

H&R Block Early Tax Season Results Consistent with Expectations; Digital Tax Solutions Business Shows Strong Growth

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KANSAS CITY, Mo.--(BUSINESS WIRE)--March 18, 2004--H&R Block Inc. (NYSE:HRB) said early tax season results are consistent with its expectations for the year, according to interim results for the current tax season through Feb. 29.

Total clients served increased 1.2 percent to more than 12.3 million. The number of digital tax solutions clients increased 16.6 percent. Retail office clients declined 1.9 percent.

Tax preparation and related fees increased 6.1 percent for Jan. 1 through Feb. 29. The average fee per client was \$135.60, an increase of 8.2 percent.

"We saw strong growth in our digital tax solutions business. After a slow start, the retail office business showed solid growth in the second half of February. This preliminary data is consistent with our expectations for a tax season that is good, but not great," Chairman and Chief Executive Mark A. Ernst said.

H&R Block plans to release more preliminary business results for its U.S. tax operations before market opening on April 1, April 16 and April 30.

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 uncertainty that the company will achieve or exceed its revenue, earnings, and earnings per share growth goals or expectations for fiscal year 2004 and that actual financial results for fiscal year 2004 will fall within the guidance provided by the company; the uncertainty of the company's ability to purchase shares of its common stock; the uncertainty of the effect of any share repurchases upon the company and its shareholders; the uncertainty as to the effect on financial results of the adoption of accounting pronouncements; changes in interest rates; changes in economic, political or regulatory environments; the uncertainty of assumptions utilized to estimate cash flows from residual interests in mortgage securitizations and mortgage servicing rights; risks associated with sources of liquidity for each of the lines of business of the company; changes in competition; 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. (www.hrblock.com) is a diversified company with subsidiaries that deliver tax, financial, mortgage and business products and services. It is the only major company with subsidiaries offering a full range of software, online and in-office tax solutions, combined with personalized financial advice about retirement savings, home ownership, and other opportunities to help clients build a better financial future. As the world's largest tax services company, H&R Block served nearly 21 million clients in the U.S. and 11 countries in 2003. H&R Block Financial Advisors Inc. offers investment services and securities products. With more than 1,000 financial advisors serving clients at more than 400 offices, H&R Block Financial Advisors Inc. is a member NYSE, SIPC, a registered broker-dealer and a registered investment advisor. H&R Block Inc. is not a registered broker-dealer and is not a registered investment advisor. H&R Block Mortgage Corp. offers a full range of retail mortgage products. Option One Mortgage Corp. provides mortgage services and offers wholesale mortgage products through large financial institutions and a network of 24,000 independent mortgage brokers. RSM McGladrey Business Services Inc. and its subsidiaries serve mid-sized businesses and their owners with tax, accounting and business consulting services, as well as personal wealth management 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	2/15-2/29	YTD 2/29
Tax preparation & related fees(1)				

Fiscal year 2004				
Company-owned offices(2)	\$309,034	\$364,345	\$180,131	\$853,510
Former major franchise territories(3)	21,889	27,146	11,846	60,881

Total company-owned offices	330,923	391,491	191,977	914,391
Franchise offices(4)	169,338	182,173	86,199	437,710

	\$500,261	\$573,664	\$278,176	\$1,352,101
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Fiscal year 2003(5)				
Company-owned offices(2)	\$288,175	\$365,196	\$151,759	\$805,130
Former major franchise territories(3)	18,714	28,246	11,742	58,702

Total company-owned offices	306,889	393,442	163,501	863,832
Franchise offices(4)	153,725	180,043	76,308	410,076

	\$460,614	\$573,485	\$239,809	\$1,273,908
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Percent change				
Company-owned offices	7.2%	-0.2%	18.7%	6.0%
Former major franchise territories	17.0%	-3.9%	0.9%	3.7%

Total company-owned offices	7.8%	-0.5%	17.4%	5.9%

Franchise offices	10.2%	1.2%	13.0%	6.7%

Total retail offices	8.6%	0.0%	16.0%	6.1%

Total clients served				

Fiscal year 2004				
Company-owned offices(2)	2,191	2,553	1,263	6,007
Former major franchise territories(3)	168	208	89	465

Total company-owned offices	2,359	2,761	1,352	6,472
Franchise offices(4)	1,347	1,460	692	3,499
Digital tax solutions(6)	1,268	737	337	2,342

	4,974	4,958	2,381	12,313
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Fiscal year 2003(5)				
Company-owned offices(2)	2,228	2,734	1,153	6,115
Former major franchise territories(3)	157	233	98	488

Total company-owned offices	2,385	2,967	1,251	6,603
Franchise offices(4)	1,330	1,565	663	3,558
Digital tax solutions(6)	1,042	634	333	2,009

	4,757	5,166	2,247	12,170
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Percent change				
Company-owned offices	-1.7%	-6.6%	9.5%	-1.8%
Former major franchise territories	7.0%	-10.7%	-9.2%	-4.7%

Total company-owned offices	-1.1%	-6.9%	8.1%	-2.0%

Franchise offices	1.3%	-6.7%	4.4%	-1.7%

Total retail offices	-0.2%	-6.9%	6.8%	-1.9%

Digital tax solutions	21.7%	16.3%	1.2%	16.6%

Total	4.6%	-4.0%	6.0%	1.2%

Average fee per client served(7)

Fiscal year 2004

Company-owned offices(2)	\$141.05	\$142.71	\$142.62	\$142.09
Former major franchise territories(3)	130.29	130.51	133.10	130.93

Total company-owned offices	140.28	141.79	141.99	141.28
Franchise offices(4)	125.71	124.78	124.57	125.10

	\$134.99	\$135.91	\$136.09	\$135.60
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Fiscal year 2003(5)

Company-owned offices(2)	\$129.34	\$133.58	\$131.62	\$131.66
Former major franchise territories(3)	119.20	121.23	119.82	120.29

Total company-owned offices	128.67	132.61	130.70	130.82
Franchise offices(4)	115.58	115.04	115.10	115.25

	\$123.99	\$126.54	\$125.29	\$125.37
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Percent change

Company-owned offices	9.1%	6.8%	8.4%	7.9%
Former major franchise territories	9.3%	7.7%	11.1%	8.8%

Total company-owned offices	9.0%	6.9%	8.6%	8.0%

Franchise offices	8.8%	8.5%	8.2%	8.5%

Total retail offices	8.9%	7.4%	8.6%	8.2%

Refund anticipation loans

Fiscal year 2004

Company-owned offices(2)	1,112	1,042	206	2,360
Former major franchise territories(3)	81	77	16	174

Total company-owned offices	1,193	1,119	222	2,534

Franchise offices(4)	713	610	109	1,432
Digital tax solutions(6)	20	25	7	52
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	1,926	1,754	338	4,018
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Fiscal year 2003(5)				
Company-owned offices(2)	1,146	1,148	211	2,505
Former major franchise territories(3)	81	74	16	171
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Total company-owned offices	1,227	1,222	227	2,676
Franchise offices(4)	703	653	122	1,478
Digital tax solutions(6)	19	29	9	57
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	1,949	1,904	358	4,211
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Percent change				
Company-owned offices	-3.0%	-9.2%	-2.4%	-5.8%
Former major franchise territories	0.0%	4.1%	0.0%	1.8%
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Total company-owned offices	-2.8%	-8.4%	-2.2%	-5.3%
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Franchise offices	1.4%	-6.6%	-10.7%	-3.1%
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Total retail offices	-1.2%	-7.8%	-5.2%	-4.5%
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Digital tax solutions	5.3%	-13.8%	-22.2%	-8.8%
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Total	-1.2%	-7.9%	-5.6%	-4.6%
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Offices	FY 2004	FY 2003
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Company-owned offices(2)	4,746	4,672
Former major franchise territories(3)	459	--
Company-owned shared office locations(8)	947	607
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Total company-owned offices	6,152	5,279
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Franchise offices(4)	3,374	3,398
Former major franchise territories(3)	--	529
Franchise shared office locations(8)	325	95
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Total franchise offices	3,699	4,022
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	9,851	9,301
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(1) Includes fees received for tax return preparation services and system administration fees.

(2) Excludes company-owned offices in former major franchise territories which commenced operations during fiscal year 2004.

- (3) Impact of company-owned offices in former major franchise territories which commenced operations during fiscal year 2004.
- (4) Represents remaining major franchise territories and other franchises.
- (5) Prior year numbers have been reclassified between company-owned and franchise offices for offices in former franchise territories which commenced company-owned operations during fiscal year 2004.
- (6) Includes on-line completed and paid returns and federal software units sold.
- (7) Calculated as tax preparation and related fees divided by clients served.
- (8) Shared locations include offices located within Wal-Mart, Sears and other third-party businesses.

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