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**FY13 3Q Earnings Conference Call**  
**March 7, 2013**

## Forward-Looking Statements

This presentation and various comments made in connection with it will 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,” “seeks,” “estimates,” “projects,” “forecasts,” “targets,” “would,” “will,” “should,” “could” or “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, income, earnings per share, capital expenditures, dividends, liquidity, capital structure 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. 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 and which are described in our Annual Report on Form 10-K for the fiscal year ended April 30, 2012 in the section entitled “Risk Factors,” as well as additional factors we may describe from time to time in other filings with the Securities and Exchange Commission. 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.

1. Industry has experienced unprecedented delays, making comparisons to last years results through Jan. 31 and Feb. 28 near impossible
  - Industry-wide filings are running approximately 2 weeks behind last year
  - Will likely take the balance of the season for the industry to fully normalize
  - Expect industry filings this tax season will grow in-line with historical levels of about 1 to 2%
2. Entered season with thoughtful plan; executing well considering adjustments for delays and competitive factors
  - Many competitors increased marketing in December and January; pleased our marketing was better timed due to the delays
  - Believe we're outperforming the market in both Assisted and Digital channels through Feb. 28
  - Still a lot of execution remaining until the industry fully normalizes by Apr. 15
3. Making progress towards goals to strengthen our long-term position in the industry

- Heading into 2013, we expected the season to be delayed one week (IRS e-file was originally scheduled to open on Jan. 22)
  
- Season was then further delayed by three key factors:
  - Tax legislation was signed into law in early January, which prompted the IRS to extend its e-file opening date to Jan. 30
  - Delays further compounded as the IRS, States, and other taxing jurisdictions did not accept certain forms until this month
  - Media coverage of “fiscal cliff” and the associated e-file and form delays has led to a change in the timing of tax filing patterns
  
- These factors combined have led to industry-wide filings delayed by two weeks

## Industry:

- Our analysis of industry data gives us confidence that we're on track with our plans for FY13
  - HRB U.S. tax return volume was down nearly 6% through Feb. 28
  - We're outpacing the industry; estimate industry-wide filings were down ~8% at Feb. 28

## Assisted:

- Temporary impact of filing delays has been more pronounced within Assisted
  - Complex 1040 filers are filing later this season
- Assisted volume has not been materially impacted by exit from Sears
  - Retention of clients previously served in Sears locations are being retained at levels consistent with our expectations

## Digital

- HRB online returns fell 2% day-to-day through Feb. 16 vs. Intuit down 6%
- HRB online returns grew 44% day-to-day from Jan. 30 – Feb. 16 vs. Intuit up 32%
- Through Feb. 28, HRB online returns were up over 5% fiscal year to date
  
- HRB desktop returns fell 11% through Feb. 28
  - Desktop category is in a slow secular decline; made strategic decision to exit certain retailers
  - Excluding these units, our desktop returns were down ~4%
  
- Free File Alliance (FFA) clients were down 16% through Feb. 28
  
- Overall, our mix of digital clients continues to improve, which should position us well as we continue to gain momentum in the category



- Like the way we're executing and we're currently outpacing our competition in both the assisted and digital channels
  
- Industry will not normalize until the end of the season
  - We estimate there are more than 60 million filers who have to file a return by April 15
  
- We have a lot of work to do, but we believe we're well positioned to execute on our plans for this fiscal year



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**Greg Macfarlane, CFO**



- Fiscal YTD total expense savings of \$172 mm through Jan. 31
  - YTD expenses are obscured due to volume-driven variable expense shifts this year that did not occur last year
  - Expect 4Q variable expenses, primarily tax professional compensation, to increase compared to 4Q last year
  
- Despite this shift, we continue to expect our previously announced cost reduction initiatives will generate \$85-100 mm of pretax earnings in FY13

in millions, except EPS	Actual		Adjusted*	
	Q3 FY13	Q3 FY12	Q3 FY13	Q3 FY12
<b>Revenue</b>	\$472	\$663	\$472	\$663
<b>EBITDA*</b>	(\$52)	\$45	(\$53)	\$49
<b>Pretax Income (Loss)</b>	(\$96)	(\$1)	(\$97)	\$3
<b>Net Income (Loss)</b>	(\$17)	(\$4)	(\$60)	\$0
<b>Shares Outstanding</b>	271.5	293.0	271.5	293.0
<b>EPS</b>	(\$0.06)	(\$0.01)	(\$0.22)	\$0.00

- Total revenues were lower by 29%, to \$472 mm
  - IRS opened e-file system on Jan. 30, just before the end of 3Q
  - For accounting purposes, revenues and expenses are recognized once the return has been accepted by the IRS
  - Deferred \$15 mm of revenues to 4Q as the IRS did not accept returns that contained specific forms before Jan. 31 (e.g. Education Credit)
- Adjusted net loss from continuing operations \$60 mm, or (\$0.22), compared to breakeven in the prior year

Non-GAAP Pretax Results - Tax Services segment	Three months ended January 31,		Nine months ended January 31,	
	2013	2012	2013	2012
<b>Pretax income (loss) - as reported</b>	\$ (64,189)	\$ 31,716	\$ (335,203)	\$ (311,733)
<b>Add back :</b>				
Loss contingencies - litigation charges	(440)	4,171	(5,193)	27,527
Impairment of goodwill and intangible assets	-	-	1,421	8,237
Severance	(612)	(350)	480	1,760
Loss (gain) on sales of tax offices	(352)	229	(876)	1,141
	<u>(1,404)</u>	<u>4,050</u>	<u>(4,168)</u>	<u>38,665</u>
<b>Pretax income (loss) - as adjusted</b>	\$ <u>(65,593)</u>	\$ <u>35,766</u>	\$ <u>(339,371)</u>	\$ <u>(273,068)</u>

- Tax Services revenue were lower by \$191mm, or 29%
  - Primarily due to the delayed start of the tax season
  - \$15 mm of revenue deferred to fiscal 4Q
  
- Pretax loss of \$64 mm, compares to pretax income of \$32 mm in the prior year
  - Lower revenues resulting from the delays were partially offset by our cost reduction initiatives and lower variable compensation costs

(\$ in millions)

<b>Corporate:</b>	<b>Q3 FY13</b>	<b>Q3 FY12</b>	<b>Better / (Worse)</b>
Revenue	\$ 7	\$ 8	(3%)
Expenses	39	40	2%
<b>Pretax loss</b>	<b>\$ (32)</b>	<b>\$ (33)</b>	<b>2%</b>

- Pretax loss improved by 2% to \$32 mm
  - Corporate expenses declined by \$1 mm, primarily due to lower interest expense from refinancing of Senior Notes in 2Q
  
- Revenues fell \$1 mm due to lower interest income from HRB Bank's shrinking mortgage loan portfolio



- 3Q results reflect the impact of a settlement with the IRS, providing closure on substantially all outstanding issues in our 1999 – 2007 tax returns
  
- Settlement with the IRS resulted in a \$43 mm tax benefit
  - Includes recognition of federal tax and interest receivables not previously recorded, and the release of federal and state income tax reserves
  
- Continuing to explore ways to reduce effective tax rate over the long-term

# Sand Canyon Corporation

- Sand Canyon received \$16 mm of new claims for alleged breaches of R&Ws in Q3
  - Future claim activity could vary considerably from quarter to quarter
- Sand Canyon reached a settlement with AIG
  - Payment charged against reserve for R&W liabilities
  - Specific terms of the settlement remain confidential
- Sand Canyon's accrual for representation and warranty-related liabilities totaled \$119 million at Jan. 31

# Bank Update

- Continuing to work closely with partners at Goldman Sachs and First Annapolis
- Pleased with the progress we've made over the past couple of months



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**Appendix - Non-GAAP Reconciliations  
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March 7, 2013**

# About Non-GAAP Financial Measures

## About Non-GAAP Financial Measures

The accompanying press release contains non-GAAP financial measures. 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 in other companies.

We consider non-GAAP financial measures to be a useful metric for management and investors to evaluate and compare the ongoing operating performance of our business on a consistent basis across reporting periods, as it eliminates the effect of items that are not indicative of the our core operating performance.

The following are descriptions of adjustments we make for our non-GAAP financial measures:

- We exclude from our non-GAAP financial measures litigation charges we incur and favorable reserve adjustments. This does not include normal legal defense costs.
- We exclude from our non-GAAP financial measures non-cash charges to adjust the carrying values of goodwill, intangible assets, other long-lived assets and investments to their estimated fair values.
- We exclude from our non-GAAP financial measures severance and other restructuring charges in connection with the termination of personnel, closure of facilities and related costs.
- We exclude from our non-GAAP financial measures the gains and losses on business dispositions, including investment banking, legal and accounting fees.
- We exclude from our non-GAAP financial measures the effects of discrete income tax reserve and related adjustments recorded in a specific quarter.

We may consider whether other significant items that arise in the future should also be excluded from our non-GAAP financial measures.

We measure the performance of our business using a variety of metrics, including EBITDA, adjusted EBITDA, adjusted pretax and net income of continuing operations, adjusted EPS and adjusted pretax results of our Tax Services segment. We also use EBITDA and pretax income of continuing operations as factors in incentive compensation calculations for our employees. These adjusted results eliminate the impact of items that we do not consider indicative of our core operating performance and, we believe, provide meaningful information to assist in understanding our financial results, analyzing trends in our underlying business, and assessing our prospects for future performance.

# Non-GAAP Reconciliations

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### NON-GAAP FINANCIAL MEASURES

Unaudited, amounts in thousands, except per share amounts

EBITDA and Adjusted EBITDA <sup>(1)</sup>	Three months ended January 31,		Nine months ended January 31,	
	2013	2012	2013	2012
<b>Net loss from continuing operations - as reported</b>	\$ (16,915)	\$ (3,567)	\$ (223,764)	\$ (245,735)
<b>Add back :</b>				
Income taxes	(79,353)	2,541	(204,061)	(159,821)
Interest expense	19,428	23,543	64,895	69,352
Depreciation and amortization	24,638	22,506	67,242	66,127
	<u>(35,287)</u>	<u>48,590</u>	<u>(71,924)</u>	<u>(24,342)</u>
<b>EBITDA from continuing operations</b>	<u>(52,202)</u>	<u>45,023</u>	<u>(295,688)</u>	<u>(270,077)</u>
<b>Adjustments:</b>				
Loss contingencies - litigation charges	(190)	4,171	(4,943)	27,528
Impairment of goodwill and intangible assets	-	-	1,421	8,237
Severance	(582)	(190)	475	1,920
Loss (gain) on sales of tax offices	(352)	229	(876)	1,141
	<u>(1,124)</u>	<u>4,210</u>	<u>(3,923)</u>	<u>38,826</u>
<b>Adjusted EBITDA from continuing operations</b>	<u>\$ (53,326)</u>	<u>\$ 49,233</u>	<u>\$ (299,611)</u>	<u>\$ (231,251)</u>

(1) Earnings before interest, taxes, depreciation and amortization

# Non-GAAP Reconciliations

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### NON-GAAP FINANCIAL MEASURES

Unaudited, amounts in thousands, except per share amounts

	Three months ended January 31,		Nine months ended January 31,	
	2013	2012	2013	2012
<b>Non-GAAP Pretax Results</b>				
Pretax loss from continuing operations - as reported	\$ (96,268)	\$ (1,026)	\$ (427,825)	\$ (405,556)
<b>Add back :</b>				
Loss contingencies - litigation charges	(190)	4,171	(4,943)	27,528
Impairment of goodwill and intangible assets	-	-	1,421	8,237
Severance	(582)	(190)	475	1,920
Loss (gain) on sales of tax offices	(352)	229	(876)	1,141
	<u>(1,124)</u>	<u>4,210</u>	<u>(3,923)</u>	<u>38,826</u>
Pretax income (loss) from continuing operations - as adjusted	\$ (97,392)	\$ 3,184	\$ (431,748)	\$ (366,730)
<b>Non-GAAP After-Tax Results</b>				
Net loss from continuing operations - as reported	\$ (16,915)	\$ (3,567)	\$ (223,764)	\$ (245,735)
<b>Add back (net of tax) :</b>				
Loss contingencies - litigation charges	(126)	2,643	(3,032)	16,767
Impairment of goodwill and intangible assets	3	36	872	5,017
Severance	(355)	(107)	291	1,169
Loss (gain) on sales of tax offices	(217)	144	(537)	695
Discrete tax items	(42,852)	1,162	(38,679)	(1,289)
	<u>(43,547)</u>	<u>3,878</u>	<u>(41,085)</u>	<u>22,359</u>
Net income (loss) from continuing operations - as adjusted	\$ (60,462)	\$ 311	\$ (264,849)	\$ (223,376)

# Non-GAAP Reconciliations

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### NON-GAAP FINANCIAL MEASURES

Unaudited, amounts in thousands, except per share amounts

Non-GAAP EPS	Three months ended January 31,		Nine months ended January 31,	
	2013	2012	2013	2012
<b>EPS from continuing operations - as reported</b>	\$ (0.06)	\$ (0.01)	\$ (0.82)	\$ (0.82)
<b>Add back :</b>				
Loss contingencies - litigation charges	-	0.01	(0.01)	0.05
Impairment of goodwill and intangible assets	-	-	-	0.02
Severance	-	-	-	-
Loss (gain) on sales of tax offices	-	-	-	-
Discrete tax items	(0.16)	-	(0.14)	-
	<u>(0.16)</u>	<u>0.01</u>	<u>(0.15)</u>	<u>0.07</u>
<b>EPS from continuing operations - as adjusted</b>	<u>\$ (0.22)</u>	<u>\$ -</u>	<u>\$ (0.97)</u>	<u>\$ (0.75)</u>

### Supplemental Information

Stock-based compensation expense:

Pretax	\$ 3,677	\$ 3,223	\$ 11,414	\$ 11,047
After-tax	2,271	1,998	7,001	6,729
Amortization of intangible assets:				
Pretax	\$ 4,570	\$ 4,736	\$ 12,942	\$ 15,233
After-tax	2,821	2,930	7,939	9,278