H&R Block

FY26 Financial Results Conference Call Transcript

August 11, 2026

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

Joining me today are Curtis Campbell, our President and Chief Executive Officer, and Tiffany Mason, our Chief Financial 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, August 11, 2026. 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 Curtis

Curtis Campbell, President, and Chief Executive Officer: Good afternoon, everyone, and thank you for joining us.

<u>Fiscal 2026: Strong Results, Greater Confidence</u>

Fiscal 2026 was a meaningful year for H&R Block. We delivered strong results, made significant progress against our strategic priorities, and continued to strengthen the quality of the business. Revenue increased 4.9%, EBITDA increased 8.3%, and adjusted EPS increased 13.9%.

The growth we delivered this year was meaningfully stronger than what we've achieved in recent years. We also generated strong cash flow and returned $714 million to shareholders through dividends and share repurchases.

What matters most is what drove those results. We converted more clients to completion. We retained more clients. We continued to improve the quality of our client base. And we made meaningful progress against the initiatives that matter most to the long-term durability of our business.

Taken together, fiscal 2026 strengthened our belief that the strategy is working and that H&R Block is on the right path. The results we delivered this year, and the evidence behind them, give us greater confidence we can further accelerate long-term shareholder value.

One Year In: The Strategy Is Working

Over the past several quarters, we've shared elements of the long-term strategy we're executing across H&R Block. Fiscal 2026 marked our first full year executing that strategy, and over the coming quarters you'll hear more about where we're heading and the opportunities we have in front of us. As we look back on the year, what stands out most is the evidence that our expert-led, technology-enabled strategy is showing up in stronger client outcomes and stronger business performance.

One of the clearest proof points we saw this year was in the Assisted category. After two consecutive years of improving trends, we maintained share in the Assisted category in 2026. That matters because it demonstrates that the actions we've taken to bolster the client experience, are helping strengthen our competitive position in our largest business.

We also saw clear evidence that clients are responding to the changes we have made to improve the experience. Conversion improved 200 basis points this season, which we believe is the largest single-year improvement in our recorded history. That improvement was the result of deliberate refinements across the customer journey, supported by automation and product enhancements that helped create a more personalized experience with fewer friction points.

We saw the same pattern in retention. The rate at which clients returned this season increased 190 basis points, and Second Look continues to be a strong proof point. New clients who received Second Look returned at a rate more than 600 basis points higher than those who did not. That's because Second Look delivers something clients value deeply, expertise beyond current-year tax preparation, confidence that H&R Block is working on their behalf to find every dollar they deserve, and a relationship with a trusted tax pro, who has their interests in mind, not only in tax season but throughout the year.

We also continued to see evidence that technology's enhancing, rather than replacing, the expertise that differentiates H&R Block. This season, we expanded the use of AI and automation across the business to help tax pros focus more of their time on delivering advice, judgment, and client support. Sidekick, our AI tax pro assistant, launched across our offices and saw strong adoption throughout the season, while AI Tax Assist for paid DIY filers supported 4.2 million client interactions and drove nearly double the level of engagement we saw a year ago.

We also automated and significantly expanded Second Look, allowing us to bring those benefits to more clients while helping tax pros focus on the returns with the greatest opportunity. Together, these advances reinforced an important aspect of our strategy: using technology to scale expertise and deliver better outcomes for clients.

Taken together, these results reinforce our confidence that our strategy's working. We're seeing stronger client outcomes, improving business quality, and growing evidence that our expert-led, technology-enabled strategy is translating into better performance. That combination is strengthening the durability of the business today while creating a stronger foundation for future growth.

Winning with More Complex, Higher Lifetime Value Clients

A major part of our strategy is continuing to win with more complex, higher lifetime value clients. We are not focused on growth for the sake of volume alone. We are focused on attracting and retaining the types of clients that strengthen both the durability and economics of our business.

We continued to see that shift in fiscal 2026. More complex clients engaged with H&R Block at higher rates, and our client mix continued to move toward the segments we've been intentionally focused on. Over the last few years, the percent of clients falling within our target household AGI range of $50,000 to $200,000 has increased from 38% of our clients to 50%.

Today, we're serving a higher percentage of clients with investment income, small business and sole proprietor needs, and increasingly diverse income streams. That's important because it shows we are not only targeting these relationships, we're succeeding in attracting them.

Research tells us that clients with more complex financial lives value assistance, expertise, and trusted advice. This is exactly where H&R Block stands apart. Our brand, tax expertise, omnichannel model, and growing technology capabilities allow us to serve these clients in ways that are increasingly relevant to their needs.

We will continue to lean into these consumer groups rather than pursue lower lifetime value, transaction-oriented clients, because volume alone doesn't create durable economic value.

As a result, we're continuing to improve the quality of the business. These relationships create more opportunities to serve clients over time, support stronger retention, and improve the long-term economics of our client base.

The Power of Our Omnichannel Model

Our omnichannel model is becoming an even greater competitive advantage because it's built around a simple idea: clients don't all need the same level of assistance, and their needs change over time. Some clients want to prepare their return entirely on their own. Others want occasional guidance through tools like AI Tax Assist. Some want the assurance and accountability that comes from Tax Pro Review. And others prefer more guided support from a tax pro through virtual or in-office experiences.

Our advantage is that we can meet clients where they are and provide the level of assistance they need, when they need it. As their needs evolve, we are there every step of the way for them.

We believe this flexibility is becoming increasingly important as technology changes how clients engage. Technology can simplify tasks and make assistance more accessible, while human expertise provides the judgment, advice, and confidence that technology alone cannot. We are not building separate digital and expert-led experiences. We are strengthening an integrated omnichannel model that operates at scale, where technology and human expertise work together to deliver the right level of assistance in the way each client prefers.

That is an important distinction. We are not trying to bolt technology onto a fragmented service model or bolt experts onto a digital model. We're building on a foundation that allows clients to move across DIY, virtual, and in-person experiences while receiving the level of assistance that is right for them. We believe our ability to combine expertise and technology across the different needs clients have, is becoming an increasingly important differentiator and expanding our opportunity for long-term growth.

We saw additional evidence of this throughout the season. Clients engaged with technology-enabled assistance at scale through AI Tax Assist. At the same time, Sidekick helped tax pros navigate complex tax questions more efficiently, while Client Experience Monitors allowed clients to explore products and services independently, contributing to a 550 basis point increase in product attachment. These are practical examples of our omnichannel model in action, using technology to make assistance more accessible for clients while allowing our tax pros to focus on the expertise, judgment, and advice that matter most.

Building a More Durable Growth Engine

The progress we've discussed so far has strengthened our confidence in our strategy and helped us identify where to move faster.

The greatest change happening at H&R Block isn't any single initiative. It's a different way of operating. Back in May, I shared that we ran more than 150 experiments during the season, exponentially more than in prior years. As we continue executing our strategy, we're experimenting more, learning faster, and using those learnings to make better decisions about where to scale.

That matters because it increases the velocity at which we can improve the client experience, strengthen execution, and focus resources behind the ideas showing the greatest potential.

This is an important part of building a more durable growth engine and accelerating progress against our strategy. We are not guessing at what could happen. We are testing in real-world conditions, learning from the results, and scaling what works. That approach gives us greater confidence in the choices we're making, allows us to move faster when evidence supports it, and helps us advance our long-term strategy with greater discipline.

Just as importantly, we're still in the early stages of what this approach can unlock. The progress we saw this year has increased our confidence that there are meaningful opportunities ahead, and we expect the pace of learning, experimentation, and innovation to continue accelerating. I'd like to share two examples that show how this operating model is translating learnings into meaningful progress.

Moving Faster Where the Evidence Is Strongest

The first example is the work we are doing to test a more consultative, expert-led, technology-enabled client experience.

In five pilot offices this past tax season, we delivered a client experience that felt less transactional and more advisory, focused on strengthening the client relationship and creating incremental value both during and beyond the annual tax filing event.

In these pilot offices, we saw higher client satisfaction, stronger beliefs in our expertise and value, and increased engagement beyond tax season.

These weren't data points alone, we heard it directly from clients. One client told us, "I didn't know taxes could be this easy." Another said, "This guidance will really make a difference for my business."

Those comments matter because they reinforce a broader belief we have at H&R Block. As technology reduces the effort required to prepare a return, the value of expertise, judgment, and trusted advice increases. They also reinforce our belief that clients value a trusted relationship that extends beyond the tax return itself.

We can deliver this experience because, behind the scenes, technology is handling more of the administrative work, allowing our tax pros to spend less time collecting and entering information and more time providing guidance, planning, and advice.

Based on what we learned last season, we are expanding this model to a full designated market area for tax season '27. This will allow us to further test and refine the operating model, technology, talent and workflows needed to deliver this experience consistently and at scale.

To enable this experience, we're transforming how work gets done inside our offices by automating away the mechanical aspects of tax prep. From using AI to eliminate manual data entry to automating the initial review of prior-year returns, we're creating more capacity for tax pros to focus on delivering the personalized trusted assistance clients value most.

The second example of how we're transforming is the evolution of our field leadership model. One of our clearest learnings was the critical role year-round leadership plays in developing associates, reinforcing service standards, and delivering a more consistent client experience. Those learnings gave us the confidence to move faster on changes that will support future phases of our strategy.

As part of that effort, we are making an enterprise transition from a seasonal office leadership model to a year-round office leadership model supported by Area Experience Leaders who manage a small number of offices and focus on developing talent, coaching associates, and driving greater consistency throughout the field. We believe delivering more consistent and consultative client experiences requires full-time leaders, who are present not just during tax season, but throughout the year.

These leaders will also help deepen our presence in local communities, helping us compete more effectively against independent providers. We are also streamlining supporting functions to better enable our field teams, increase consistency of execution, and accelerate our ability to scale what is working across the organization.

These two examples, although different in detail, reflect the same principle. When testing gives us strong evidence, we act on it. That discipline allows us to accelerate progress against our strategy, reduce execution risk, and build a faster-moving organization capable of compounding progress over time.

In Summary

Looking back at the year, what gives us confidence is not simply the results we achieved, but the evidence behind them. We're delivering stronger client outcomes, attracting higher lifetime-value clients, building a more differentiated competitive position, and seeing increasing proof that our strategy is working.

Just as importantly, we're becoming a faster-learning organization. Our ability to test, learn, adapt, and scale what works continues to improve, giving us greater confidence in where we invest, where we accelerate, and how we create value.

While we're still early in the journey, we believe H&R Block is better positioned today than it has been in many years. We have a clear strategy, compelling opportunities ahead, and significant runway to further strengthen the business, deepen client relationships, and create long-term shareholder value.

With that, I'll turn the call over to Tiffany.

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

<u>Financial Update</u>

In fiscal 2026, we delivered our strongest financial performance of the past five years. Revenue and EBITDA growth as well as margin expansion all accelerated, which reflects a year of successful execution and progress against our strategy.

For the fiscal year, we delivered revenue of $3.95 billion, an increase of 4.9% over the prior year.

This increase was primarily driven by higher net average charge (or NAC) and company-owned volume in U.S. Assisted tax preparation, growth in international revenue, and another year of small business momentum at Wave.

As Curtis shared, we strengthened the quality of our business and, as a result, maintained share in our largest category. This was supported by higher conversion, better retention, and a mix shift toward more complex clients who value confidence and expert judgment.

We also continued to benefit from our ability to make low single-digit pricing adjustments while offering a strong value proposition to our clients. In the Assisted category overall, we were pleased by our progress this year toward a healthier balance of volume, price, and mix, which remains a key element of our strategy.

Wave, an important component of our small business strategy, had another very productive year. This marked Wave's second consecutive year of double-digit revenue growth driven by paid ProTier subscriptions and higher payments volume.

Taken together, we believe these top-line results reflect a healthy and improving business.

Total operating expenses for the fiscal year were $3.04 billion, an increase of 3.6% over the prior year.

This increase was primarily due to higher tax professional wages as a result of the better company-owned return volumes, and an increase in occupancy costs and technology-related expenses.

Fiscal 2026 EBITDA was $1.06 billion, an increase of 8.3% over the prior year, resulting in 80 basis points of EBITDA margin expansion.

Our effective tax rate for the fiscal year was 14% compared to 22% in the prior year. As a reminder, during the third quarter we recognized an $84.1 million one-time non-cash tax benefit related to the resolution of an IRS examination which reduced income tax expense and provided a $0.65 benefit to earnings per share.

Net income from continuing operations was $736 million, and earnings per share from continuing operations were $5.69.

Adjusted net income was $688 million.

Adjusted earnings per share were $5.31, an increase of 13.9% over the prior year. This increase was driven by fewer shares outstanding as a result of share repurchases and higher adjusted net income.

Turning to our capital structure and disciplined capital allocation practices.

Our liquidity position remains strong, supported by the significant and stable free cash flow generation of our business.

This year we generated $756 million of free cash flow, representing a meaningful increase year-over-year and reflecting the strength of our operating model and the quality of our earnings.

This cash flow provided flexibility to execute against our capital allocation priorities.

During the year, we repurchased and retired approximately 10.5 million shares, representing 7.9% of shares outstanding, at an aggregate cost of $500 million.

In fiscal 2026, we returned a total of $714 million to shareholders in the form of dividends and share repurchases.

We remain committed to investing in the business, growing the dividend, and returning excess capital to shareholders through share repurchases. We believe this disciplined approach to capital allocation continues to drive meaningful long-term shareholder value.

Fiscal 2027 Outlook

Now turning to our fiscal 2027 outlook, I'll begin with the key assumptions underlying our expectations for the year.

We expect industry growth to moderate relative to the historical norm of approximately 1%. While unemployment rates remain stable, job growth has slowed. Historically, industry growth has correlated with job growth, so our outlook reflects that backdrop.

Despite this softer industry backdrop, the meaningful progress we delivered in fiscal 2026 and the continued progress against our strategy give us confidence in our market position heading into 2027. We remain focused on achieving a healthier balance of volume, price, and mix supported by ongoing enhancements to the client experience and serving clients with increasingly complex needs.

At the low end of our revenue outlook, we assume we will maintain Assisted category market share, while at the high end, we assume Assisted category market share growth.

We will also continue to acquire franchise locations when opportunities arise at attractive EBITDA multiples.

And, we expect growth in small business services as we continue to enhance how we bring together our expert advice, product suite, and digital capabilities to comprehensively serve small business owners.

With regard to expenses, our outlook assumes continued discipline in managing our cost structure.

At the same time, we expect to increase our level of investment in fiscal 2027 to support our strategic priorities. As Curtis discussed, we are scaling initiatives that have demonstrated promising results through testing and accelerating efforts where evidence has strengthened our confidence in the opportunity ahead.

These investments support the next phase of our strategy and include efforts such as the expansion of our consultative client experience and technologies that enable greater automation of tax preparation and related workflows.

Our continued focus on disciplined cost management allows us to make these investments and still maintain our long-term financial algorithm.

As a result of these and other assumptions, our outlook for fiscal 2027 is:

Revenue in the range of $4.11 to $4.16 billion;

Adjusted EBITDA in the range of $1.11 to $1.14 billion;

An effective tax rate of approximately 23%;

And Adjusted diluted earnings per share in the range of $6.04 to $6.24.

One additional expense item to note as you review the outlook we provided today in our earnings release.

The transition that Curtis discussed from a seasonal office leadership model to a year-round model and the streamlining of support functions, all to better enable our field teams has resulted in an approximately $8.3 million severance charge in the first quarter of fiscal 2027. This amount has been excluded from our outlook.

Durable cash flows remain one of the defining strengths of our business, and we expect fiscal 2027 to be another strong year of free cash flow generation.

We will continue to use this cash flow to invest in the business, grow the dividend, and return excess capital to shareholders through share repurchases.

Consistent with that commitment, today, the Board approved a 10% increase in our quarterly dividend to $0.46 per share. We are proud that H&R Block has paid quarterly dividends consecutively since becoming a public company in 1962.

Additionally, our fiscal 2027 outlook contemplates approximately $400 million of share repurchases, with a plan to execute throughout the entire year subject to market conditions.

We have approximately $600 million remaining under our current $1.5 billion share repurchase authorization.

Taken together, these inputs underpin our fiscal 2027 outlook and reinforce our focus on disciplined execution of our strategy.

We enter the new fiscal year with momentum, confidence in our strategy, and a compelling financial profile that enables us to invest in strategic priorities, grow profitability, and continue to deliver value to shareholders.

With that, I'll turn it back over to Curtis for closing remarks.

Curtis Campbell, President, and Chief Executive Officer: Thanks, Tiffany.

The results of this year reflect the progress we've made executing our strategy. We exceeded financial expectations, further elevated the client experience, and continued to strengthen the durability of our business. The evidence we saw throughout the year, from stronger conversion and retention to continued improvement in the quality of our client base, reinforces our confidence that the strategy's working and that H&R Block is well positioned for the future.

We have an exciting year ahead, and I look forward to sharing our Q1 results in November and providing a deeper look at our strategy, execution priorities, and long-term value creation framework at our Investor Day in December.

Thank you for your time and support.

And with that, operator, we'll 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), adjusted net income, free cash flow, earnings before interest, taxes, depreciation, and amortization (EBITDA), adjusted EBITDA, and EBITDA margin, 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. Unless otherwise noted, year-over-year comparisons of operational tax performance reflect the period from January 1, 2026 to April 30, 2026 versus the corresponding prior-year period and financial reporting metrics are presented for the fiscal year ended June 30, 2026. H&R Block is not a bank. Bank products and services are offered by Pathward, N.A.