

H&R Block Reports Preliminary Tax Season Results

April 30, 2003 4:23 PM ET

Full-Year Earnings Per Share Expected at High-End of Guidance Range

KANSAS CITY, Mo., Apr 30, 2003 /PRNewswire-FirstCall via COMTEX/ -- H&R Block Inc. (NYSE: HRB) said it expects pretax earnings growth of approximately 10 percent in its U.S. Tax Operations, excluding a second quarter charge for a litigation settlement. The expected earnings growth, based on preliminary tax season results through April 15, is due to strength in the company's online and software business, continued success in attracting clients with more complex tax returns, and increased efficiencies in retail tax offices.

H&R Block said it expected company-wide earnings per share for the fiscal year to be at the upper-end of its guidance range.

The company reported \$2.1 billion in fees from tax preparation and related services from Jan. 1 through April 15, up 3.2 percent from last year. The average fee per tax return rose 8.2 percent to \$119.41. Preliminary results indicate retail tax office operations will improve its operating margins by approximately 50 basis points, excluding the second quarter charge for the litigation settlement.

Total clients served increased 0.3 percent to 18.2 million in tax season 2003. Online and software clients increased 47.9 percent to more than 2 million. Tax professionals in H&R Block offices prepared 15.9 million returns, a decrease of 3.4 percent compared to the same period last year.

"This year, we made substantial progress with our multi-channel strategy, which has increased the relevance of the H&R Block brand to a broader client base," said Mark A. Ernst, chairman and chief executive officer.

"While we are still evaluating results from the tax season, it appears that this year's marketing and advertising programs may not have been effective enough in providing a compelling reason for taxpayers to choose H&R Block's office-based tax services in a year when the public did not perceive significant tax law changes," Ernst said.

H&R Block's earnings guidance is 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. Consolidated company-wide revenues will likely exceed the target growth range of 10-to-15 percent for the year.

The company's earnings guidance includes a total of 27 cents in charges for both the 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 company's guidance range would be \$3.37 to \$3.52 per diluted share, compared to First Call consensus estimates of \$3.46 per diluted share.

The company will announce financial results for the fiscal year and provide an analysis of the tax season at its year-end conference call on June 11, 2003, at 5 p.m. EDT.

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 or the U.S. Tax Operations segment for the fiscal year ended April 30, 2003, will differ from the preliminary results, guidance and expectations expressed herein; the uncertainty that the company will achieve its revenue, earnings and earnings per share goals for fiscal year 2003; the uncertainty of the actual effect of fourth quarter performance on the final financial results of the company for fiscal year 2003, the uncertainty of the results of the evaluation of the 2003 tax season and the advertising campaign, 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) 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
Tax preparation & related fees				
Fiscal year 2003				
Company owned offices	\$287,698	\$366,075	\$151,434	\$142,736
Franchised offices	173,731	209,522	89,938	73,474
	\$461,429	\$575,597	\$241,372	\$216,210
Fiscal year 2002 (A)				
Company owned offices	\$260,155	\$356,120	\$157,205	\$146,190
Franchised offices	148,706	199,176	91,062	72,841
	\$408,861	\$555,296	\$248,267	\$219,031
Percent change				
Company owned offices	10.6%	2.8%	-3.7%	-2.4%
Franchised offices	16.8%	5.2%	-1.2%	0.9%
Total	12.9%	3.7%	-2.8%	-1.3%
	3/16-3/31	4/1-4/15(G)	YTD 4/15(G)	
Tax preparation & related fees				
Fiscal year 2003				
Company owned offices	\$138,700	\$268,667	\$1,355,310	
Franchised offices	67,842	128,240	742,747	
	\$206,542	\$396,907	\$2,098,057	
Fiscal year 2002 (A)				
Company owned offices	\$136,474	\$274,100	\$1,330,244	
Franchised offices	65,222	125,846	702,853	
	\$201,696	\$399,946	\$2,033,097	
Percent change				
Company owned offices		1.6%	-2.0%	1.9%
Franchised offices		4.0%	1.9%	5.7%
Total		2.4%	-0.8%	3.2%
	1/1-1/31	2/1-2/15	2/16-2/28	3/1-3/15
Tax returns prepared				
Fiscal year 2003				
Company owned offices	2,202	2,702	1,129	1,033
Franchised offices	1,460	1,764	762	619
	3,662	4,466	1,891	1,652
Fiscal year 2002 (A)				
Company owned offices	2,133	2,877	1,255	1,097
Franchised offices	1,350	1,811	835	658
	3,483	4,688	2,090	1,755
Percent change				
Company owned offices	3.2%	-6.1%	-10.0%	-5.8%
Franchised offices	8.2%	-2.6%	-8.7%	-5.9%

Total	5.1%	-4.7%	-9.5%	-5.9%
	3/16-3/31	4/1-4/15(G)	YTD 4/15(G)	
Tax returns prepared				
Fiscal year 2003				
Company owned offices	962	1,749	9,777	
Franchised offices	553	997	6,155	
	1,515	2,746	15,932	
Fiscal year 2002 (A)				
Company owned offices	979	1,886	10,227	
Franchised offices	559	1,048	6,261	
	1,538	2,934	16,488	
Percent change				
Company owned offices	-1.7%	-7.3%	-4.4%	
Franchised offices	-1.1%	-4.9%	-1.7%	
Total	-1.5%	-6.4%	-3.4%	

	1/1-1/31	2/1-2/15	2/16-2/28	3/1-3/15
Total clients served				
Fiscal year 2003				
Company owned offices	2,218	2,725	1,137	1,039
Franchised offices	1,497	1,808	777	632
E-commerce (B)	239	596	315	228
	3,954	5,129	2,229	1,899
Fiscal year 2002 (A)				
Company owned offices	2,152	2,907	1,267	1,105
Franchised offices	1,403	1,872	857	669
E-commerce (B)	143	414	219	173
	3,698	5,193	2,343	1,947
Percent change				
Company owned offices	3.1%	-6.3%	-10.3%	-6.0%
Franchised offices	6.7%	-3.4%	-9.3%	-5.5%
E-commerce (B)	67.1%	44.0%	43.8%	31.8%
Total	6.9%	-1.2%	-4.9%	-2.5%

	3/16-3/31	4/1-4/15(G)	YTD 4/15(G)	
Total clients served				
Fiscal year 2003				
Company owned offices	967	1,752	9,838	
Franchised offices	561	1,001	6,276	
E-commerce (B)	223	493	2,094	
	1,751	3,246	18,208	
Fiscal year 2002 (A)				
Company owned offices	983	1,892	10,306	
Franchised offices	567	1,057	6,425	
E-commerce (B)	151	316	1,416	
	1,701	3,265	18,147	
Percent change				
Company owned offices	-1.6%	-7.4%	-4.5%	
Franchised offices	-1.1%	-5.3%	-2.3%	
E-commerce (B)	47.7%	56.0%	47.9%	
Total	2.9%	-0.6%	0.3%	

	1/1-1/31	2/1-2/15	2/16-2/28	3/1-3/15
Tax returns filed electronically (C)				
Fiscal year 2003				
Company owned offices	2,159	2,599	1,027	895
Franchised offices	1,441	1,671	656	490
E-commerce (B)	167	610	290	237
	3,767	4,880	1,973	1,622
Fiscal year 2002 (A)				
Company owned offices	2,084	2,730	1,111	913

Franchised offices	1,330	1,671	691	478
E-commerce (B)	119	382	214	165
	3,533	4,783	2,016	1,556
Percent change				
Company owned offices	3.6%	-4.8%	-7.6%	-2.0%
Franchised offices	8.4%	0.0%	-5.1%	2.5%
E-commerce (B)	40.3%	59.7%	35.5%	43.6%
Total	6.6%	2.0%	-2.1%	4.2%

	3/16-3/31	4/1-4/15(G)	YTD 4/15(G)
Tax returns filed electronically (C)			
Fiscal year 2003			
Company owned offices	800	1,376	8,856
Franchised offices	407	662	5,327
E-commerce (B)	228	428	1,960
	1,435	2,466	16,143
Fiscal year 2002 (A)			
Company owned offices	775	1,386	8,999
Franchised offices	375	607	5,152
E-commerce (B)	140	269	1,289
	1,290	2,262	15,440
Percent change			
Company owned offices	3.2%	-0.7%	-1.6%
Franchised offices	8.5%	9.1%	3.4%
E-commerce (B)	62.9%	59.1%	52.1%
Total	11.2%	9.0%	4.6%

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
Percent filed electronically (D)				
Fiscal year 2003				
Company owned offices	97.3%	95.4%	90.3%	86.1%
Franchised offices	96.3%	92.4%	84.4%	77.5%
E-commerce (B)	69.9%	102.3%	92.1%	103.9%
	95.3%	95.1%	88.5%	85.4%
Fiscal year 2002 (A)				
Company owned offices	96.8%	93.9%	87.7%	82.6%
Franchised offices	94.8%	89.3%	80.6%	71.4%
E-commerce (B)	83.2%	92.3%	97.7%	95.4%
	95.5%	92.1%	86.0%	79.9%
	3/16-3/31	4/1-4/15(G)	YTD 4/15(G)	
Percent filed electronically (D)				
Fiscal year 2003				
Company owned offices	82.7%	78.5%	90.0%	
Franchised offices	72.5%	66.1%	84.9%	
E-commerce (B)	102.2%	86.8%	93.6%	
	82.0%	76.0%	88.7%	
Fiscal year 2002 (A)				
Company owned offices	78.8%	73.3%	87.3%	
Franchised offices	66.1%	57.4%	80.2%	
E-commerce (B)	92.7%	85.1%	91.0%	
	75.8%	69.3%	85.1%	
	1/1-1/31	2/1-2/15	2/16-2/28	3/1-3/15

Average fee per client served				
Fiscal year 2003				
Company owned offices	\$129.71	\$134.34	\$133.19	\$137.38
Franchised offices	116.05	115.89	115.75	116.26
	\$124.21	\$126.98	\$126.11	\$129.39
Fiscal year 2002 (A)				
Company owned offices	\$120.89	\$122.50	\$124.08	\$132.30
Franchised offices	105.99	106.40	106.26	108.88
	\$115.01	\$116.20	\$116.89	\$123.47
Percent change				
Company owned offices	7.3%	9.7%	7.3%	3.8%
Franchised offices	9.5%	8.9%	8.9%	6.8%
Total	8.0%	9.3%	7.9%	4.8%

	3/16-3/31	4/1-4/15(G)	YTD 4/15(G)	
Average fee per client served				
Fiscal year 2003				
Company owned offices	\$143.43	\$153.35	\$137.76	
Franchised offices	120.93	128.11	118.35	
	\$135.17	\$144.17	\$130.20	
Fiscal year 2002 (A)				
Company owned offices	\$138.83	\$144.87	\$129.07	
Franchised offices	115.03	119.06	109.39	
	\$130.13	\$135.62	\$121.52	
Percent change				
Company owned offices	3.3%	5.9%	6.7%	
Franchised offices	5.1%	7.6%	8.2%	
Total	3.9%	6.3%	7.1%	

	1/1-1/31	2/1-2/15	2/16-2/28	3/1-3/15
Average fee per tax return (F)				
Fiscal year 2003				
Company owned offices	\$106.94	\$118.98	\$124.95	\$132.38
Franchised offices	97.30	103.24	109.25	112.81
	\$103.09	\$112.76	\$118.63	\$125.04
Fiscal year 2002 (A)				
Company owned offices	\$97.48	\$106.34	\$115.12	\$126.59
Franchised offices	87.03	93.16	98.85	104.29
	\$93.43	\$101.24	\$108.62	\$118.23
Percent change				
Company owned offices	9.7%	11.9%	8.5%	4.6%
Franchised offices	11.8%	10.8%	10.5%	8.2%
Total	10.4%	11.4%	9.2%	5.8%

	3/16-3/31	4/1-4/15(G)	YTD 4/15(G)	
Average fee per tax return (F)				
Fiscal year 2003				
Company owned offices	\$140.29	\$151.01	\$126.20	
Franchised offices	118.27	126.33	108.63	
	\$132.26	\$142.05	\$119.41	
Fiscal year 2002 (A)				
Company owned offices	\$134.93	\$142.13	\$117.08	
Franchised offices	111.52	117.25	99.43	
	\$126.42	\$133.23	\$110.38	
Percent change				
Company owned offices	4.0%	6.2%	7.8%	
Franchised offices	6.1%	7.7%	9.3%	
Total	4.6%	6.6%	8.2%	

	1/1-1/31	2/1-2/15	2/16-2/28	3/1-3/15
Refund anticipation loans (E)				
Fiscal year 2003				

Company owned offices	1,146	1,148	223	124
Franchised offices	784	742	133	68
E-commerce (B)	19	29	9	6
	1,949	1,919	365	198
Fiscal year 2002 (A)				
Company owned offices	1,092	1,193	258	138
Franchised offices	709	753	151	75
E-commerce (B)	8	16	6	5
	1,809	1,962	415	218
Percent change				
Company owned offices	5.0%	-3.8%	-13.6%	-10.1%
Franchised offices	10.6%	-1.5%	-11.9%	-9.3%
E-commerce (B)	137.5%	81.3%	50.0%	20.0%
Total	7.7%	-2.2%	-12.1%	-9.2%

	3/16-3/31	4/1-4/15(G)	YTD 4/15(G)
Refund anticipation loans (E)			
Fiscal year 2003			
Company owned offices	64	61	2,766
Franchised offices	32	31	1,790
E-commerce (B)	4	6	73
	100	98	4,629
Fiscal year 2002 (A)			
Company owned offices	82	75	2,838
Franchised offices	42	35	1,765
E-commerce (B)	3	4	42
	127	114	4,645
Percent change			
Company owned offices	-22.0%	-18.7%	-2.5%
Franchised offices	-23.8%	-11.4%	1.4%
E-commerce (B)	33.3%	50.0%	73.8%
Total	-21.3%	-14.0%	-0.3%

Offices	FY 2003	FY 2002	% 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.
- (G) Fiscal year 2002 includes data through April 16, 2002 for some areas of the country which observed a legal holiday on April 15th.

SOURCE H&R Block, Inc.

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