

## **H&R Block Reports Interim Tax Season Data Through March 31**

April 15, 2003 4:22 PM ET

### **Affirms Full Year Earnings Guidance**

KANSAS CITY, Mo., Apr 15, 2003 /PRNewswire-FirstCall via COMTEX/ -- H&R Block Inc. (NYSE: HRB) said interim results for the current tax season through March 31 indicate the continuation of a later-in-season filing trend, offset by strength in the mix of clients and growth in online and software users. Based upon strength in the company's multi-channel tax performance, client mix and non-tax businesses, full year earnings results are expected to be at the higher end of the company's guidance range.

H&R Block reported \$1.7 billion in fees from retail office tax preparation and related services from Jan. 1 through March 31, up 4.2 percent from the same period last year. Total clients served increased 0.5 percent to 15 million. The average fee per client served rose 7.5 percent to \$127.32. The average fee per tax return rose 8.8 percent to \$114.70.

"The trends that we observed two weeks ago remain basically unchanged. We see indications of a much later filing trend in all of our tax filing channels," said Mark A. Ernst, chairman and chief executive officer. "While we will not reach our tax office client growth target, we have seen very strong growth in our online and software clients, as well as continued growth in clients with more complex tax returns, resulting in revenues per client that are above our previous expectations."

Through March 31, tax professionals in H&R Block offices prepared 13.2 million returns, a decrease of 2.7 percent compared to the same period last year. Growth in online and software clients increased 45.6 percent. During this period, H&R Block electronically filed 91.4 percent of the tax returns it prepared.

H&R Block left its fiscal year earnings guidance unchanged, in the range of \$3.10 to \$3.25 per diluted share, up 34 to 41 percent from fiscal 2002, when H&R Block earned \$2.31 per diluted share. The company expects that growth in revenues per client, growth in online and software clients and cost controls, combined with performance in non-tax businesses will offset weakness in tax office client growth. Consolidated company-wide revenues will likely exceed the target growth range of 10-to-15 percent for the year, the company said.

The company's guidance range of \$3.10 to \$3.25 per diluted share includes a total of 27 cents in charges for both a litigation settlement and goodwill impairment charges recorded earlier in the company's fiscal year. The analysts' earnings estimates on First Call exclude the charges, which are included in the company's expected GAAP results. Excluding these charges, the guidance range would be \$3.37 to \$3.52 per diluted share, compared to First Call consensus estimates of \$3.46 per diluted share.

Except for historical information contained herein, the matters set forth in this press release are forward-looking statements based upon current information and expectations. Such statements speak only as of the date on which they are made, are not guarantees of future performance, and involve certain risks, uncertainties and assumptions that could cause actual results to differ materially from what is expressed, implied or forecast in such forward-looking statements. Such differences could be caused by a number of factors, including, but not limited to, the uncertainties that the company will achieve its revenue, earnings and earnings per share goals for fiscal year 2003, that the level of growth in fees, average fee, clients served and online and software clients, and level of decline in tax returns prepared at tax offices experienced in U.S. tax operations through March 31, 2003 will continue throughout the remainder of the tax season and fiscal year, and that actual financial results for fiscal year 2003 will fall within the guidance provided by the company; litigation involving the company and its subsidiaries; changes in economic, political or regulatory environments; and risks described from time to time in reports and registration statements filed by H&R Block Inc. and its subsidiaries with the Securities and Exchange Commission. Readers should take these factors into account in evaluating such forward-looking statements.

### **About H&R Block**

H&R Block Inc. ( [www.hrblock.com](http://www.hrblock.com), <http://hrblock.com> ) is a diversified company with subsidiaries that deliver tax services and financial advice, investment and mortgage products and services, and business accounting and consulting services. As the world's largest tax services company, H&R Block served nearly 23 million clients during fiscal year 2002. Clients were served at the approximately 10,400 H&R Block retail offices worldwide and through the company's award-winning software, TaxCut(R), and its online tax services. H&R Block is the only major tax and financial services company that focuses primarily on helping middle-

income taxpayers achieve their financial goals. Investment services and securities products are offered through H&R Block Financial Advisors Inc., member NYSE, SIPC. H&R Block Inc. is not a registered broker-dealer. H&R Block Mortgage Corp. offers retail mortgage products. Option One Mortgage Corp. offers wholesale mortgage products and a wide range of mortgage services. RSM McGladrey Inc. serves mid-sized businesses with accounting, tax and consulting services.

H&R Block, Inc.

Preliminary U.S. Tax Operating Data

Amounts in thousands, except average fee and number of offices

	Period					
	1/1- 1/31	2/1- 2/15	2/16- 2/28	3/1- 3/15	3/16- 3/31	YTD 3/31
Tax preparation & related fees						
Fiscal year 2003						
Company owned						
offices	\$287,698	\$366,075	\$151,434	\$142,736	\$138,700	\$1,086,643
Franchised						
offices	173,731	209,522	89,938	73,474	67,842	614,507
	\$461,429	\$575,597	\$241,372	\$216,210	\$206,542	\$1,701,150
Fiscal year 2002 (A)						
Company owned						
offices	\$260,155	\$356,120	\$157,205	\$146,190	\$136,474	\$1,056,144
Franchised						
offices	148,706	199,176	91,062	72,841	65,222	577,007
	\$408,861	\$555,296	\$248,267	\$219,031	\$201,696	\$1,633,151
Percent change						
Company owned						
offices	10.6%	2.8%	-3.7%	-2.4%	1.6%	2.9%
Franchised						
offices	16.8%	5.2%	-1.2%	0.9%	4.0%	6.5%
Total	12.9%	3.7%	-2.8%	-1.3%	2.4%	4.2%
Tax returns prepared						
Fiscal year 2003						
Company owned						
offices	2,202	2,702	1,129	1,033	962	8,028
Franchised						
offices	1,460	1,764	762	619	553	5,158
	3,662	4,466	1,891	1,652	1,515	13,186
Fiscal year 2002 (A)						
Company owned						
offices	2,133	2,877	1,255	1,097	979	8,341
Franchised						
offices	1,350	1,811	835	658	559	5,213
	3,483	4,688	2,090	1,755	1,538	13,554
Percent change						
Company owned						
offices	3.2%	-6.1%	-10.0%	-5.8%	-1.7%	-3.8%
Franchised						
offices	8.2%	-2.6%	-8.7%	-5.9%	-1.1%	-1.1%
Total	5.1%	-4.7%	-9.5%	-5.9%	-1.5%	-2.7%
Total clients served						
Fiscal year 2003						
Company owned						
offices	2,218	2,725	1,137	1,039	967	8,086
Franchised						
offices	1,497	1,808	777	632	561	5,275
E-commerce (B)	239	596	315	228	223	1,601
	3,954	5,129	2,229	1,899	1,751	14,962
Fiscal year						

2002 (A)						
Company owned						
offices	2,152	2,907	1,267	1,105	983	8,414
Franchised						
offices	1,403	1,872	857	669	567	5,368
E-commerce (B)	143	414	219	173	151	1,100
	3,698	5,193	2,343	1,947	1,701	14,882
Percent change						
Company owned						
offices	3.1%	-6.3%	-10.3%	-6.0%	-1.6%	-3.9%
Franchised						
offices	6.7%	-3.4%	-9.3%	-5.5%	-1.1%	-1.7%
E-commerce (B)	67.1%	44.0%	43.8%	31.8%	47.7%	45.6%
Total	6.9%	-1.2%	-4.9%	-2.5%	2.9%	0.5%
Tax returns filed electronically (C)						
Fiscal year 2003						
Company owned						
offices	2,159	2,599	1,027	895	800	7,480
Franchised						
offices	1,441	1,671	656	490	407	4,665
E-commerce (B)	167	610	290	237	228	1,532
	3,767	4,880	1,973	1,622	1,435	13,677
Fiscal year 2002 (A)						
Company owned						
offices	2,084	2,730	1,111	913	775	7,613
Franchised						
offices	1,330	1,671	691	478	375	4,545
E-commerce (B)	119	382	214	165	140	1,020
	3,533	4,783	2,016	1,556	1,290	13,178
Percent change						
Company owned						
offices	3.6%	-4.8%	-7.6%	-2.0%	3.2%	-1.8%
Franchised						
offices	8.4%	0.0%	-5.1%	2.5%	8.5%	2.6%
E-commerce (B)	40.3%	59.7%	35.5%	43.6%	62.9%	50.2%
Total	6.6%	2.0%	-2.1%	4.2%	11.2%	3.8%

H&R Block, Inc.

Preliminary U.S. Tax Operating Data

Amounts in thousands, except average fee and number of offices

	Period					YTD
	1/1- 1/31	2/1- 2/15	2/16- 2/28	3/1- 3/15	3/16- 3/31	
Percent filed electronically (D)						
Fiscal year 2003						
Company owned						
offices	97.3%	95.4%	90.3%	86.1%	82.7%	92.5%
Franchised						
offices	96.3%	92.4%	84.4%	77.5%	72.5%	88.4%
E-commerce (B)	69.9%	102.3%	92.1%	103.9%	102.2%	95.7%
	95.3%	95.1%	88.5%	85.4%	82.0%	91.4%
Fiscal year 2002 (A)						
Company owned						
offices	96.8%	93.9%	87.7%	82.6%	78.8%	90.5%
Franchised						
offices	94.8%	89.3%	80.6%	71.4%	66.1%	84.7%
E-commerce (B)	83.2%	92.3%	97.7%	95.4%	92.7%	92.7%
	95.5%	92.1%	86.0%	79.9%	75.8%	88.5%

Average fee per client served						
Fiscal year 2003						
Company owned offices	\$129.71	\$134.34	\$133.19	\$137.38	\$143.43	\$134.39
Franchised offices	116.05	115.89	115.75	116.26	120.93	116.49
	\$124.21	\$126.98	\$126.11	\$129.39	\$135.17	\$127.32
Fiscal year 2002 (A)						
Company owned offices	\$120.89	\$122.50	\$124.08	\$132.30	\$138.83	\$125.52
Franchised offices	105.99	106.40	106.26	108.88	115.03	107.49
	\$115.01	\$116.20	\$116.89	\$123.47	\$130.13	\$118.50
Percent change						
Company owned offices	7.3%	9.7%	7.3%	3.8%	3.3%	7.1%
Franchised offices	9.5%	8.9%	8.9%	6.8%	5.1%	8.4%
Total	8.0%	9.3%	7.9%	4.8%	3.9%	7.5%

Average fee per tax return (F)						
Fiscal year 2003						
Company owned offices	\$106.94	\$118.98	\$124.95	\$132.38	\$140.29	\$120.79
Franchised offices	97.30	103.24	109.25	112.81	118.27	105.21
	\$103.09	\$112.76	\$118.63	\$125.04	\$132.26	\$114.70
Fiscal year 2002 (A)						
Company owned offices	\$97.48	\$106.34	\$115.12	\$126.59	\$134.93	\$111.41
Franchised offices	87.03	93.16	98.85	104.29	111.52	95.85
	\$93.43	\$101.24	\$108.62	\$118.23	\$126.42	\$105.43
Percent change						
Company owned offices	9.7%	11.9%	8.5%	4.6%	4.0%	8.4%
Franchised offices	11.8%	10.8%	10.5%	8.2%	6.1%	9.8%
Total	10.4%	11.4%	9.2%	5.8%	4.6%	8.8%

Refund anticipation loans (E)						
Fiscal year 2003						
Company owned offices	1,146	1,148	223	124	64	2,705
Franchised offices	784	742	133	68	32	1,759
E-commerce (B)	19	29	9	6	4	67
	1,949	1,919	365	198	100	4,531
Fiscal year 2002 (A)						
Company owned offices	1,092	1,193	258	138	82	2,763
Franchised offices	709	753	151	75	42	1,730
E-commerce (B)	8	16	6	5	3	38
	1,809	1,962	415	218	127	4,531
Percent change						
Company owned offices	5.0%	-3.8%	-13.6%	-10.1%	-22.0%	-2.1%
Franchised offices	10.6%	-1.5%	-11.9%	-9.3%	-23.8%	1.7%

E-commerce (B)	137.5%	81.3%	50.0%	20.0%	33.3%	76.3%
Total	7.7%	-2.2%	-12.1%	-9.2%	-21.3%	0.0%

Offices	FY2003	FY2002	%Change
Company owned offices	5,279	5,017	5.2%
Franchised offices	4,022	3,998	0.6%
	9,301	9,015	3.2%

H&R Block, Inc.

Preliminary U.S. Tax Operating Data

Amounts in thousands, except average fee and number of offices

- (A) Prior year numbers have been reclassified between company-owned and franchise offices for franchise offices acquired during the year.
- (B) Includes on-line completed and paid returns and e-filings for software clients. Excludes returns completed for no fee.
- (C) Includes Federal only. State returns also electronically filed are not included in this total.
- (D) Clients served are based on payment date. Returns filed electronically are based on IRS acceptance date. As such, percent filed electronically may exceed 100% in an interim period.
- (E) Prior year numbers have been restated to include only refund anticipation loans processed and funded.
- (F) Includes tax preparation fees only.

#### SOURCE H&R Block, Inc.

Media Relations, Bob Schneider, +1-816-932-4835, bschneider@hrblock.com , or Investor Relations, Mark Barnett, +1-816-701-4443, marbarnett@hrblock.com , both of H&R Block, Inc.

<http://www.hrblock.com>