

Q2 FY25 Financial Results Conference Call

February 4, 2025



Colby Brown

Treasurer, Interim VP Investor Relations

Safe Harbor Statement

Forward-Looking Statement

This presentation contains 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.

Safe Harbor Statement

Non-GAAP Measures

We refer to certain Non-GAAP financial measures in this presentation, including adjusted earnings per share (EPS), earnings before interest, taxes, depreciation, and amortization (EBITDA), and free cash flow, which management believes provide additional meaningful information regarding the Company's performance and financial strength. All non-GAAP financial measures in this presentation 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 this presentation 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 this presentation 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 this presentation.

Bank products and services are offered by Pathward, N.A.

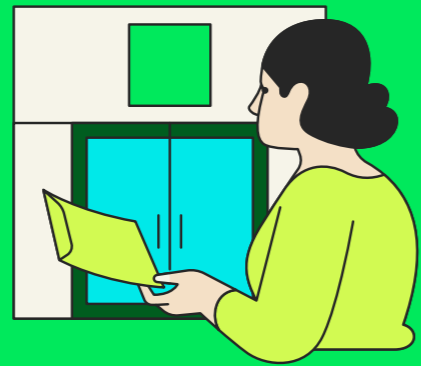
Unless otherwise noted, year-over-year comparisons are calculated as October 1, 2024 to December 31, 2024 compared to the corresponding prior year period.

Jeff Jones

President & Chief Executive Officer

Results

1H: In line with our expectations; well prepared to deliver this tax season



In Q2: Successfully wrapped up the extension season; continued strength in SMB



Repurchased ~\$190M of shares in Q2

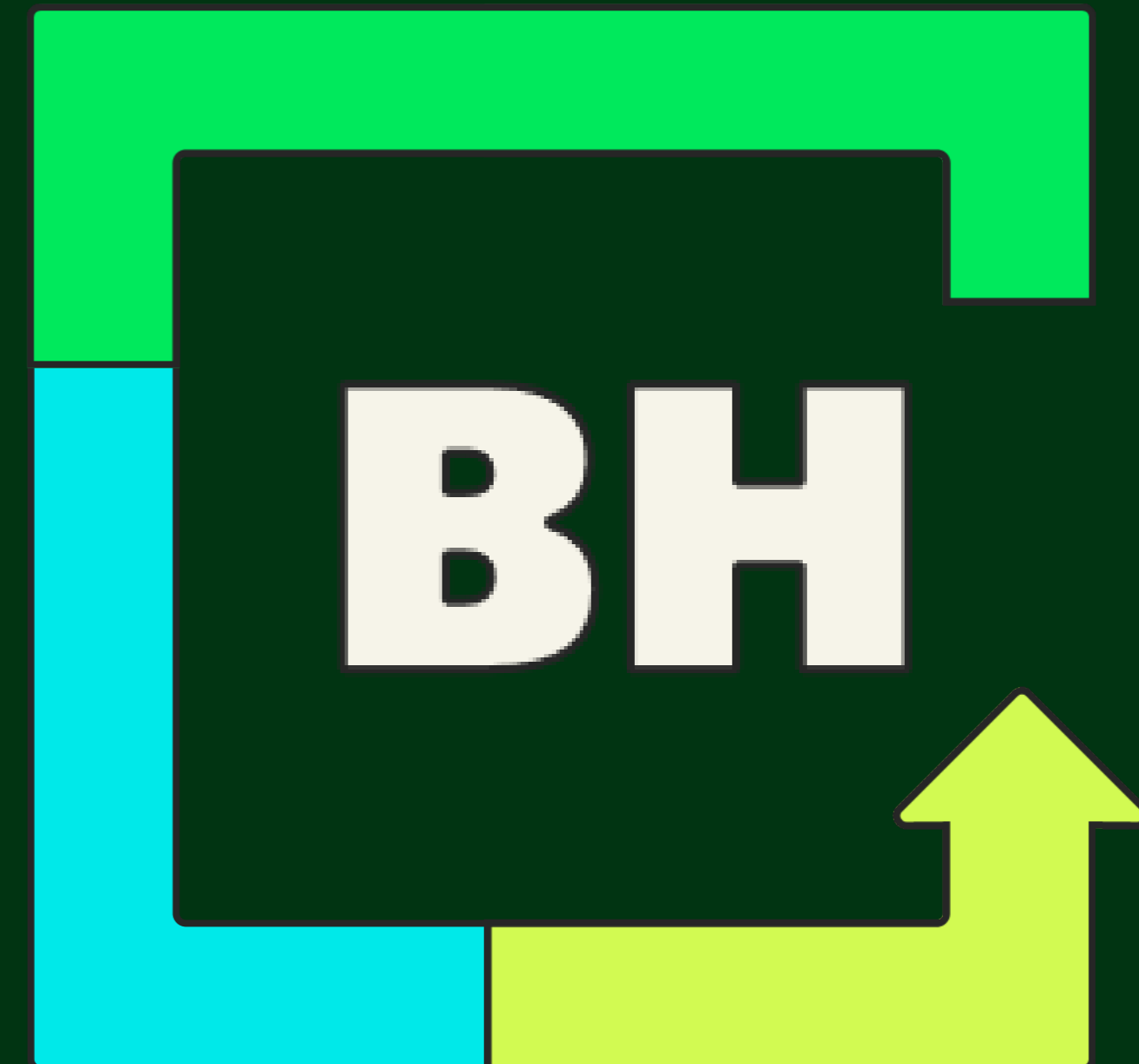
Repurchased \$400M of shares; 5% of the float in 1H



Reaffirming FY25 outlook



Block Horizons



Small Business



In Q2:

- Assisted Small Business tax delivered strong revenue growth
- Launched new custom experiences for clients in DIY
- Favorable trends in bookkeeping and payroll services, which together delivered double-digit revenue growth



In Q2:

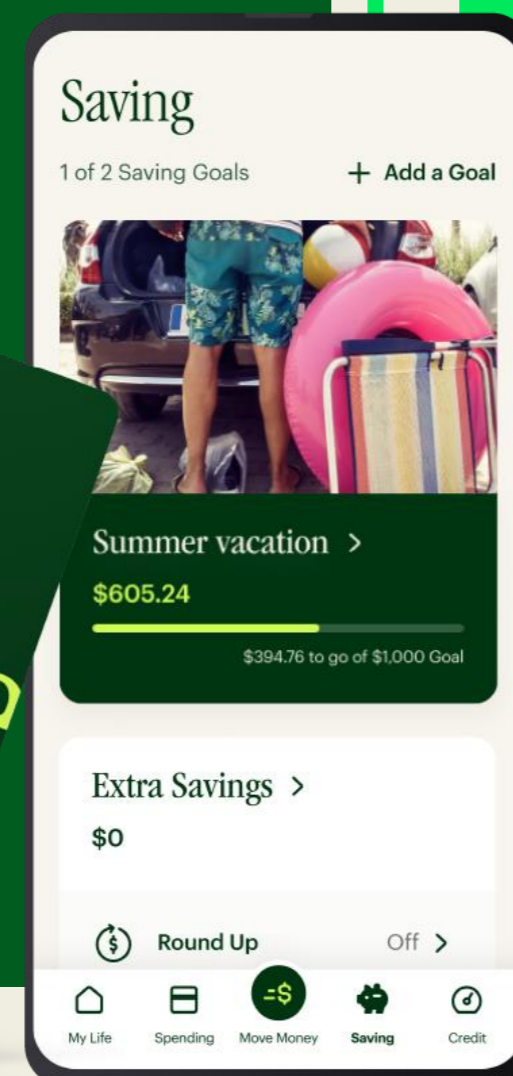
- +15% revenue growth
- Key priorities of accelerating revenue growth and driving profitability remain unchanged
- Monetization trends are positive; strong adoption of high margin subscription products

Financial Products

Enhancing the total financial health of our clients

Refund Advance

- Highest loan tier raised to \$4K
- One of the largest no-interest refund advance loans among national brands



Spruce
built by H&R BLOCK

Sign ups:

491K

Life to date
through Dec 31

55%

increase since
Dec 31, 2023

Deposits:

>2x

YoY

>50%

non-tax sources

- Smart Tax Refund feature allows clients to commit savings at the time of deposit
- Access to federal refund up to 5 days early
- 3.50% APY on savings with no minimum balance requirements

Block Experience

Blending digital tools with human expertise and care

Combining innovative technology with human help to empower clients to get their maximum refund at tax time

Well positioned to serve clients however they want to be served



DIY Channel

Executing and making progress in the category

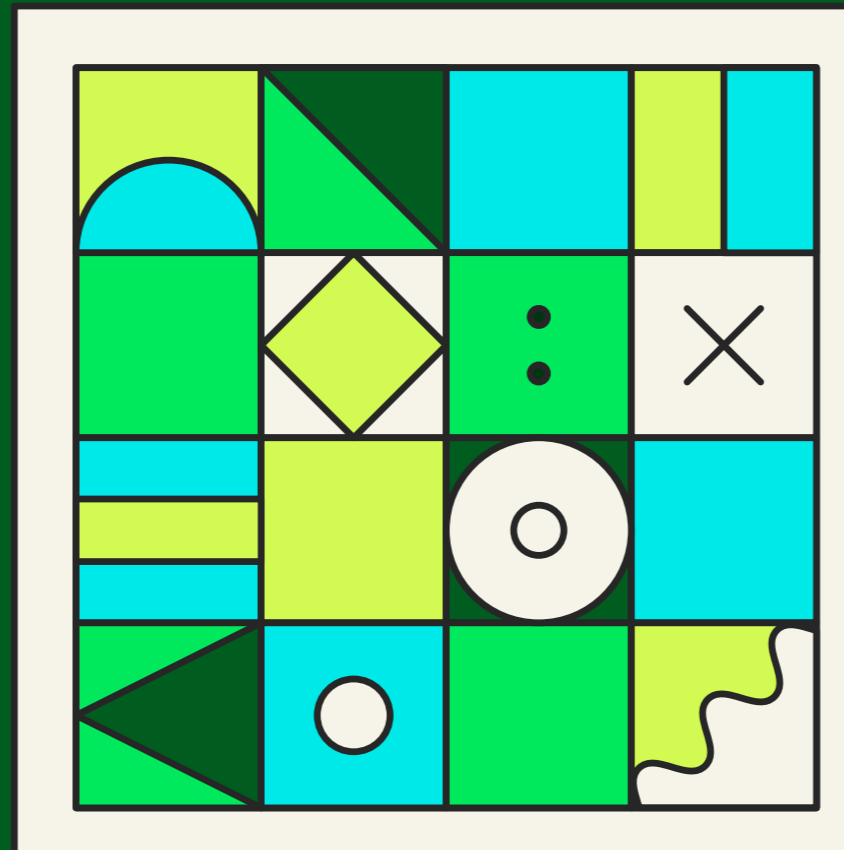
Significant improvements to user experience



Switch to HRB in <2 minutes

Tax Pro Review has grown double digits for nearly a decade

AI Tax Assist tool a strong competitive differentiator



IT'S BETTER WITH BLOCK

Aggressive marketing to emphasize value

Assisted Channel

Enhancing new client experience is a top priority

Strong Value Proposition

- Transparent pricing, flexible filing options, expert tax pros
 - Local, extensive retail footprint; get taxes done in <1 hour
-
- Price Match guarantee
 - Second Look

Strategic Improvements

- Personalized interactions
- Clear expectation management
- Tax pro matching capabilities

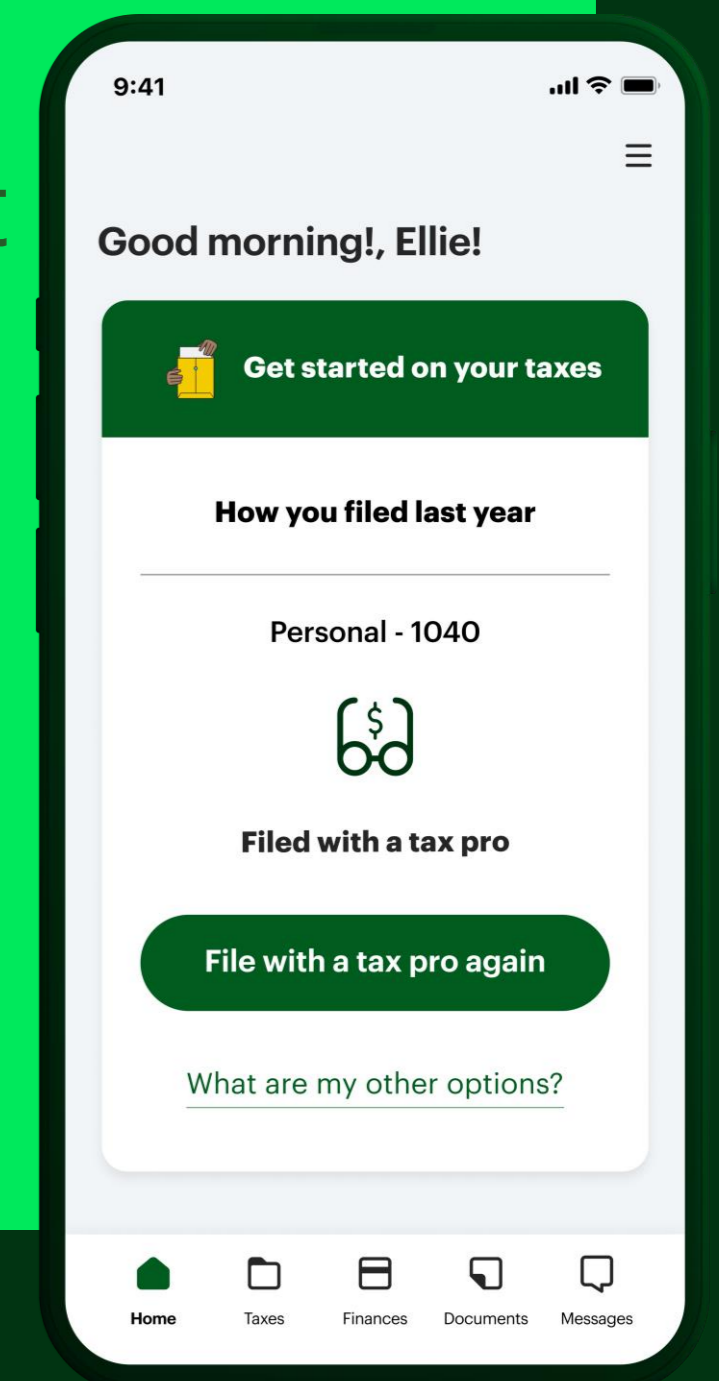


MyBlock

HRB's digital front door

TS25 Enhancements:

- Improving user experience
- Tailored start screen for returning clients
- New 'Outcome Reveal' screen



Tiffany Mason

Chief Financial Officer

H&R Block's Investment Thesis

Stable Industry

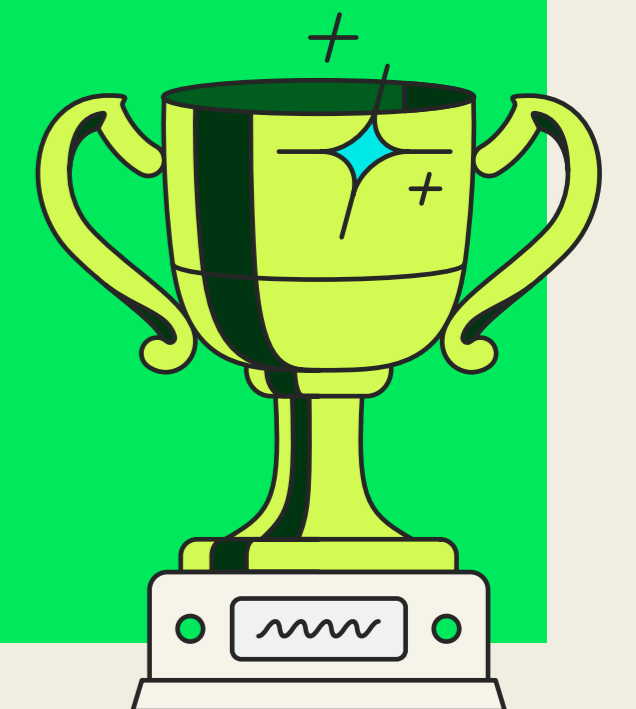
- Business model tied to essential tax prep services
- Tax industry has grown at a 1% CAGR for decades
- Steadfast & resilient

National Scale & Strong Brand Recognition

- ~9K company and franchise offices
- 60K expert tax pros and robust DIY offering
- Strategic investments in Block Horizons imperatives paving way for consistent, sustainable growth

Compelling Financial Profile

- Generated >\$650M FCF¹ in each of the last 3 years
- Strong balance sheet and liquidity profile
- Disciplined capital allocation



¹ Free cash flow is a non-GAAP financial measure. Free cash flow is defined as net cash provided by operating activities less capital expenditures. The Company believes free cash flow is useful to investors as an indication of the strength of the Company and its ability to generate cash and to evaluate the Company's cash generation ability relative to competitors. It should not be inferred that the entire free cash flow amount is available for discretionary expenditures. A reconciliation of Free Cash Flow to its most comparable GAAP measure can be found in the Appendix.

Q2 FY25 Financial Results

<i>In millions, except per share amounts</i>	<i>For the three months ended December 31, 2024</i>	<i>For the three months ended December 31, 2023</i>	Change
	Q2 FY25	Q2 FY24	
Revenue	\$179.1	\$179.1	-
Operating Expenses	\$472.4	\$446.5	(5.8%)
Interest Expense	\$21.8	\$21.4	(1.8%)
Pretax Loss	(\$312.3)	(\$282.9)	(10.4%)
EBITDA¹	(\$261.4)	(\$231.4)	(12.9%)
Earnings Per Share¹	(\$1.79)	(\$1.33)	(34.6%)
Adjusted Earnings Per Share¹	(\$1.73)	(\$1.27)	(36.2%)
Effective Tax Rate	22.4%	33.1%	

Note: All amounts are unaudited and represent results from continuing operations.

¹All share amounts are based on weighted average fully diluted shares over the corresponding period. EBITDA and adjusted EPS are non-GAAP financial measures. Please see the safe harbor statement at the beginning of this presentation for information on non-GAAP financial measures. A reconciliation of EBITDA and adjusted EPS to the most comparable GAAP measures can be found in the Appendix.

FY25 Outlook Reaffirmed

Assumptions:

- Typical industry growth of ~1%
- Maintain market share in overall tax category
- Low single digit price increases
- Wave and Small Business contribute to revenue growth
- Opportunistic franchise repurchases

	FY25 Outlook
Revenue	\$3.69 - \$3.75B
EBITDA¹	\$975M - \$1.02B
Adjusted EPS¹	\$5.15 - \$5.35*
Effective Tax Rate	13%* <i>*Anticipated one-time benefit to EPS of ~50 cents in FY25.</i>

¹ EBITDA and adjusted EPS from continuing operations are non-GAAP financial measures. Future period non-GAAP outlook includes adjustments for items not indicative of our core operations, which may include, without limitation, items described in the Appendix. Such adjustments may be affected by changes in ongoing assumptions and judgments, as well as nonrecurring, unusual, or unanticipated charges, expenses or gains, or other items that may not directly correlate to the underlying performance of our business operations. The exact amounts of these adjustments are not currently determinable but may be significant. It is therefore not practicable to provide the comparable GAAP measures or reconcile this non-GAAP outlook to the most comparable GAAP measures. Please see the safe harbor statement at the beginning of this presentation for information on non-GAAP financial measures.

Strong Capital Allocation Practices

Yielding meaningful results

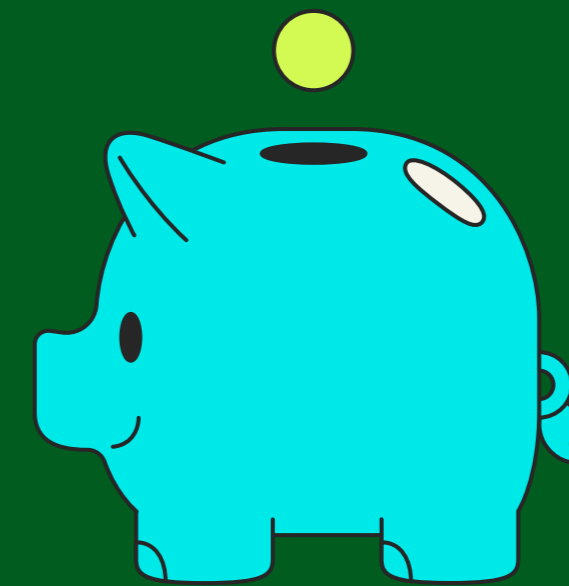
In Q2 FY25:

Repurchased 3.2M shares for \$190M at an average price of \$58.65



In 1H FY25:

Repurchased \$400M shares, or about 5% of the float



Jeff Jones

President & Chief Executive Officer



Q&A

Appendix

Non-GAAP Measure: EBITDA

The following is a reconciliation of net loss to EBITDA from continuing operations, which is a non-GAAP financial measure:

	(in 000s)	
EBITDA	Three months ended December 31, 2024	Three months ended December 31, 2023
Net loss - as reported	\$ (243,420)	\$ (189,755)
Discontinued operations, net	954	639
Net loss from continuing operations - as reported	(242,466)	(189,116)
Add back:		
Income tax benefit	(69,833)	(93,758)
Interest expense	21,752	21,364
Depreciation and amortization	29,195	30,107
	(18,886)	(42,287)
EBITDA from continuing operations	\$ (261,352)	\$ (231,403)

Non-GAAP Measure: Adjusted EPS

The following is a reconciliation of our results from continuing operations to our adjusted results from continuing operations, which is a non-GAAP financial measure:

	(in 000s, except per share amounts)	
ADJUSTED EPS	Three months ended December 31, 2024	Three months ended December 31, 2023
Net loss from continuing operations - as reported	\$ (242,466)	\$ (189,116)
Adjustments:		
Amortization of intangibles related to acquisitions (pretax)	10,910	12,269
Tax effect of adjustments ⁽¹⁾	(2,539)	(3,087)
Adjusted net loss from continuing operations	\$ (234,095)	\$ (179,934)
Diluted loss per share from continuing operations - as reported	\$ (1.79)	\$ (1.33)
Adjustments, net of tax	0.06	0.06
Adjusted diluted loss per share from continuing operations	\$ (1.73)	\$ (1.27)

⁽¹⁾ Tax effect of adjustments is the difference between the tax provision calculated on a GAAP basis and on an adjusted non-GAAP basis.

Non-GAAP Measure: Free Cash Flow

The following is a reconciliation of net cash provided by operating activities to free cash flow, which is a non-GAAP financial measure:

(in 000s)

	Year ended June 30, 2024	Year ended June 30, 2023	Year ended June 30, 2022
FREE CASH FLOW			
Operating cash flow - as reported	\$ 720,860	\$ 821,841	\$ 808,537
Less: capital expenditures	(63,678)	(69,698)	(61,955)
Free cash flow	\$ 657,182	\$ 752,143	\$ 746,582