

FY 2023 Financial Results Conference Call

August 15, 2023



**H&R
BLOCK®**

Michaela Gallina

VP, Investor Relations, ESG, & Productivity

Safe Harbor Statement



Forward-Looking Statements

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 (including the COVID-19 pandemic), 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), free cash flow and free cash flow yield, 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.

Jeff Jones

President &
Chief Executive Officer

FY23 Results

Good finish to the year



- Revenue growth
- Material EBITDA¹ growth
- **EPS & Adjusted EPS¹ growth of 9%**

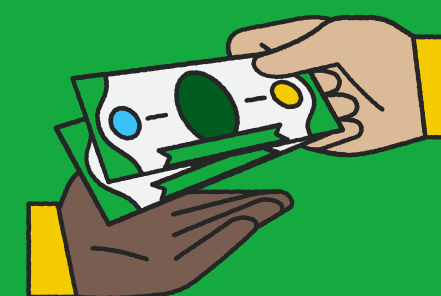


DIY strategy delivered, resulting in **meaningful share gains**

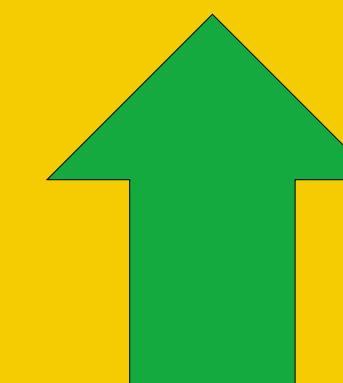


Completed **\$550M** of **share repurchases**

- \$200M in Q4



10% dividend increase announced today



¹EBITDA and adjusted EPS are non-GAAP financial measures. Please see the safe harbor statement at the beginning of this presentation and the Appendix for information on non-GAAP financial measures.

Small Business

Continues to be a growth driver



-
- **+6%** YoY small business assisted tax revenue growth; **5%** NAC increase
 - Bookkeeping and payroll services gaining traction
 - Business formation tool launched in FY23
 - Significant opportunity ahead



-
- **+12% revenue growth** YoY in FY23
 - Focused on driving revenue & improving profitability

Financial Products

Spruce: H&R Block's mobile banking platform

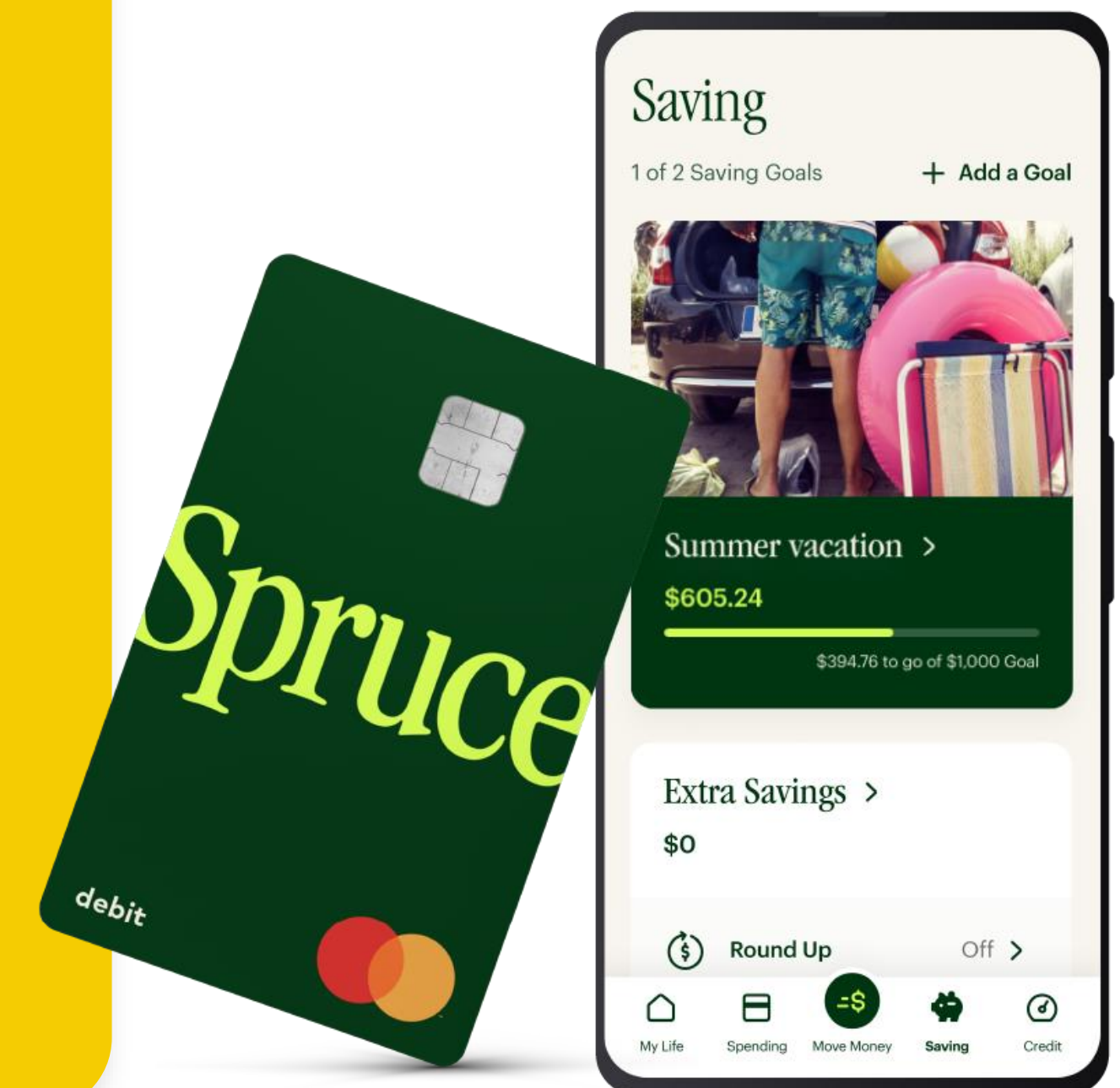


Since launch through June 30, 2023:

300K
signups

\$334M
customer
deposits

- Higher percentage of users are now **saving money**
- Platform **gives users the visibility and control they have been missing**



Block Experience

Blending digital tools with human expertise



In the **DIY** channel:



Increased **awareness**



Improved product



Made it **easier to switch**



Multifaceted
strategy
worked,
resulting in
meaningful DIY
share gains¹

¹Through April 30, 2023.

Block Experience

Blending digital tools with human expertise

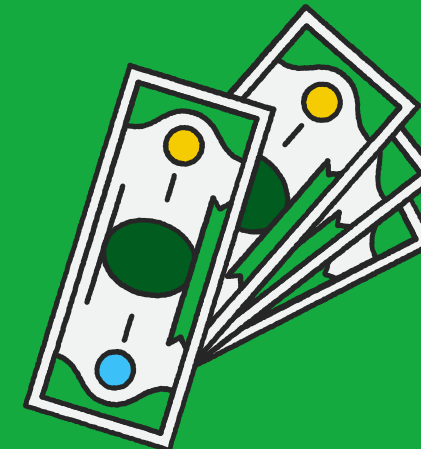
In the **Assisted** channel:

+4% NAC increase
alongside strong
customer
satisfaction metrics



**Attracted higher
income clients**

- 10% growth in clients with >\$100K of income



Continued
progress in the
**adoption of virtual
tools**



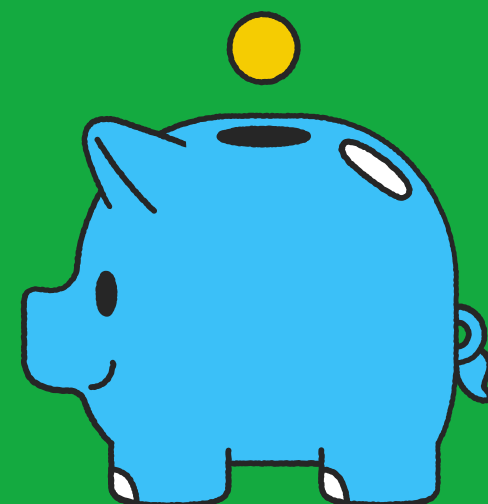
H&R Block and Microsoft Partnership

Azure OpenAI and genAI can further accelerate progress

Initially focused on two areas:

1

**Reduce expenses
and increase
productivity**



2

Deliver **enhanced
customer
experiences**



Jeff Jones

President &
Chief Executive Officer

Tony Bowen

Chief Financial Officer

FY23 Financial Results

<i>In millions, except per share amounts</i>	Year ended June 30, 2023 FY23	Year ended June 30, 2022 FY22	Change
Revenue	\$3,472	\$3,463	0.3%
Pretax Income	\$711	\$659	7.9%
Net Income	\$562	\$561	0.2%
Earnings Per Share ¹	\$3.56	\$3.26	9.2%
EBITDA ¹	\$915	\$890	2.8%
Weighted Avg Shares - Diluted	157.2	171.4	(8.3%)
Adjusted Earnings Per Share ¹	\$3.82	\$3.51	8.8%

In FY23, repurchased 14.6M shares for \$550M

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

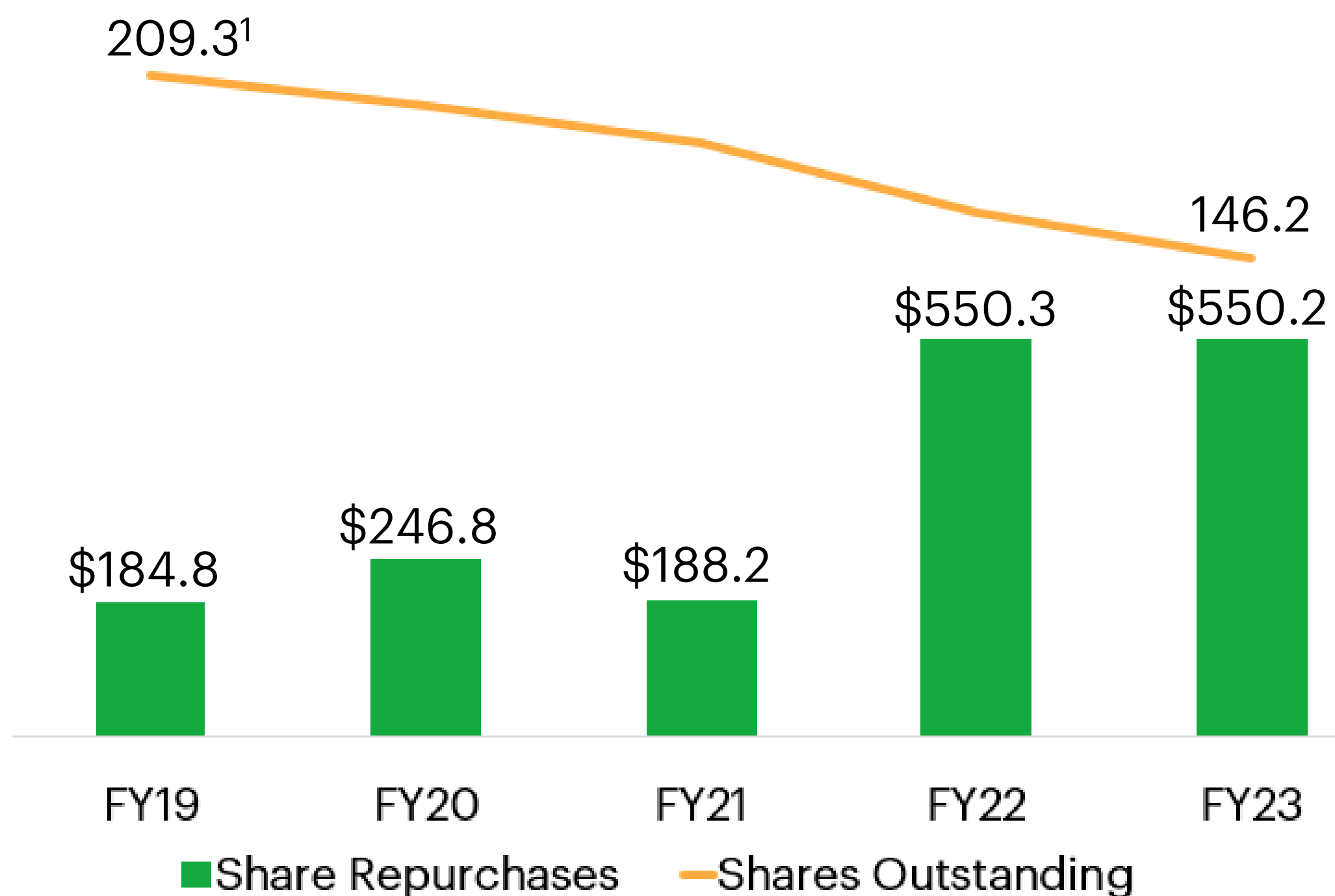
¹All share amounts are based on weighted average fully diluted shares over the corresponding period. EBITDA and adjusted EPS are non-GAAP financial measures. Please see the safe harbor statement at the beginning of this presentation for information on non-GAAP financial measures. A reconciliation of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

Capital Allocation Story is Strong

Long track record of share repurchase & dividend increases

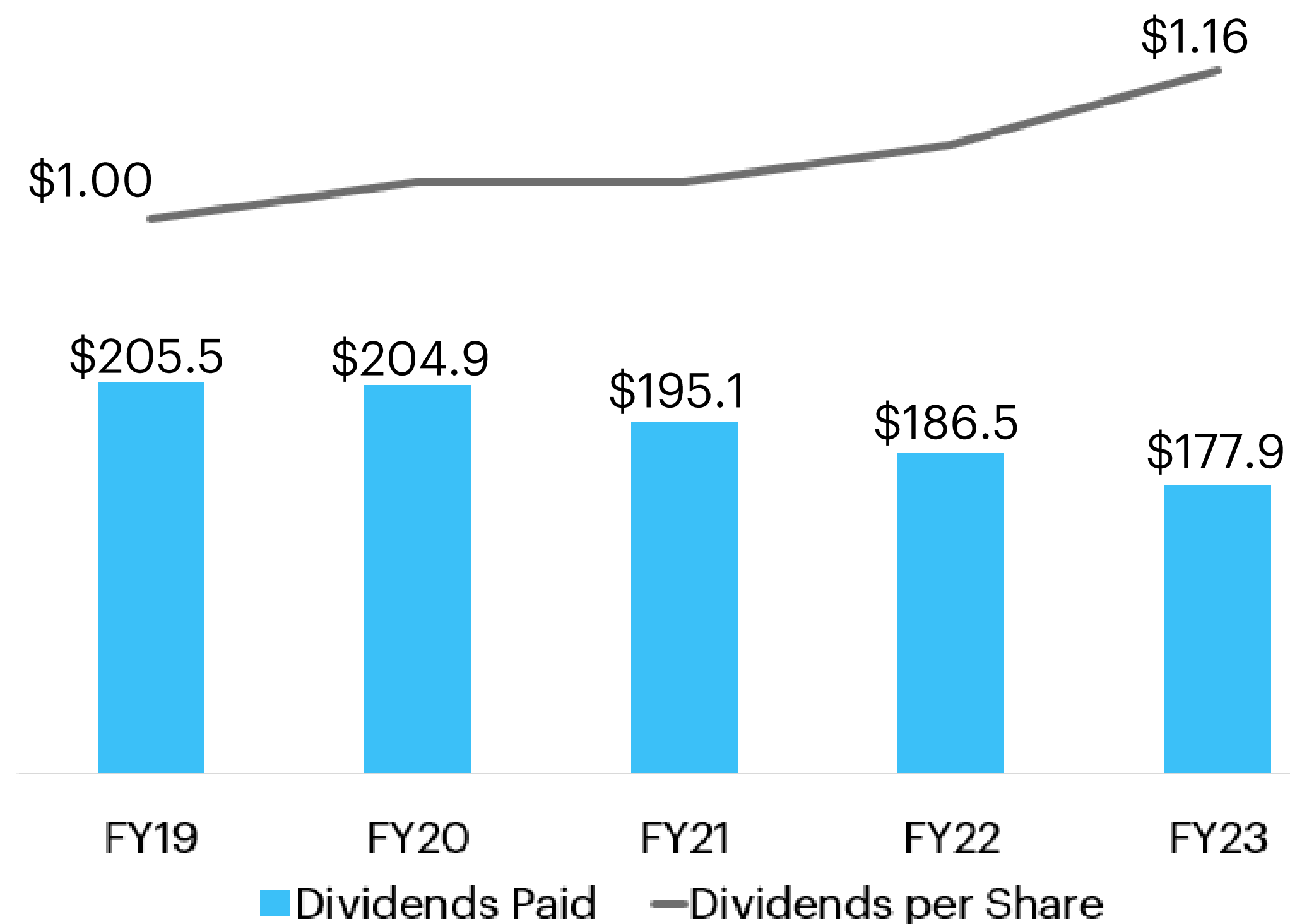


Share Repurchase



Reduced shares outstanding by ~32% in five years; continue to believe this is a great use of capital

Dividend



Today announced 10% increase resulting in annualized dividend of \$1.28

Note: In millions except for per share amounts. FY19, FY20, and FY21 represent the fiscal period ended April 30. FY22 and FY23 represent the fiscal period ended June 30. ¹209.3M shares outstanding as of May 1, 2018.

Capital Allocation Story is Strong

Goal is to return 100% or more of free cash flow annually

In FY23:

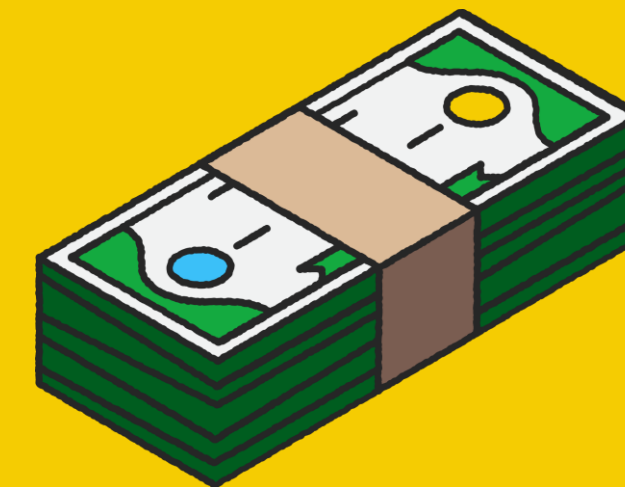
>\$700M

free cash flow¹
generated



>16%

free cash flow yield¹



¹Free cash flow and free cash flow yield are non-GAAP financial measures. Free cash flow is defined as net cash provided by operating activities less capital expenditures. Free cash flow yield is defined as free cash flow divided by the market value of equity (market capitalization). The Company believes free cash flow and free cash flow yield are 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 these non-GAAP financial measures to the most comparable GAAP measures can be found in the Appendix.

FY24 Outlook



Assumptions:

- Return to typical industry growth of ~1%
- Maintain market share
- Low single digit pricing
- Ongoing franchise acquisitions
- Opportunistic share repurchase

	Outlook
Revenue	\$3,530 - \$3,585M
EBITDA¹	\$930 - \$965M
Effective Tax Rate	~23%
Adjusted EPS¹	\$4.10 - \$4.30

¹EBITDA 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.

Tony Bowen

Chief Financial Officer

Jeff Jones

President &
Chief Executive Officer

Q&A

Appendix

Non-GAAP Measure: EBITDA



The following is a reconciliation of EBITDA, which is a non-GAAP financial measure:

	(in 000's)	
EBITDA	Year ended June 30, 2023	Year ended June 30, 2022
Net income - as reported	\$553,700	\$553,674
Discontinued operations, net	8,100	6,972
Net income from continuing operations – as reported	561,800	560,646
Add back:		
Income taxes	149,412	98,423
Interest expense	72,978	88,282
Depreciation and amortization	130,501	142,178
	352,891	328,883
EBITDA from continuing operations	\$914,691	\$889,529

Non-GAAP Measure: Adjusted EPS



The following is a reconciliation of Adjusted EPS, which is a non-GAAP financial measure:

(in 000's except for amounts per share)

Adjusted EPS	Year ended June 30, 2023	Year ended June 30, 2022
Net income from continuing operations – as reported	\$561,800	\$560,646
Adjustments:		
Amortization of intangibles related to acquisitions (pretax)	51,411	56,292
Tax effect of adjustments ⁽¹⁾	(10,797)	(13,358)
Adjusted net income from continuing operations	\$602,414	\$603,580
Diluted earnings per share from continuing operations – as reported	\$3.56	\$3.26
Adjustments, net of tax	0.26	0.25
Adjusted diluted earnings per share from continuing operations	\$3.82	\$3.51

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 Measures: Free Cash Flow and Free Cash Flow Yield



The following is a reconciliation of Free Cash Flow and Free Cash Flow Yield, which are non-GAAP financial measures:

(in 000's except for amounts per share)

Free Cash Flow Yield	Year ended June 30, 2023
Operating cash flow - as reported	\$821,841
Less: Capital expenditures	(69,698)
Free cash flow	\$752,143
Market price at June 30, 2023	\$31.87
Shares outstanding	146,150
Market capitalization	\$4,657,801
Free cash flow yield	16.1%

H&R Block Filing Volumes

U.S Tax Operating Data

(in 000's)

Tax Returns Prepared ¹	July 1, 2022 – June 30, 2023	July 1, 2021 – June 30, 2022	% Change
Company-owned	8,721	8,769	(0.5%)
Franchise Operations ²	2,847	3,185	(10.6%)
Total Assisted	11,568	11,954	(3.2%)
Desktop	1,795	1,868	(3.9%)
Online	6,775	6,661	1.7%
Total DIY	8,570	8,529	0.5%
Total H&R Block	20,138	20,483	(1.7%)

¹ An assisted tax return is defined as a current or prior year individual or business tax return that has been accepted by the client. A DIY online return is defined as a current year individual or business tax return that has been accepted by the client. A DIY desktop return is defined as a current year individual or business tax return that has been electronically submitted to the IRS.

² Franchise Operations returns include assisted returns prepared in a franchise office in the reported year. Following the Company's acquisition of a franchise office, returns from such office are included in the Company-owned line for that year; prior years are not recharacterized.