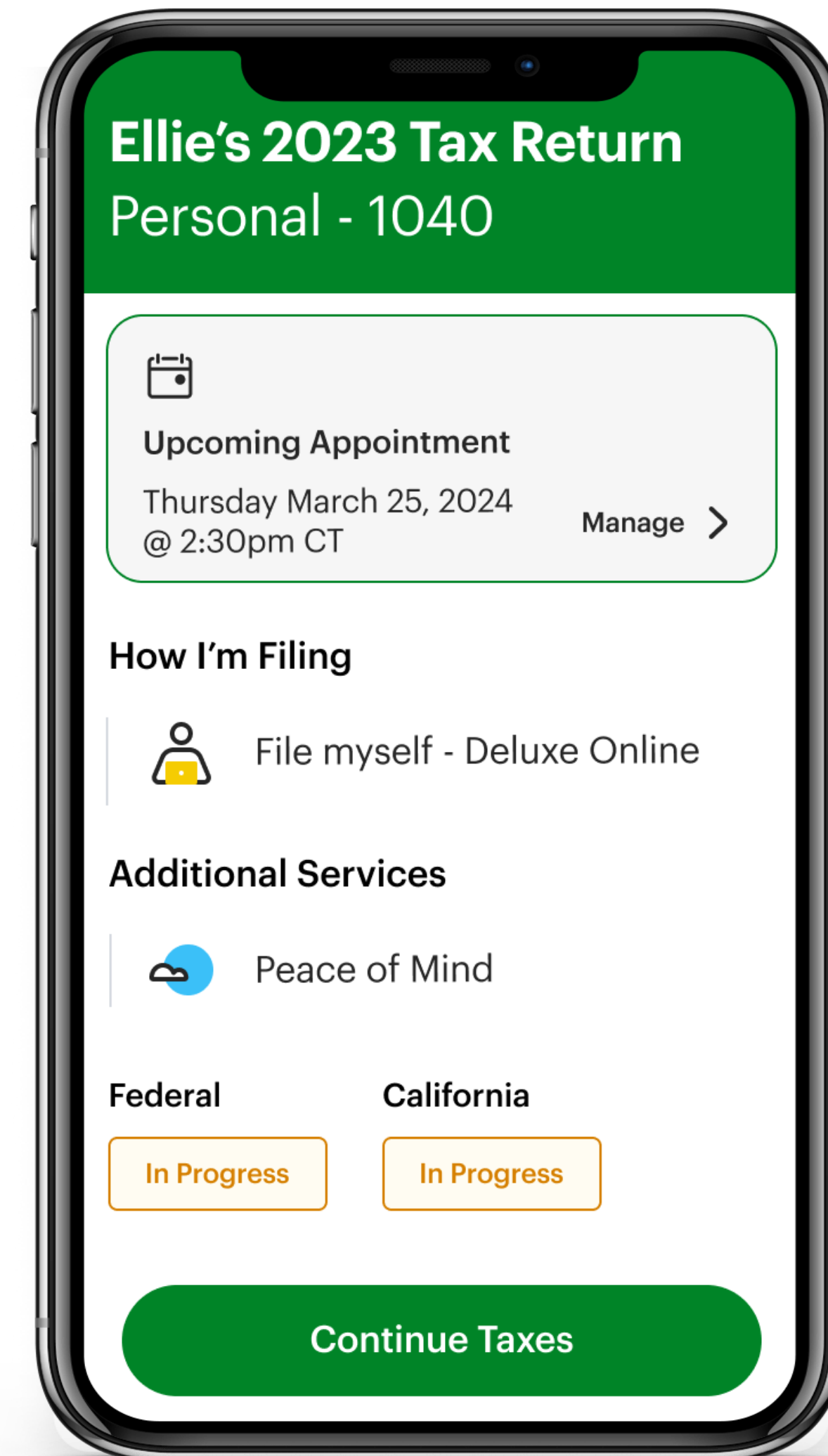
Block Experience

Blending digital tools with human expertise



MyBlock enhancements for TS24:

- Status tracker
- Personalized checklist
- Call to action
- Easier and faster to approve and sign return online
- Access tax documents and return digitally



Block Experience

Blending digital tools with human expertise

Leaning into genAI,
initially focused on
two areas:

- 1) Enhancing the customer experience
- 2) Reducing expenses and increasing productivity

Microsoft
highlighted our
work to **industry
experts** during
their Envision Tour



Environmental, Social, Governance

Fourth annual report released



- Reflects our ongoing commitment to transparency, sustainability, and responsible business practices
- Read the full report [here](#)

Tony Bowen

Chief Financial Officer

Q1 FY24 Financial Results

<i>In millions, except per share amounts</i>	<i>For the three months ended September 30, 2023</i> Q1 FY24	<i>For the three months ended September 30, 2022</i> Q1 FY23	Change
Revenue	\$183.8	\$180.0	2.1%
Operating Expense	\$390.1	\$389.1	(0.3%)
EBITDA ¹	(\$166.3)	(\$171.9)	3.3%
Interest Expense	\$15.9	\$15.8	(0.3%)
Pretax Loss	(\$212.4)	(\$221.3)	4.1%
Loss Per Share ¹	(\$1.11)	(\$1.05)	(5.7%)
Adjusted Loss Per Share ¹	(\$1.05)	(\$0.99)	(6.1%)

In Q1 FY24, repurchased 3.3M shares for \$132M

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. EBITDA and adjusted EPS 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 EPS to the most comparable GAAP measures can be found in the Appendix.

FY24 Outlook Reaffirmed



Assumptions:

- Return to typical industry growth of ~1%
- Maintain market share
- Low single digit pricing
- Ongoing franchise acquisitions
- Opportunistic share repurchase

	Outlook
Revenue	\$3,530 - \$3,585M
EBITDA¹	\$930 - \$965M
Effective Tax Rate	~23%
Adjusted EPS¹	\$4.10 - \$4.30

¹ EBITDA and adjusted 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 Appendix. 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. Please see the safe harbor statement at the beginning of this presentation for information on non-GAAP financial measures.

Where We Are Going

Total shareholder return algorithm



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	\$0.32/share quarterly	<i>10% dividend increase announced in August 2023</i>
Free Cash Flow¹	>100% FCF generation relative to net income	<i>16% Free Cash Flow Yield¹ in FY23</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 is defined as net cash provided by operating activities less capital expenditures. Free Cash Flow Yield is defined as free cash flow divided by the market value of equity (market capitalization). 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 Robust

Ongoing value creation for shareholders



Q1 FY24:

Repurchased
3.3M shares for
\$132M

Retired another
2% of shares
outstanding

Paid **\$0.32**
quarterly dividend,
an **increase of 10%**

Since 2016:

Returned **>\$3.5B**
to shareholders

Retired **~38%**
of shares
outstanding

Increased
quarterly dividend
by **60%**¹

¹ Dividend growth is calculated as the percentage growth from our April 2016 dividend to our October 2023 dividend.

Our Balance Sheet is Strong

H&R Block is well positioned for the macro environment



Relatively **low leverage**
with \$1.5B of long-term
debt and >\$900M
EBITDA in FY23



Rising interest rates
benefit our P&L on a
short-term basis as interest
income from our cash
position will exceed
interest expense on short-
term borrowings



Jeff Jones

President &
Chief Executive Officer

Q&A

Appendix

Non-GAAP Measure: EBITDA



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

	(in 000's)	
EBITDA	Three months ended September 30, 2023	Three months ended September 30, 2022
Net loss - as reported	(\$163,482)	(\$168,421)
Discontinued operations, net	609	1,054
Net loss from continuing operations – as reported	(162,873)	(167,367)
Add back:		
Income tax benefit	(49,487)	(53,957)
Interest expense	15,870	15,824
Depreciation and amortization	30,225	33,624
	(3,392)	(4,509)
EBITDA from continuing operations	(\$166,265)	(\$171,876)

Non-GAAP Measure: Adjusted EPS

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

(in 000's except for amounts per share)

Adjusted EPS	Three months ended September 30, 2023	Three months ended September 30, 2022
Net loss from continuing operations – as reported	(\$162,873)	(\$167,367)
Adjustments:		
Amortization of intangibles related to acquisitions (pretax)	12,555	12,696
Tax effect of adjustments ⁽¹⁾	(2,936)	(3,221)
Adjusted net loss from continuing operations	(\$153,254)	(\$157,892)
Diluted loss per share from continuing operations – as reported	(\$1.11)	(\$1.05)
Adjustments, net of tax	0.06	0.06
Adjusted diluted loss per share from continuing operations	(\$1.05)	(\$0.99)

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

Non-GAAP Measures: 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:

(in 000's except for amounts per share)

	Year ended June 30, 2023
Free Cash Flow Yield	
Operating cash flow - as reported	\$821,841
Less: Capital expenditures	(69,698)
Free cash flow	\$752,143
Market price at June 30, 2023	\$31.87
Shares outstanding	146,150
Market capitalization	\$4,657,801
Free cash flow yield	16.1%