

H&R Block FY25
Financial Results Conference Call Transcript
August 12, 2025

Jessica Hazel, Vice President, Investor Relations: Thank you. Good afternoon, and welcome to H&R Block's fiscal year 2025 financial results conference call.

Joining me today are Jeff Jones, our president and chief executive officer, and Tiffany Mason, our chief financial officer.

Earlier today, we issued a press release and presentation, which can be downloaded or viewed live on our website at investors.hrblock.com. Our call is being broadcast and webcast live, and a replay of the webcast will be available for 90 days.

Before we begin, I'd like to remind listeners that comments made by management may include forward-looking statements within the meaning of federal securities laws. These statements involve material risks and uncertainties, and actual results could differ from those projected in any forward-looking statement due to numerous factors. For a description of these risks and uncertainties, please see H&R Block's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, as updated periodically with our other SEC filings.

Please note, some metrics we'll discuss today are presented on a non-GAAP basis. We've reconciled the comparable GAAP and non-GAAP figures in the appendix of our presentation.

Finally, the content of this call contains time-sensitive information accurate only as of today, August 12, 2025. H&R Block undertakes no obligation to revise or otherwise update any statements to reflect events or circumstances after the date of this call.

I will now turn it over to Jeff.

Jeff Jones, President, and Chief Executive Officer: Thank you, Jessica. Good afternoon, everyone. We appreciate you joining us for our year-end earnings call.

Today, Tiffany and I will discuss the consistent growth H&R Block has delivered as we remain focused on strengthening the company, generating ongoing meaningful cash flow and increasing the value we create for shareholders. We will also outline how we are positioning the company for success in fiscal 2026.

Beginning with our fiscal 2025 results, we are pleased to report total revenue growth of 4.2% compared to the prior year. Additionally, we delivered \$976 million of EBITDA, which was within our outlook range, though we had anticipated stronger year-over-year results. Tiffany will provide details of the operating expense headwinds we faced in a few minutes.

On the capital allocation front, today we announced a 12% increase to our quarterly dividend. With this increase, we have more than doubled our dividend since 2016. Combined with share repurchases, we have returned over \$4.5 billion to shareholders during this period. I am proud of our continued commitment to disciplined capital allocation practices.

Now, let's dive into our operating performance ...

In fiscal 2025, Assisted revenue grew by 6.1% and DIY revenue grew by 9.7%. We increased company-owned Assisted filing volume and improved our market share trend year-over-year. Our Assisted offering highlights H&R Block's expertise and continues to resonate well, particularly among higher-income earners, which is an important customer segment for our long-term growth strategy. For the third consecutive year, we have seen client growth in every segment \$80,000 in income and above, with our fastest growing segment being clients with over \$100,000 in income.

In our retail offices, we continue to focus on improving conversion among those clients who begin tax prep with us but do not finish. This year, improvements in how we welcome

clients, match their needs with the best tax pro and manage their expectations, led to higher client conversion for the second consecutive year. In DIY, significant improvements to the quality and accuracy of AI Tax Assist supported a 13-point increase in our conversion rate among new clients.

With our award-winning DIY product, our MyBlock mobile app, our expert review product, Tax Pro Review, and our unmatched retail footprint, we remain well-positioned to serve clients from fully virtual to fully in-person and everything in between.

And of course, driving greater demand for H&R Block among the highest value prospects remains our marketing team's top priority.

In small business, we delivered double-digit top-line growth resulting in fiscal 2025 being a record revenue year. I am proud to see this multi-year success continue.

Assisted small business tax performed well, and our DIY strategy to expand the number of client experiences customized by occupation proved highly effective, resulting in meaningful client growth. We also continued to see favorable trends in bookkeeping and payroll through the successful conversion of tax clients to other service offerings.

These results reflect the expertise and strong value proposition that we are delivering for small businesses compared to independent providers.

Wave, an important component of our small business imperative, also had a very productive year. With the full-year benefit of paid products like Pro-Tier, Wave delivered a 13% annual revenue increase. This is one of many ways that Wave is demonstrating its expanding role as a significant growth lever for small business.

Our Spruce mobile banking platform continues to support our customers in managing their finances and encouraging prudent saving habits. We are pleased with the ongoing customer growth and engagement during fiscal 2025.

Last year at this time, I spoke to the team's focus on acquiring Spruce users both during and outside of tax season. In 2025, we delivered on that objective. Newly created Spruce accounts rose by nearly 40%, and we continue to see almost half of all deposits coming from non-tax sources, predominantly from recurring payroll deposits and transfers from other accounts.

These achievements have helped drive total customer deposits in Spruce to \$1.75 billion since its launch.

As we look ahead to fiscal 2026 and beyond, and finalize our plans for the upcoming tax season, we are excited about the opportunities to continue building on the progress we're making.

Consistent with what we've shared on previous calls, we remain committed to the financial algorithm and capital allocation priorities that have helped H&R Block deliver meaningful outcomes for customers and create significant value for shareholders.

We operate within a stable industry that serves a large total addressable market of consumers and small businesses. We continue to see significant opportunity to capture market share by building products and experiences that delight our customers, leveraging the growing role of AI, and driving even greater efficiency across the business.

For example...

Small businesses remain the backbone of the economy, and we've proven our ability to generate growth by serving them in multiple ways: from tax, to bookkeeping and payroll, to pure-play digital and SAS services. The combination of Block Advisors and Wave enables us to offer a broad range of products and to deliver significant value to small business owners. They trust our expertise and advice, and value the breadth of services that we provide.

We are also building on our multi-year success of serving higher-value, more complex Assisted and DIY clients and gaining more surgical precision for how we attract and acquire

free DIY clients who have a greater propensity to become paying clients over time. These customer segments have higher loyalty and lifetime value, which greatly benefits mix and translates into stronger financial results for H&R Block and our shareholders.

We know that the advantage of our expansive retail presence combined with our award-winning DIY product and our MyBlock mobile app represents a unique opportunity for consumers and small business owners to be served by H&R Block however they choose. And it is evident that AI - and automation more broadly – will support an improved experience for clients and expert advisors and will drive greater productivity in the business. Our marketing and product teams remain focused on generating and capturing market demand and on effectively converting clients who choose H&R Block, regardless of the channel.

Finally, continued franchise acquisitions remain important to our overall financial algorithm. We believe there is meaningful runway for franchise and independent-office acquisitions, and that these represent a great use of capital.

As in prior years, we'll use our first quarter earnings call to share more details on our tax season plans. We look forward to that opportunity and to providing additional perspective on the key strategies we believe will drive H&R Block's continued success.

I will now turn it over to Tiffany to discuss our financial results and 2026 outlook.

Tiffany Mason, Chief Financial Officer: Thank you Jeff, and good afternoon everyone.

We delivered \$3.8 billion of total revenue in fiscal 2025, an increase of 4.2%. Revenue growth was primarily driven by higher overall NAC and greater company-owned Assisted return volumes in the U.S., partially offset by lower interest and fee income on Emerald Advance.

Our results reflect further enhancements to the client experience and our dedication to a strong value proposition. In fiscal 2025, we increased our focus on delivering a balance of volume, price, and mix. This will remain a key element of our ongoing strategy.

Total operating expenses for the fiscal year were \$2.9 billion, an increase of 4.6%, primarily due to higher tax professional wages and benefits as a result of the better company-owned return volumes.

We had other meaningful contributors to the year-over-year increase, some of which were expected and reflected in our outlook, and others that were higher than planned.

Marketing, consulting, and technology expenses, while higher year-over-year, were in line with our expectations, and their total impact was partially offset by lower bad debt expense.

Separately, elevated healthcare costs and legal fees and settlements were meaningful contributors to the year-over-year increase, while also impacting full-year EBITDA results relative to our outlook.

Lastly, in the fourth quarter, we incurred severance-related charges associated with an organizational realignment.

Fiscal 2025 EBITDA was \$976 million, or a 1.4% improvement to the prior year.

The full-year effective tax rate was 22%.

During the fourth quarter, as shared previously, we expected to recognize a one-time tax benefit related to the closure of various matters under examination. Unfortunately, due to external factors beyond our control, the completion of these matters was delayed beyond fiscal 2025.

As a result, net income from continuing operations was \$609 million while earnings per share from continuing operations was \$4.42, a 6.8% increase over the prior year.

Adjusted earnings per share from continuing operations was \$4.66, or 5.7% over the prior year as a result of share repurchases and higher net income.

Turning to our capital structure and disciplined capital allocation practices...

Our liquidity position remains strong driven by our significant and stable cash flow production. This year, we generated approximately \$600 million of free cash flow.

Given the seasonality of our business, we maintain ample sources of liquidity to fund core operations. We were pleased with the recent five-year extension of our credit facility, which was maintained at \$1.5 billion. We received favorable pricing, which is expected to improve interest expense by more than \$1 million annually, illustrating the financial health of our business. I appreciate the commitment of each of our bank partners.

We also have a \$350 million tranche of debt coming due in October and we expect to refinance those notes, subject to market conditions.

Our disciplined approach to capital allocation continues to drive meaningful value for shareholders as we invest in the business, grow the dividend, and through the flexibility of share repurchases, return excess capital to shareholders.

One of the ways we invested in our business during fiscal 2025 was the opportunistic acquisition of 124 franchise locations. We are pleased with how this strategy supports our long-term revenue and earnings growth.

Also in fiscal 2025, we returned approximately \$600 million to shareholders in the form of dividends and share repurchases. As Jeff shared, since 2016, the cumulative total of capital returned to H&R Block shareholders has reached more than \$4.5 billion.

Lastly, we are pleased to have announced a 12% increase in our quarterly dividend to \$0.42 per share and anticipate continued opportunistic share repurchases in fiscal 2026 as part of our commitment to strong capital allocation practices.

Turning to our fiscal 2026 outlook, I'll begin with some context around the key assumptions we've made.

First, we believe industry growth next year will be in line with historical trends, or about 1%.

Second, we are intensifying our efforts to pursue a healthier balance of volume, price, and mix over the coming years. This will be supported by ongoing enhancements to the client experience and a strong focus on conversion.

Next, we expect small business to increase its contribution as a meaningful revenue driver in fiscal 2026 and the years to come.

Lastly, we intend to continue acquiring franchise locations when opportunities arise at attractive EBITDA multiples.

As a result of these and other business assumptions, our outlook for fiscal 2026 is for:

Revenue to be in the range of \$3.875 to \$3.895 billion.

EBITDA to be in the range of \$1.015 to \$1.035 billion.

Our Effective Tax Rate to be approximately 25%.

And, Adjusted EPS to be in the range of \$4.85 to \$5.00, which assumes approximately \$400 million of share repurchases in the first half of the fiscal year, subject to market conditions.

We have multiple levers to drive increased annual revenue, and we believe we can leverage our cost structure such that EBITDA growth outpaces revenue, while utilizing share repurchases to grow EPS even faster.

All in all, we are well positioned for fiscal 2026 and beyond.

I'll close with a reminder. Our investment thesis remains strong amid ever evolving industry and macroeconomic conditions. We operate in a stable industry, we have a strong national presence, and we maintain a compelling financial profile with healthy margins and

disciplined capital allocation. This underpins our confidence in driving substantial long-term value for our shareholders.

And with that, I will turn it back over to Jeff for closing remarks.

Jeff Jones, President, and Chief Executive Officer: Thank you, Tiffany.

As we close out our prepared remarks, I'd like to take a moment and comment on my decision to retire as President and CEO as of December 31, 2025 which we announced yesterday.

Leading H&R Block over the last eight years has been the honor of a lifetime. We have elevated Block's relevance, made bold bets to drive growth, built an extraordinary culture, embraced the potential of AI, and created significant value for shareholders. And while our work is never done, I'm proud of all we've been able to accomplish.

I'm also thrilled with how our Board managed succession planning, and their decision to appoint Curtis as President and CEO starting on January 1, 2026. His time as President of Global Consumer Tax and Chief Product Officer at Block has served him well as he steps into this new role. He is not only a leader with more than a decade of deep tax industry expertise, but also a tremendous fit for Block's culture. Curtis is an engineering and product expert and is uniquely positioned to continue driving transformation and sustainable revenue growth.

As far as what's next for me...job number one is ensuring a smooth and successful transition with Curtis and for the company.

I will remain President and CEO until December 31, 2025, at which time I will move into a strategic advisor position until September of 2026.

Beyond that, with no firm plans and no new role, I'm eager to make up for lost time with friends and family.

Every single day since I started on October 9, 2017, I've given everything I have to H&R Block, and I am looking forward to stepping back to fully appreciate what we've been able to accomplish, and to helping the team achieve even greater results.

With that operator, we'll open the line for questions.

Forward-Looking Statements

These materials 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," "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.

Non-GAAP Measures

We refer to certain Non-GAAP financial measures in these materials, 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 these materials 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 these materials 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 these materials 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 these materials. H&R Block is not a bank. Bank products and services are offered by Pathward, N.A.