

# Q3 FY25 Financial Results Conference Call

May 7, 2025



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Program Manager, Investor Relations & ESG

# 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.

Unless otherwise noted, year-over-year comparisons of our operational tax metrics are calculated as July 1, 2024 – April 30, 2025 compared to the corresponding prior year.

H&R Block is not a bank. Bank products and services are offered by Pathward, N.A.

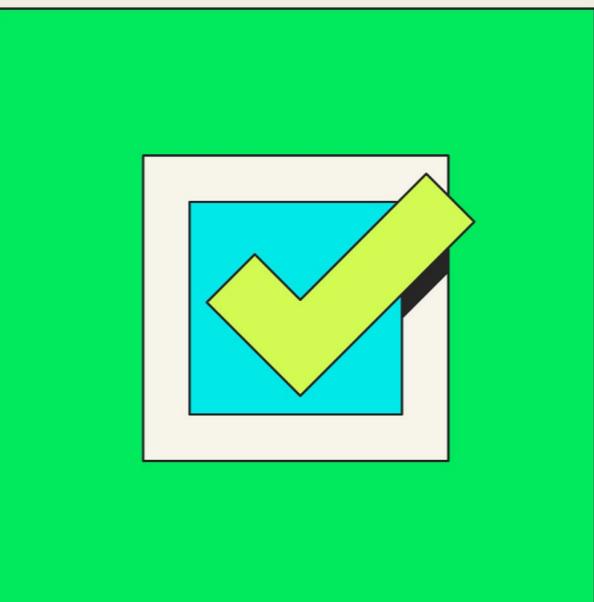
# **Jeff Jones**

President & Chief Executive Officer

# Strong Q3 Results as Transformation Continues

## Q3 results:

- **4% Revenue growth**
- **5% EBITDA<sup>1</sup> growth**
- **9% EPS<sup>2</sup> growth**



## FY25 Outlook *reaffirmed*



<sup>1</sup>Please see the safe harbor statement at the beginning of this presentation for information on non-GAAP financial measures. A reconciliation of EBITDA to the most comparable GAAP measure can be found in the Appendix.

<sup>2</sup>All per share amounts are from continuing operations and based on weighted average fully diluted shares at the end of the corresponding period.

# Tax Industry: Clients Seek Help and Expertise

HRB is the Assisted category leader

*At the Industry level:*

**Volume grew ~1%,**  
as anticipated

**Assisted**  
category  
+170 bps

**DIY**  
category  
+90 bps

Shift from DIY to Assisted  
underscores the importance of  
human help and expertise

More clients waiting  
until closer to the  
deadline to file

HRB saw record  
high volumes in  
recent history the  
final two days of  
tax season



# Assisted: Improved volume and share trends

Redesigned Assisted client experience to:

**1**

Convert more clients

**2**

Improve retention

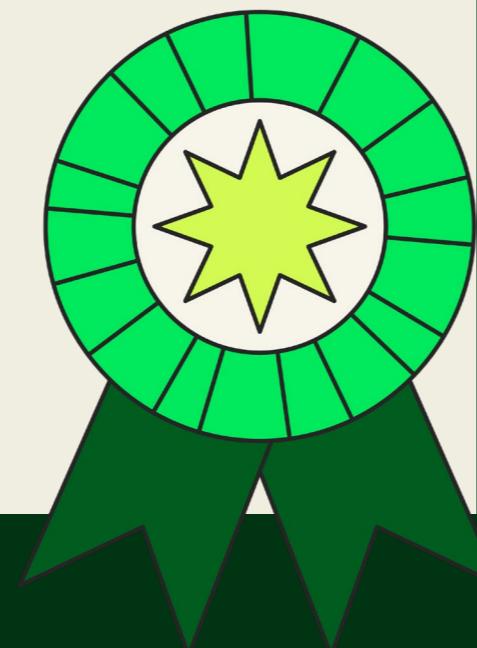
How?

- Improved tax pro matching algorithm
- Introduced new steps to ensure tax pros better understood client needs, managed expectations



# Assisted: Improved volume and share trends

- Increased client conversion for second consecutive year
- Boosted customer satisfaction scores
- More appointments set for next tax season



## Second Look®

- Unique among nationwide preparers, free to new clients
- Uncovers missed deductions and credits from prior years
- 10x increase in new clients participating<sup>1</sup>
- Demonstrates tax pro expertise



<sup>1</sup> Calculated year over year January 1 – April 30, 2025.

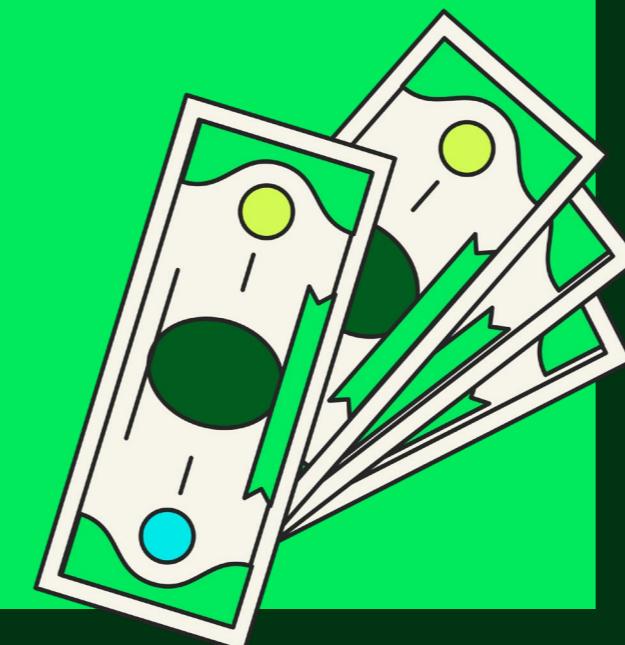
# Assisted: Improved volume and share trends

- HRB's trusted brand is a competitive differentiator
- Strong local value proposition
- Attracting and serving more complex clients with higher LTV



For the third consecutive year:

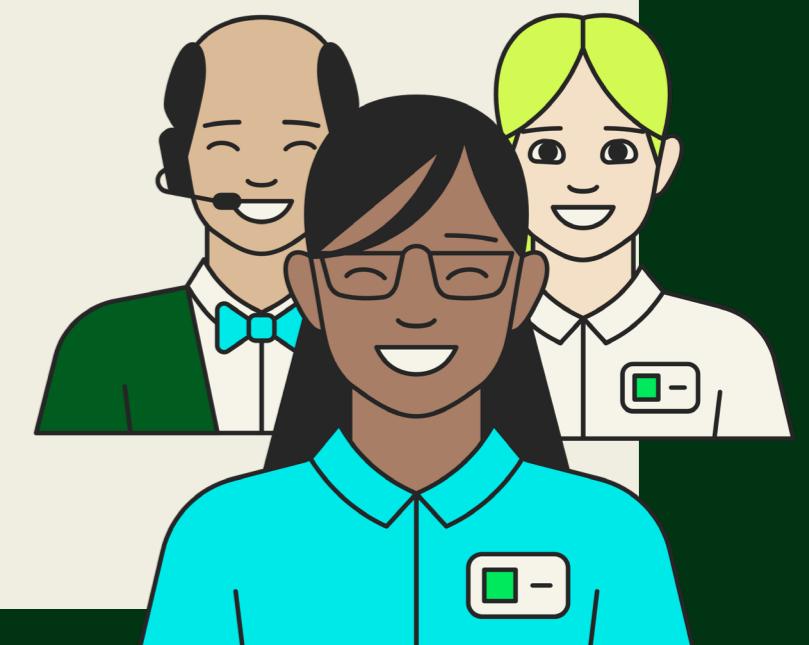
- Client growth in each segment >\$80K of income
- Fastest growing segment clients >\$100K of income



Shift toward Assisted shows desire for expert help and value

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HRB has a proven track record of serving those needs



# DIY: Disciplined focus on paid clients

Q3 DIY Revenue

**+8%**

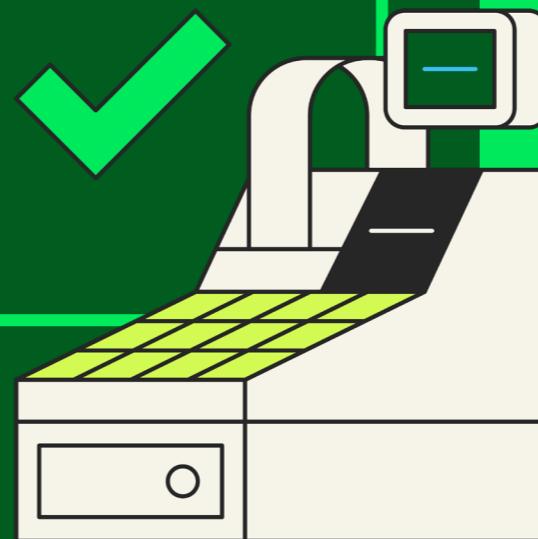
Higher customer satisfaction across all dimensions



Paid NAC through 4/30

**+9%**

More than half of growth from mix shift to more complex SKUs



Online paid volume essentially flat

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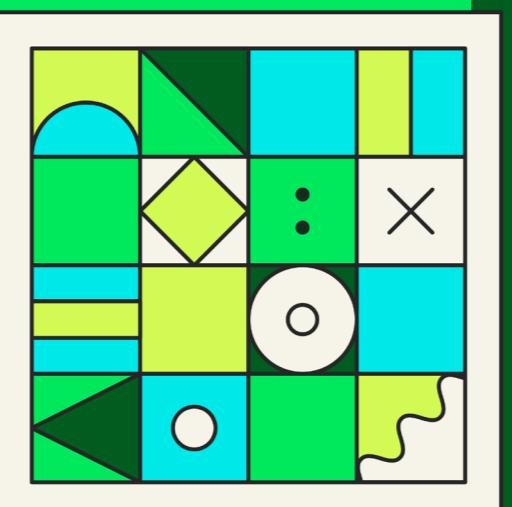
HRB disciplined in unprecedented promotional environment

Note: A breakdown of free and paid DIY filing volume can be found in the Appendix of this presentation.

# DIY: Disciplined focus on paid clients

## AI Tax Assist

- Expanded knowledge base, driving higher user engagement and satisfaction
- +13ppt conversion among clients who used the tool<sup>1</sup>
- Powerful value prop and competitive differentiator



## Tax Pro Review

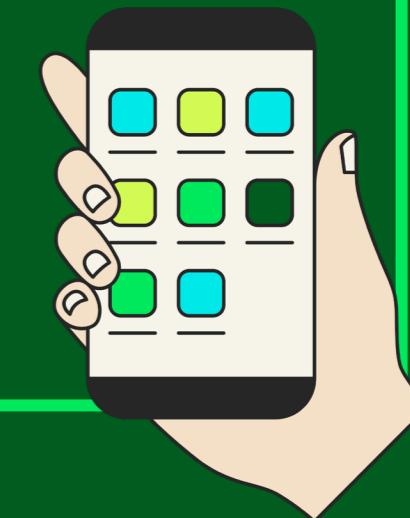
- Delivered another year of growth
- Reaffirming value and demand for professional expertise



## MyBlock

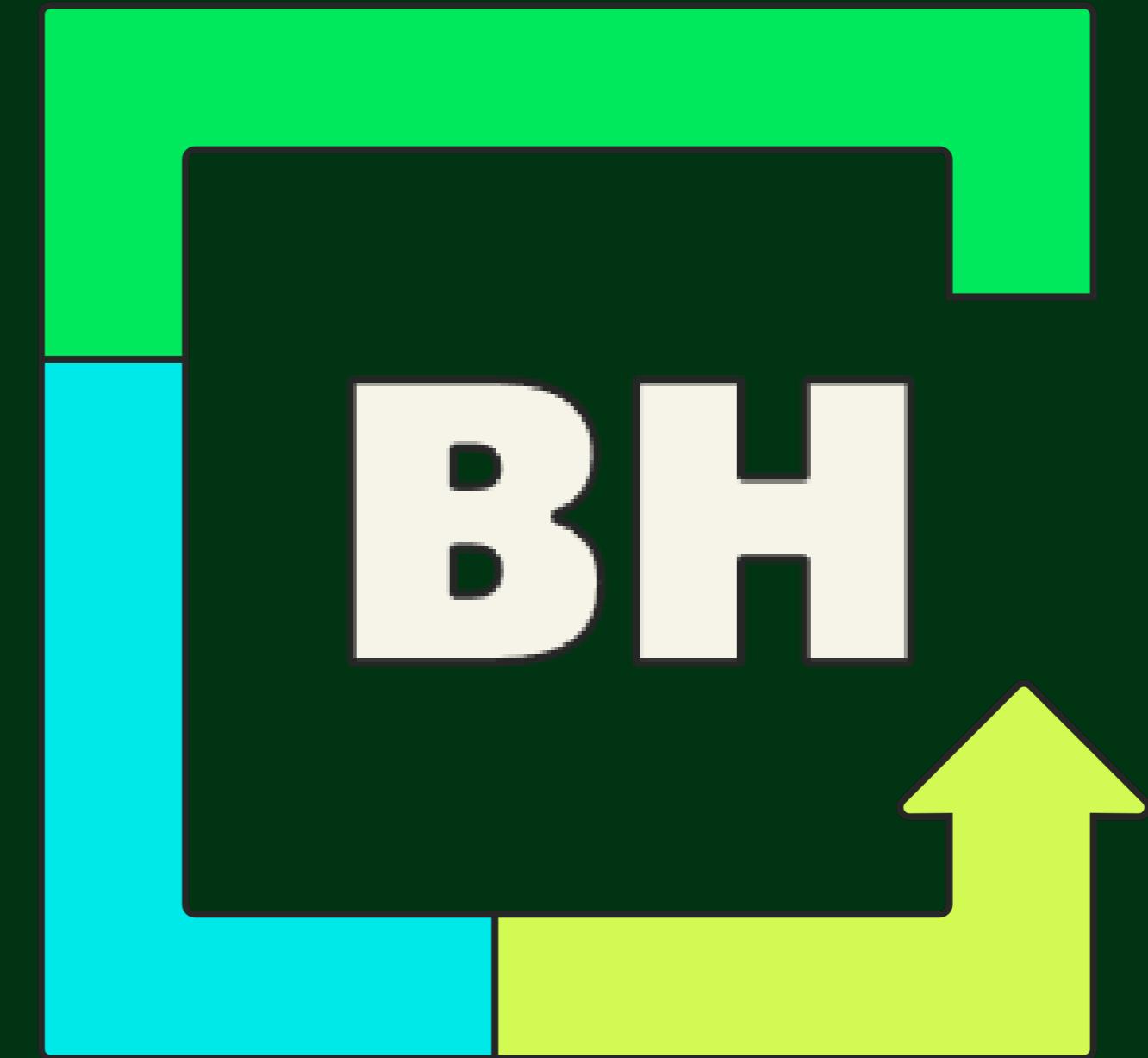
H&R Block's mobile app and digital front door

- 24% increase in clients served fully virtually<sup>1</sup>
- Reflects clients' growing preference for convenience and expert help



<sup>1</sup>Calculated year over year January 1 – April 30, 2025.

# **Block Horizons**



# Continued Opportunity in Small Business



## *In Q3:*

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- High single-digit revenue growth in Assisted Small Business tax
- Improved conversion from four-fold increase in custom DIY experiences (from 5 to 20)
- Double-digit revenue growth in bookkeeping and payroll



## *In Q3:*

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- Key priorities of accelerating revenue growth and driving profitability remain unchanged
- Momentum in high-margin subscription product, ProTier
- +13% revenue growth

# Financial Products Improve Clients' Well-Being

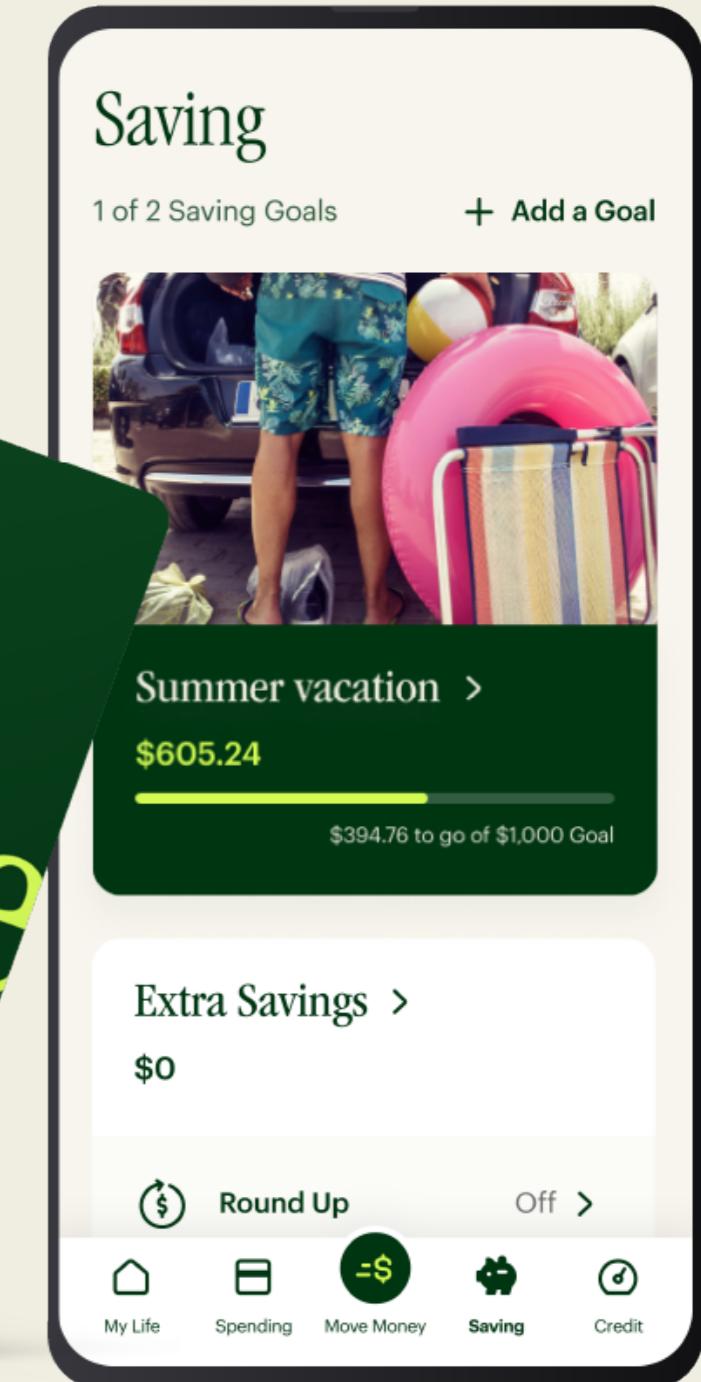
From launch through 4/30/25:

**700K**  
sign ups  
up ~50%  
from PY

**~50%**  
of deposits  
non-tax  
related

**~90%**  
of new clients  
completed  
a tax return  
with Block<sup>1</sup>

- Engaging clients year-round
- Highly effective cross-selling efforts
- Access to federal refund up to 5 days early
- Users of the Smart Tax Refund feature saved an average of 26% of their tax refund, surpassing the recommended 15%.



Note: Banking accounts established at, and debit card issued by, Pathward<sup>®</sup>, N.A., Member FDIC, pursuant to license by Mastercard<sup>®</sup>. Mastercard and the circles design are registered trademarks of Mastercard International Incorporated.

<sup>1</sup>Calculated year over year January 1 – April 30, 2025.

# **Jeff Jones**

President & Chief Executive Officer

# Tiffany Mason

Chief Financial Officer

# H&R Block Investment Thesis

## Stable Industry

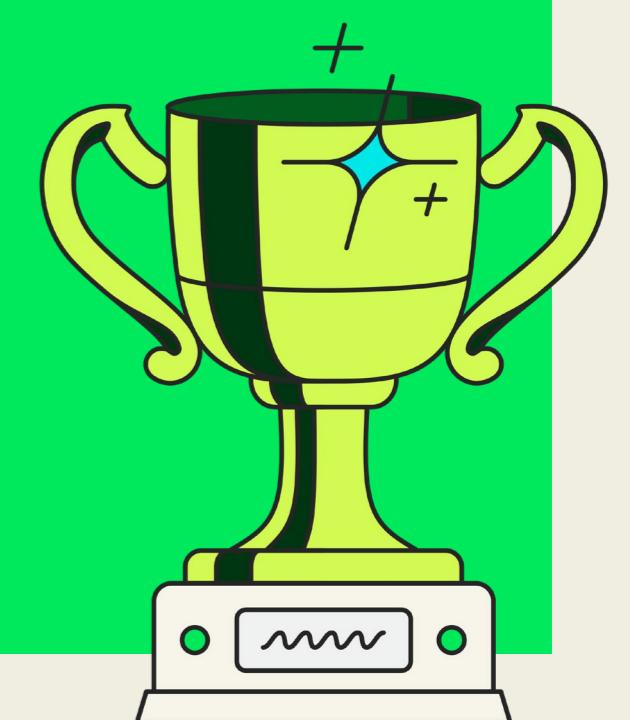
- Business model tied to essential tax prep services
- Consumer tax industry has grown at a 1% CAGR for decades
- Steadfast & resilient

## National Scale & Strong Brand Recognition

- ~9K company and franchise offices
- 60K expert tax pros and robust DIY offering
- Strategic investments in Block Horizons imperatives to support innovation and growth

## Compelling Financial Profile

- Consistent, strong free cash flow<sup>1</sup>
- Solid balance sheet and liquidity profile
- Disciplined capital allocation strategy



<sup>1</sup> 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.

# Q3 FY25 Financial Results

<i>In millions, except per share amounts</i>	<b>Q3 FY25</b>	<b>Q3 FY24</b>	<b>Change</b>
<b>Revenue</b>	\$2,277.1	\$2,184.8	4.2%
<b>Operating Expenses</b>	\$1,298.8	\$1,256.6	(3.4%)
<b>Interest Expense</b>	\$24.7	\$26.1	5.3%
<b>Net Income</b>	\$722.9	\$691.6	4.5%
<b>EBITDA<sup>1</sup></b>	\$1,012.1	\$964.1	5.0%
<b>Earnings Per Share<sup>1</sup></b>	\$5.32	\$4.87	9.2%
<b>Adjusted Earnings Per Share<sup>1</sup></b>	\$5.38	\$4.94	8.9%
<b>Effective Tax Rate</b>	24.6%	23.8%	

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

<sup>1</sup> All 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.

# Steadfast & Strong Capital Allocation Practices

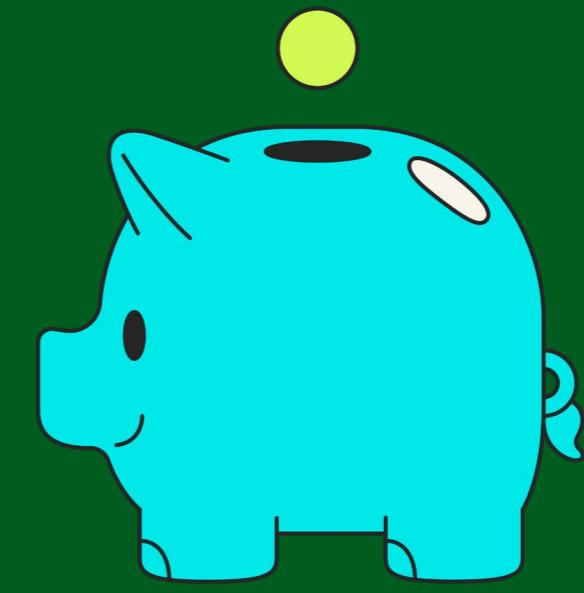
Disciplined strategy focused on funding the business and supporting shareholder returns

*In Q1 & Q2 FY25:*

Repurchased  
\$400M, ~5% of  
the float



~\$1.1B remaining on  
\$1.5B share  
repurchase  
authorization



# 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

EBITDA<sup>1</sup>

\$975M - \$1.02B

Adjusted EPS<sup>1</sup>

\$5.15 - \$5.35\*

13%\*

*\* Anticipated one-time benefit to EPS of ~\$0.50 in FY25.*

<sup>1</sup> 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.

# **Jeff Jones**

President & Chief Executive Officer

# | Q&A

# Appendix

# H&R Block Operating Statistics

OPERATING STATISTICS	July 1, 2024 - April 30, 2025	July 1, 2023 - April 30, 2024 <sup>(5)</sup>	% Change
<b>TAX RETURNS PREPARED (U.S. only, in 000s)<sup>(1)</sup>:</b>			
Company-owned operations	8,696	8,605	1.1 %
Franchise operations <sup>(2)</sup>	2,358	2,542	(7.2)%
Total Assisted	11,054	11,147	(0.8)%
Desktop	1,717	1,764	(2.7)%
Online paid	3,780	3,792	(0.3)%
Online free	2,781	3,481	(20.1)%
Total DIY	8,278	9,037	(8.4)%
<b>Total H&amp;R Block U.S. returns</b>	<b>19,332</b>	<b>20,184</b>	<b>(4.2)%</b>
<b>NET AVERAGE CHARGE (U.S. only)<sup>(3)</sup>:</b>			
Company-owned operations	\$ 271.64	\$ 258.00	5.3 %
Franchise operations <sup>(4)</sup>	\$ 258.23	\$ 248.42	3.9 %
DIY online paid	\$ 81.55	\$ 74.75	9.1 %

<sup>(1)</sup> 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 desktop return is defined as a current year individual or business tax return that has been electronically submitted to the IRS. A DIY online paid return is defined as a current year individual or business tax return that has been accepted by the client. A DIY online free return is defined as a current year individual tax return that has been accepted by the IRS.

<sup>(2)</sup> 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 reclassified.

<sup>(3)</sup> Net average charge is calculated as total tax preparation fees divided by tax returns prepared.

<sup>(4)</sup> Net average charge related to H&R Block Franchise operations represents tax preparation fees collected by H&R Block franchisees divided by returns prepared in franchise offices. H&R Block will recognize a portion of franchise revenues as franchise royalties based on the terms of franchise agreements.

<sup>(5)</sup> Expat online tax returns have been reclassified between Company-owned and Online paid in the prior year to conform with the current year presentation.

# H&R Block Tax Offices

<b>TAX OFFICES (as of March 31):</b>	<b>2025</b>	<b>2024</b>
<b>U.S. offices:</b>		
Company-owned offices	6,701	6,643
Franchise offices	2,013	2,168
Total U.S. offices	<u>8,714</u>	<u>8,811</u>
<b>International offices:</b>		
Canada	946	952
Australia	401	397
Total international offices	<u>1,347</u>	<u>1,349</u>
<b>Tax offices worldwide</b>	<b>10,061</b>	<b>10,160</b>

# Non-GAAP Measure: EBITDA

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

EBITDA			(in 000s)
	Three months ended March 31, 2025	Three months ended March 31, 2024	
Net income - as reported	\$ 722,330	\$ 690,737	
Discontinued operations, net	598	849	
Net income from continuing operations - as reported	<u>722,928</u>	<u>691,586</u>	
Add back:			
Income taxes	235,253	215,772	
Interest expense	24,686	26,070	
Depreciation and amortization	<u>29,221</u>	<u>30,672</u>	
	<u>289,160</u>	<u>272,514</u>	
EBITDA from continuing operations	\$ 1,012,088	\$ 964,100	

# 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:

ADJUSTED EPS			(in 000s, except per share amounts)
	Three months ended March 31, 2025	Three months ended March 31, 2024	
Net income from continuing operations - as reported	\$ 722,928	\$ 691,586	
Adjustments:			
Amortization of intangibles related to acquisitions (pretax)	11,278	12,869	
Tax effect of adjustments <sup>(1)</sup>	(2,927)	(2,793)	
Adjusted net income from continuing operations	\$ 731,279	\$ 701,622	
Diluted earnings per share from continuing operations - as reported	\$ 5.32	\$ 4.87	
Adjustments, net of tax	0.06	0.07	
Adjusted diluted earnings per share from continuing operations	\$ 5.38	\$ 4.94	

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