

H&R Block Reports Record Tax Season Results

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KANSAS CITY, Mo., May 3 /PRNewswire/ -- H&R Block Inc. (NYSE: HRB) reported today that, based on preliminary results, revenues received for tax preparation and related services increased 10 percent to \$1.8 billion for company-owned and franchised offices from Jan. 1 through April 16, compared to Jan.1 through April 17 last year. The average fee for tax preparation and related services rose 10.1 percent, while total clients served increased 3 percent to 17.8 million.

"Overall, we achieved record results, even during a time of little tax law change," said Mark A. Ernst, president and chief executive officer. "Increases in the number of clients and fees, significant improvements in e-commerce, and careful expense management were all part of a successful tax season.

"We made important progress this year in our efforts to attract customers with more complex returns," Ernst continued. "Preliminary analysis indicates that new business came disproportionately from our highest value client segments."

Through April 16, H&R Block filed 14.5 million federal returns electronically, a 9.2 percent increase over the prior year. More than 80 percent of all federal returns processed by the company were filed electronically, representing nearly half of all e-filed returns submitted to the IRS by paid tax professionals. During the period, company-owned and franchised offices prepared 16 million returns, an increase of 1.3 percent. Though preliminary, IRS data indicated a decline this year in the total number of returns received as of April 20 compared to the same period last year.

Separately, the company also reported that on April 24 its investment services subsidiary, H&R Block Financial Advisors (HRBFA), reduced approximately 5 percent of its total workforce in non-advisor positions. This action will result in a modest charge in the fourth quarter within this line of business.

"Continued weakness in revenues combined with severance costs related to the workforce reduction, litigation reserves and other expenses will result in a significant year-over-year decline in HRBFA earnings," said Ernst. "We have taken steps to reduce fixed costs and streamline a number of functions across our businesses in response to the market environment."

Outlook for Fourth Quarter and Year-End Results

"Our preliminary analysis of fourth quarter performance supports full year EPS results in the middle to the top of the company's stated long-term EPS growth target of 13 to 18 percent, which would exceed current analyst consensus estimates," Ernst said. "Strength in U.S. tax and mortgage operations' results are expected to more than offset the weakness and special charges we experienced in HRBFA."

Fiscal 2001 fourth quarter and year-end financial results are expected to be announced on June 20, 2001, after close of market.

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 possibility that the audited financial results of the company for the fiscal year will differ from previously released preliminary results or the preliminary results, estimates and expectations set forth herein, the uncertainty of the actual effect of fourth quarter performance on the final earnings per share for fiscal year 2001, the uncertainty that the results of the company's U.S. tax services and mortgage operations segments will offset to any extent expected lower earnings from its investment services segment, changes in economic, political or regulatory environments, litigation involving the company and its subsidiaries, 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. is a diversified company with subsidiaries providing a wide range of financial products and services. In 2000,

H&R Block served 19.2 million taxpayers -- more than any tax or accounting firm -- through its more than 10,000 offices located in the United States, Canada, Australia and the United Kingdom. H&R Block served another 1.8 million tax clients through its award-winning software program, Kiplinger TaxCut(R), and through its new online tax preparation services. 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 Corporation and Option One Mortgage Corporation offer a full range of home mortgage products. RSM McGladrey Inc. is a national accounting, tax and consulting firm with 100 offices nationwide, as well as an affiliation with 550 offices in 75 countries as the U.S. member of RSM International. Quarterly results and other information are available on the company's Web site at <http://www.hrblock.com>.

H&R Block, Inc.

Preliminary U.S. Tax Operating Data

Period January 1 through April 16

Amounts in thousands, except average charge and number of offices

	For the period ended		
	04/16/2001	04/17/2000	% change
Tax preparation & related fees			
Company owned offices	\$1,204,185	\$1,085,674	10.9%
Franchised offices	635,198	586,047	8.4%
	\$1,839,383	\$1,671,721	10.0%
Tax returns prepared			
Company owned offices	10,055	10,002	0.5%
Franchised offices	6,005	5,855	2.6%
	16,060	15,857	1.3%
Total clients served			
Company owned offices	10,202	10,248	-0.4%
Franchised offices	6,293	6,256	0.6%
E-commerce *	1,299	772	68.3%
	17,794	17,276	3.0%
Tax returns filed electronically**			
Company owned offices	8,569	8,239	4.0%
Franchised offices	4,647	4,243	9.5%
E-commerce *	1,253	768	63.2%
	14,469	13,250	9.2%
Percent filed electronically			
Company owned offices	84.0%	80.4%	
Franchised offices	73.8%	67.8%	
E-commerce *	96.5%	99.5%	
	81.3%	76.7%	
Average fee per client served			
Company owned offices	\$118.03	\$105.94	11.4%
Franchised offices	100.94	93.68	7.7%
	\$111.51	\$101.29	10.1%
Refund anticipation loans			
Company owned offices	2,802	3,051	-8.2%
Franchised offices	1,664	1,716	-3.0%
E-commerce *	41	29	41.4%
	4,507	4,796	-6.0%
Offices			
Company owned offices	5,060	5,162	-2.0%

Franchised offices	4,012	4,048	-0.9%
	9,072	9,210	-1.5%

- Includes on-line completed and paid returns and e-filings for software clients.

** Includes Federal only. State returns also electronically filed are

SOURCE H&R Block, Inc.

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