H&R Block

Q1 FY27 Financial Results Conference Call Transcript

November 9, 2026

Jessica Hazel, Vice President, Investor Relations: Thank you. Good afternoon, and welcome to H&R Block's fiscal 2027 first quarter financial results conference call.

Joining me today are Curtis Campbell, 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, November 9, 2026. 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 Curtis.

Curtis Campbell, President, and Chief Executive Officer: Good afternoon, everyone, and thank you for joining us.

Because of the seasonality of our business, the first quarter represents a relatively small portion of our annual financial performance. But it remains an active period across H&R Block, including Australia's tax season, our year-round Small Business services, and the U.S. extension season. It is also an important period for staying connected with clients, advancing targeted experimentation, and preparing to deliver a strong Tax Season '27.

Tiffany will discuss our quarterly financial performance in more detail. I want to focus my remarks on how we used the first quarter to strengthen new-client relationships, prepare promising concepts for broader testing, and advance the work required for the upcoming tax season.

Advancing the Client Experience Through Trust and Confidence

Taxes are inherently personal and consequential, and navigating them can be complex. Clients want more than an accurate return. They want to feel confident that they have made the right decisions, received the tax outcome they deserve, and have someone they trust who will be there when they need help.

That is where H&R Block is differentiated. We combine deep tax expertise, trusted human guidance, technology, and an omnichannel experience with a broad physical and digital presence. That combination allows us to meet clients where they are, while giving them the flexibility to access human expertise at any point in the experience.

Since I became CEO, I've emphasized that H&R Block is in the business of trust and confidence and that our expert-led, technology-enabled strategy helps us strengthen both in clients' tax outcomes over time.

The first quarter provides several examples of how we are putting that strategy into action.

One example is Second Look.

Historically, Second Look was a highly manual process. Tax pros had to offer the service to new clients and complete the multi-year reviews themselves during the tax season on top of an already heavy load, limiting adoption and our ability to scale.

Over the past 15 months, we've significantly evolved the model by combining AI and automation with a dedicated Second Look team. Now, we use AI to review up to three years of new client's prior tax transcripts to identify potential missed opportunities or risks, and our dedicated Second Look team reviews those findings and connects with the clients during and outside of tax season, allowing us to deliver Second Look more consistently and at greater scale.

We have seen that translate into stronger retention, with new clients who received Second Look in Tax Season '25 returning at a rate more than 600 basis points higher this year than new clients who did not. As a result, in Tax Season '26, we expanded Second Look nationally, reaching nearly three times the prior season's volume.

During the first quarter, our teams have been reviewing those clients' prior-years tax returns and reaching out to discuss their findings. These conversations create an additional engagement opportunity between filing events and give us a much larger opportunity to demonstrate our expertise, build trust, and strengthen new-client relationships heading into Tax Season '27.

Continuing to Learn Through Disciplined Experimentation

We are also using experimentation to make our strategy more tangible and build evidence before we scale nationally. Rather than making large commitments based on assumptions, we are testing specific ideas at a smaller scale, measuring the benefit to our clients and tax pros, and using those learnings to determine where to invest, refine, expand, or pause. Over time, we can apply what works more broadly across the enterprise.

One example is our work to create a more consultative client tax experience, which I've discussed over the past few quarters. During the first quarter, we continued preparing to expand testing of the experience in Tax Season '27.

Last season, we tested a new client experience in five offices. By completing the information gathering and data entry before the client conversation, we created more time for tax pros to apply their expertise where it matters most to clients.

The initial pilot produced promising results. Clients reported higher satisfaction and stronger perceptions of our expertise and value. Just as importantly, we learned more about what it takes to execute the experience consistently, including how we engage with clients, train and coach tax pros, and support them with the right processes and tools.

Based on that evidence, we are meaningfully expanding the test for Tax Season '27. Across approximately 650 offices, we will evaluate this new consultative client experience under a broader range of operating conditions. We will measure client readiness, engagement, and satisfaction; as well as perceptions of our expertise and value; we will also measure the experience of our tax pros; consistency across offices; and the potential operating and financial outcomes.

During the first quarter, we advanced the preparation required for that broader test, including client onboarding protocols, training and coaching plans, and the processes and tools needed to support more consistent execution across a larger office footprint.

The objective of the expanded test is to apply what worked, improve what did not, and determine whether we can deliver the experience consistently and sustainably at greater scale.

This same discipline applies across our broader pipeline of opportunities. Some concepts have produced enough evidence to support expansion, while others remain proof of concepts.

Another example of early-stage experimentation is workflow management, where we are testing whether new tools can improve consistency, execution, and team effectiveness before determining whether further investment is warranted.

Not every experiment will move forward, nor should it. The value of this methodical approach is that it allows us to learn faster while matching investment to evidence. When a concept works, we can scale it with greater confidence. When it does not, we can take the learning, redirect resources, and focus on the opportunities with the greatest potential to advance our strategy and create value for clients and shareholders.

This work was an important part of our first-quarter progress, alongside the broader preparation underway for Tax Season ’27.

Preparing for Tax Season '27

Across H&R Block, we are preparing our people, technology, marketing, and operations with the same focus and discipline that supported our strong performance in Tax Season '26.

We will enter next season with a stronger base of new-client relationships through Second Look, an expanded consultative experience test, and a pipeline of experiments focused on improving how we serve clients and operate the business.

Just as important, we remain disciplined in executing the core business consistently and effectively.

The goal is clear: be ready to serve clients well from day one, make every interaction reinforce trust and confidence in their tax situation, and continue building the capabilities that differentiate H&R Block over the long-term.

As we move through the remainder of the fiscal year, we will continue to balance urgency with discipline. We will invest where the evidence is strongest, keep learning where more proof is required, and stay focused on delivering value for clients and shareholders.

With that, I will turn the call over to Tiffany.

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

Financial Update

Before I dive in, I want to briefly highlight a change in how we're presenting our financial results. Beginning this quarter, we are reporting revenue by service line and splitting expenses between costs of revenue and SG&A. We have recast our prior year first quarter results to align with the new structure. Our goal is straightforward: to provide greater transparency for investors and better align our external reporting with the way we view and manage the business internally.

We've also included a supplemental schedule in the earnings release that provides additional details on the tax preparation business, including the breakdown between Assisted and DIY categories.

We recognize that changes in presentation can make comparisons more difficult initially, so we've included the legacy presentation in the appendix of today's earnings webcast materials to help bridge the transition. We believe the new structure ultimately provides a clearer view of our business and its underlying performance.

Now, turning to our first quarter results.

Let me begin by reminding everyone that our business is highly seasonal. Historically, Q1 contributes approximately 5.0% of our annual total revenue and typically results in a net loss. This quarter consistently reflects that pattern.

We generated $224.3 million in total revenue in the first quarter, an increase of $20.8 million over the prior year. This 10.2% growth reflected a strong start to fiscal 2027 and was driven by four factors.

The first was International Services. As a reminder, the first quarter covers much of the Australian tax season, which runs from July 1st through October 31st. International Services revenue increased $8.3 million or 12.5% compared to the prior year, driven in large part by favorable foreign exchange rates. However, higher filing volumes and NAC also contributed to our strong revenue growth.

Tax Protection & Identity Services revenue increased $5.1 million or 17.6%, driven by volume growth in both Peace of Mind and Tax Identity Shield, which extend the support we provide clients beyond tax preparation and filing. The increase was also driven by changes in amortization rates.

Small Business Services revenue increased $3.8 million or 12.4%, primarily driven by continued growth in our Wave product offerings, particularly our ProTier subscription product.

Finally, U.S. Tax Preparation revenue increased $2.6 million or 5.0% compared to the prior year, driven primarily by favorable NAC.

Turning to expenses.

Total operating expenses were $456.2 million in the first quarter, an increase of $45.6 million or 11.1% over the prior year. The increase was primarily due to higher field compensation and benefits, increased general corporate expenses, and higher occupancy and equipment costs.

Field compensation and benefits increased $19.3 million or 23.3% compared to the prior year and included $8 million of severance and related costs associated with the previously announced seasonal office leadership transition. We also invested in the dedicated Second Look team that Curtis discussed to drive deeper engagement with new clients.

General corporate expenses increased $9.1 million or 35.8% compared to the prior year. The increase was primarily driven by higher legal fees and settlements, as well as consulting costs that support our strategic priorities.

Occupancy and equipment expense increased $7.8 million or 6.3% in part due to the 164 franchise offices we acquired in fiscal 2026. We continue to view these acquisitions as a good use of capital given the attractive EBITDA multiples.

In total, during the first quarter, we invested approximately $6 million to support our strategy and accelerate areas where we see the strongest opportunities.

Excluding the severance charge, revenue growth of 10.2% outpaced expense growth of 9.2%, even as we continued to invest behind our strategic priorities. That balance between disciplined expense management and sustained investment in future growth remains central to our financial model.

First quarter Adjusted EBITDA loss was $185.2 million compared to an EBITDA loss of $170.0 million last year.

Our effective tax rate was 21.9% compared to 23.6% in the prior year.

Net loss from continuing operations was $188.1 million, and loss per share from continuing operations was $1.53.

Adjusted net loss was $172.1 million.

Adjusted loss per share was $1.40 compared to $1.20 last year.

As a reminder, in quarters with a loss, having fewer shares outstanding increases the loss per share. However, this is accretive as we generate earnings for the full year.

Our financial position remains strong, and we expect meaningful free cash flow generation in fiscal 2027. That strength provides us the flexibility to execute against our long-term capital allocation priorities: invest in the business, grow the dividend, and return excess capital to shareholders.

As I shared earlier, we continue to invest in strategic initiatives that support long-term growth and value creation. These investments remain our first and highest capital allocation priority.

Last month we paid our regular quarterly dividend, which you'll recall reflected the 10% increase we announced in August. And today, our Board of Directors declared our next quarterly cash dividend of $0.46 per share.

We are proud that H&R Block has paid quarterly dividends consecutively for more than 60 years since becoming a public company in 1962.

During the first quarter we also repurchased 2.2 million shares for $100 million at an average price of $45.68 per share, retiring approximately 2% of our shares outstanding.

As a reminder, our fiscal 2027 outlook contemplates approximately $400 million of share repurchases, with a plan to execute throughout the fiscal year subject to market conditions. As of quarter end, we had approximately $500 million remaining under our $1.5 billion share repurchase authorization.

Following our strong first quarter results, we continue to believe the assumptions underlying our outlook remain appropriate. As a result, we are reaffirming the fiscal 2027 outlook we provided in August.

We continue to expect:

- Revenue between $4.11 and $4.16 billion;
- Adjusted EBITDA between $1.11 and $1.14 billion;
- An effective tax rate of approximately 23%, and,

- Adjusted diluted earnings per share in the range of $6.04 and $6.24.

As a reminder, the $8 million severance charge incurred in the first quarter is excluded from our non-GAAP outlook metrics.

As you think about our second quarter in the context of this outlook, I want to provide some additional color. We expect year-over-year operating expense growth to be consistent with the first quarter (excluding the severance charge). The increase year-over-year will include an approximately $12 million investment in our strategic growth priorities. We expect these initiatives to begin generating benefits in the upcoming tax season, with even greater returns over time.

Let me close with a broader perspective.

We remain confident in the underlying strengths of our business. We operate in a stable industry and resilient markets with an expert-led, technology-enabled model, omnichannel capabilities, and national scale that we believe provide a meaningful competitive advantage. Together with our strong free cash flow generation and disciplined capital allocation, these strengths position us well to continue creating long-term value for our shareholders.

With that, I will hand the call back over to Curtis for closing remarks.

Curtis Campbell, President, and Chief Executive Officer: Thanks, Tiffany.

We are encouraged by the progress we are making and remain focused on disciplined execution as we prepare for Tax Season ’27. We are strengthening client relationships, learning faster through experimentation, and investing behind the opportunities where the evidence is strongest. At the center of that work is our expert-led, technology-enabled strategy and our focus on delivering the experience our clients value. I am confident in our team, our strategy, and the opportunities ahead.

Now operator, we will open up 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), adjusted net income, free cash flow, earnings before interest, taxes, depreciation, and amortization (EBITDA), and adjusted EBITDA, 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. Unless otherwise noted, year-over-year comparisons of operational tax performance reflect the period from January 1, 2026 to April 30, 2026 versus the corresponding prior-year period and financial reporting metrics are presented for the fiscal quarter ended September 30, 2026. H&R Block is not a bank. Bank products and services are offered by Pathward, N.A.