

Q3FY24 Financial Results Conference Call

May 9, 2024

The H&R BLOCK logo is displayed within a green square. The text "H&R" is positioned above "BLOCK", with a registered trademark symbol (®) to the upper right of "BLOCK".

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Michaela Gallina

VP, Investor Relations, ESG, & Productivity

Safe Harbor Statement

Forward-Looking Statement

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) 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 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.

Unless otherwise noted, year-over-year comparisons of our operational tax metrics are calculated as July 1, 2023 to April 30, 2024 compared to the corresponding prior year period.

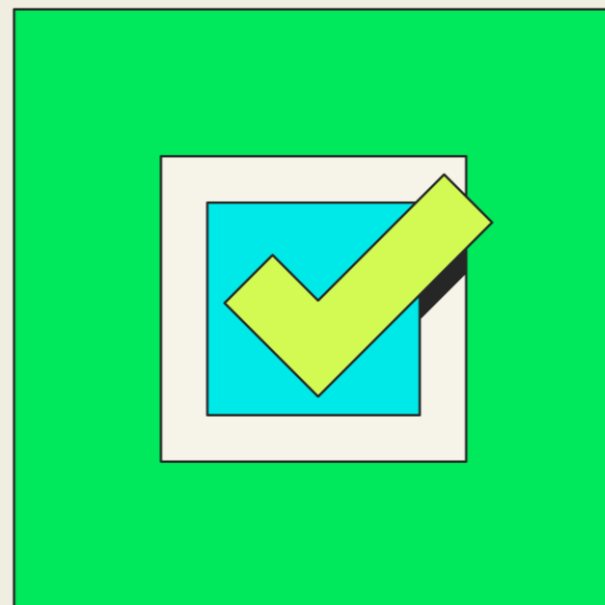
Jeff Jones

President & Chief Executive Officer

Q3 Results

Q3 results ending March 31, 2024:

- **4% Revenue growth**
- **6% EBITDA¹ growth**
- **18% EPS² growth**



We now expect to finish the year near the **high end of our outlook**



¹ Please see the safe harbor statement at the beginning of this presentation for information on non-GAAP financial measures. A reconciliation of EBITDA to the most comparable GAAP measure can be found in the Appendix.

² All per share amounts are from continuing operations and based on weighted average fully diluted shares at the end of the corresponding period.

Ongoing Momentum in DIY

Our strategy continues to work

YoY through April 30, DIY Paid Online:

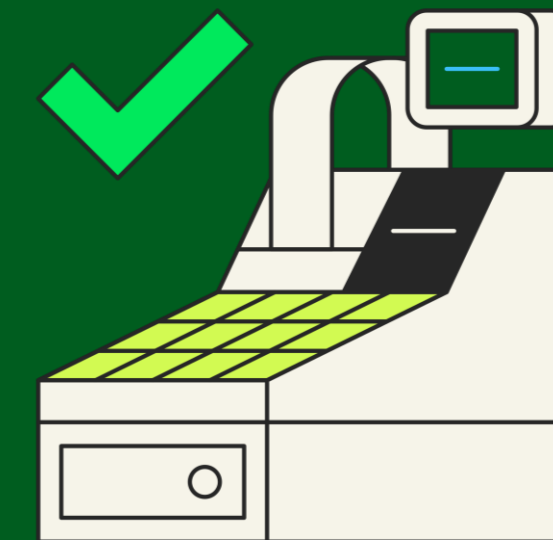
Volume:

+6%

Significantly outpaced the DIY category, and many of these filers came from TurboTax®

NAC:

+7%



CSAT metrics improved

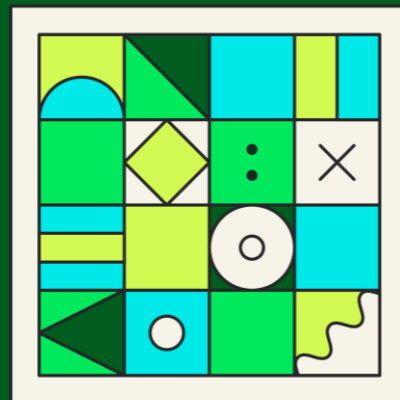


Ongoing Momentum in DIY

Continued to see **DIY** clients accessing help

New genAI powered AI Tax Assist performed well

- Feedback indicated that the tool was easy to use, helpful, and clients found value in it
- **Greater conversion among new clients**



Tax Pro Review

grew

>15%¹

continuing its **multiyear trend of double-digit annual growth**



¹Year over year growth through April 30, 2024.

Assisted Consumer Tax

Transformation efforts yielded encouraging results

- Client growth in each segment >\$60K of income
- **Fastest growing segment** was in clients >**\$100K of income**



Slowed decline of EITC filers, but still have work to do in lower income segments

In total, Assisted volumes declined ~1%¹

Assisted NAC grew 4%¹, driven by mix shift and modest price increases



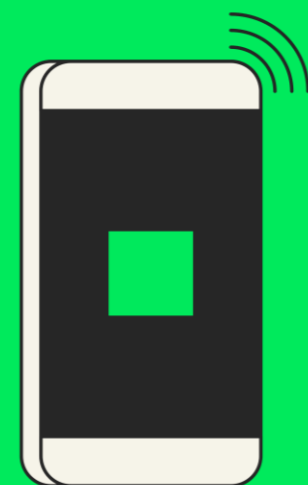
¹Year over year through April 30, 2024.

Assisted Consumer Tax

Transformation efforts yielded encouraging results

MyBlock:

- **Double-digit growth in accounts**
- ~20%¹ increase in the number of docs uploaded



Grew the number of Assisted clients who were **completely virtual by >25%**¹

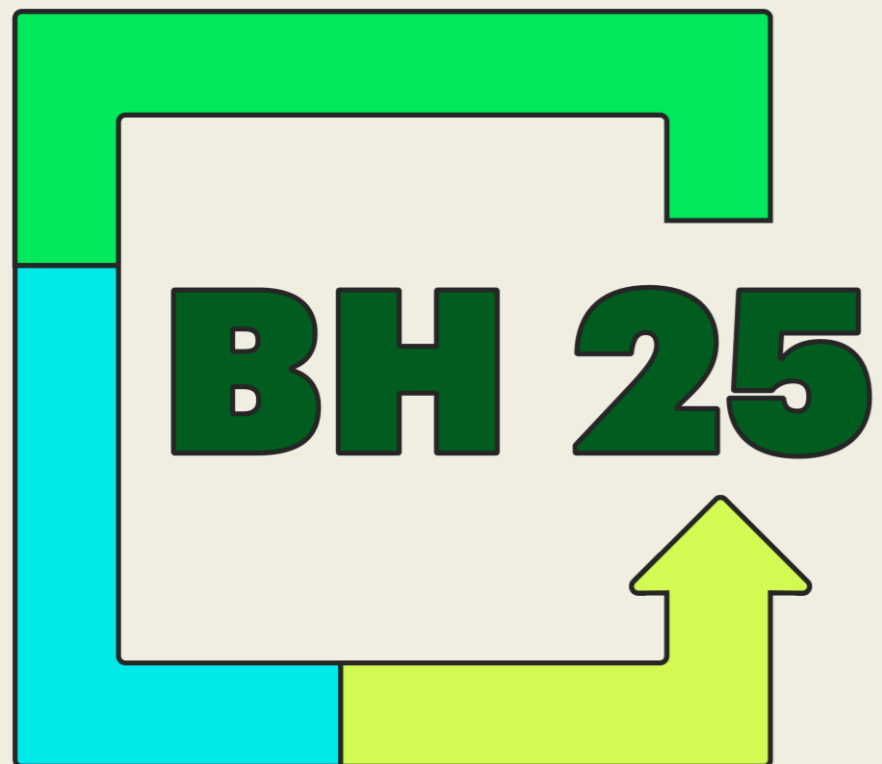


GenAI efforts to improve customer experience in call center operations provided great learnings in initial pilot



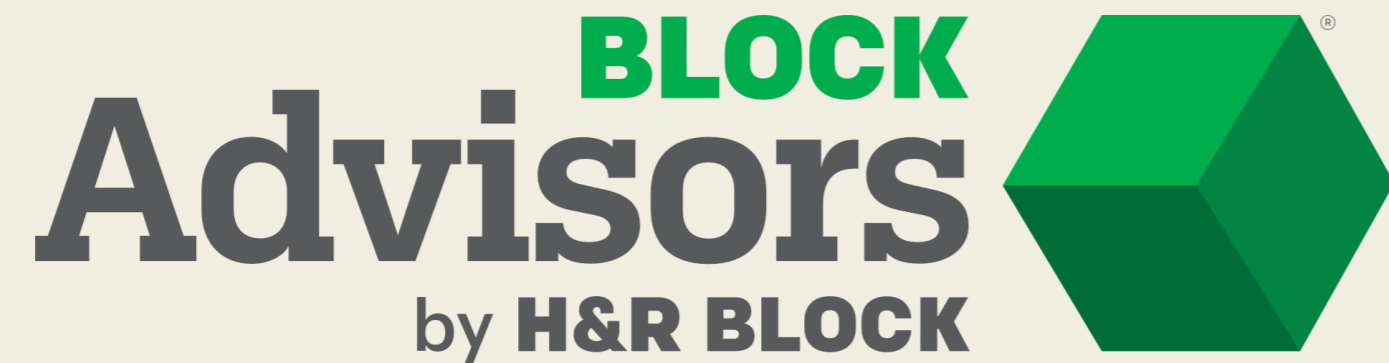
¹Year over year through April 30, 2024.

Block Horizons



Small Business

Continue to see positive trends



YoY through April 30:

- **NAC increased +3%**
- Outperformed among higher income and entity clients
- Double-digit increase in bookkeeping and payroll



- **+7% revenue growth** in Q3
- Monetization better than anticipated for newly launched paid products
- Roadmap to accelerate revenue growth and drive profitability

Financial Products

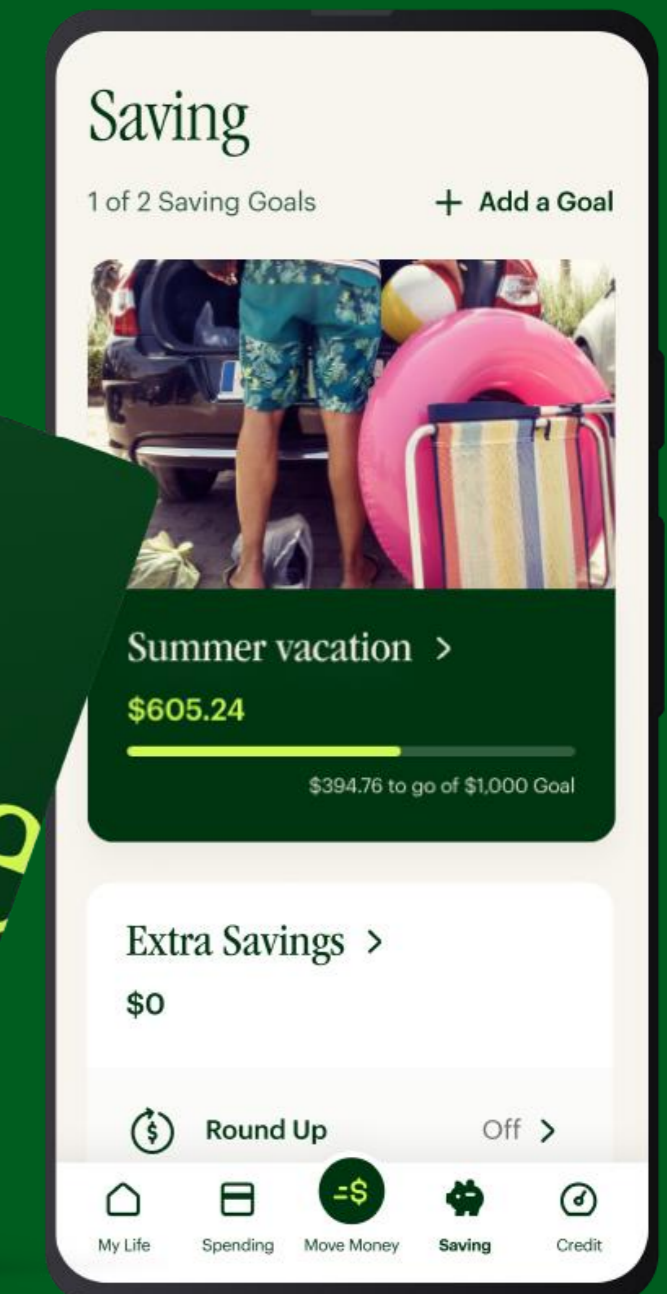
Spruce: H&R Block's mobile banking platform

Since launch through April 30, 2024:

470K
signups

\$852M
customer
deposits

- Customer deposits have nearly tripled from last year
- Among new SpruceSM users who filed a return with HRB, 54% were new clients
- Launched **savings interest feature** currently paying 3.50%¹ APY to all users, **7x the national average**²



Note: Banking accounts established at, and debit card issued by, Pathward®, N.A., Member FDIC, pursuant to license by Mastercard®. Mastercard and the circles design are registered trademarks of Mastercard International Incorporated.

¹The Annual Percentage Yield (APY) is accurate as of 4/5/24. This rate is variable and can change without notice. Fees may reduce earnings. To start earning interest on your Spruce Savings Account, simply opt in through the Spruce app or at sprucemoney.com.

²Based on FDIC average national savings rate as of 3/18/2024.

Tony Bowen

Chief Financial Officer

Q3 FY24 Financial Results

<i>In millions, except per share amounts</i>	<i>For the three months ended March 31, 2024</i>	<i>For the three months ended March 31, 2023</i>	Change
	Q3 FY24	Q3 FY23	
Revenue	\$2,184.8	\$2,093.6	4.4%
Operating Expenses	\$1,256.6	\$1,229.1	(2.2%)
Interest Expense	\$26.1	\$22.3	(16.9%)
Pretax Income	\$907.4	\$855.4	6.1%
EBITDA¹	\$964.1	\$910.0	5.9%
Earnings Per Share¹	\$4.87	\$4.14	17.6%
Adjusted Earnings Per Share¹	\$4.94	\$4.20	17.6%

In Q1 & Q2, repurchased **\$350M** of shares outstanding, another **5.5%**

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

¹ All 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

	FY24 Outlook	
Revenue	\$3,530 - \$3,585M	<i>Now expect to finish the year near the high end of previously provided outlook</i>
EBITDA¹	\$930 - \$965M	
Adjusted EPS¹	\$4.10 - \$4.30	
Effective Tax Rate	21 - 22%	<i>Now expect ETR to be 21 - 22% compared to 23% previously</i>

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.

Q&A

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Appendix Section



H&R Block Operating Statistics

OPERATING STATISTICS	July 1, 2023 - April 30, 2024	July 1, 2022 - April 30, 2023	% Change
TAX RETURNS PREPARED (U.S. only, in 000s)⁽¹⁾:			
Company-owned operations	8,621	8,528	1.1 %
Franchise operations ⁽²⁾	2,542	2,773	(8.3)%
Total Assisted	11,163	11,301	(1.2)%
Desktop	1,764	1,776	(0.7)%
Online paid	3,776	3,565	5.9 %
Online free	3,481	3,090	12.7 %
Total DIY	9,021	8,431	7.0 %
Total H&R Block U.S. returns	20,184	19,732	2.3 %
NET AVERAGE CHARGE (U.S. only)⁽³⁾:			
Company-owned operations	\$ 257.80	\$ 248.30	3.8 %
Franchise operations ⁽⁴⁾	\$ 248.42	\$ 237.59	4.6 %
DIY online paid	\$ 74.39	\$ 69.24	7.4 %

⁽¹⁾ An Assisted tax return is defined as a current or prior year individual or business tax return that has been accepted by the client. A DIY desktop return is defined as a current year individual or business tax return that has been electronically submitted to the IRS. A DIY online paid return is defined as a current year individual or business tax return that has been accepted by the client. A DIY online free return is defined as a current year individual tax return that has been accepted by the IRS.

⁽²⁾ Franchise operations returns include Assisted returns prepared in a franchise office in the reported year. Following the Company's acquisition of a franchise office, returns from such office are included in the Company-owned line for that year; prior years are not reclassified.

⁽³⁾ Net average charge is calculated as total tax preparation fees divided by tax returns prepared.

⁽⁴⁾ Net average charge related to H&R Block Franchise operations represents tax preparation fees collected by H&R Block franchisees divided by returns prepared in franchise offices. H&R Block will recognize a portion of franchise revenues as franchise royalties based on the terms of franchise agreements.

H&R Block Tax Offices

TAX OFFICES (as of March 31):	2024	2023
U.S. offices:		
Company-owned offices	6,643	6,582
Franchise offices	2,168	2,367
Total U.S. offices	8,811	8,949
International offices:		
Canada	952	961
Australia	397	394
Total international offices	1,349	1,355
Tax offices worldwide	10,160	10,304

Non-GAAP Measure: EBITDA

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

(in 000s)

EBITDA	Three months ended March 31, 2024	Three months ended March 31, 2023
Net income - as reported	\$ 690,737	\$ 643,429
Discontinued operations, net	849	2,648
Net income from continuing operations - as reported	691,586	646,077
Add back:		
Income taxes	215,772	209,351
Interest expense	26,070	22,298
Depreciation and amortization	30,672	32,313
	272,514	263,962
EBITDA from continuing operations	\$ 964,100	\$ 910,039

Non-GAAP Measure: Adjusted EPS

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

(in 000s, except per share amounts)

ADJUSTED EPS	Three months ended March 31, 2024		Three months ended March 31, 2023	
Net income from continuing operations - as reported	\$	691,586	\$	646,077
Adjustments:				
Amortization of intangibles related to acquisitions (pretax)		12,869		13,011
Tax effect of adjustments ⁽¹⁾		(2,793)		(3,190)
Adjusted net income from continuing operations	\$	701,622	\$	655,898
Diluted earnings per share from continuing operations - as reported	\$	4.87	\$	4.14
Adjustments, net of tax		0.07		0.06
Adjusted diluted earnings per share from continuing operations	\$	4.94	\$	4.20

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