

FY24 Financial Results Conference Call

August 15, 2024

The logo for H&R BLOCK, featuring the text "H&R" stacked above "BLOCK" in a bold, white, sans-serif font, set against a solid green square background.

**H&R
BLOCK®**

Michaela Gallina

VP, Investor Relations & ESG

CFO, Wave

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) and 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.

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

Jeff Jones

President & Chief Executive Officer

FY24 Results

Another year of revenue growth, EBITDA¹ that grows even faster, and double-digit EPS¹ growth.

17% dividend increase announced today

New share repurchase authorization of **\$1.5B**



¹All share amounts are from continuing operations and based on weighted average fully diluted shares over the corresponding period. EBITDA is a non-GAAP financial measure. 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.

Block Horizons



Small Business

Continue to see opportunity ahead



YoY through June 30:

- **Revenue growth** in the mid-single digits
- **+3% NAC increase**
- Entity trends remained strong
- Another year of double-digit growth in bookkeeping and payroll



YoY through June 30:

- Recently launched a new paid subscription and paid receipt product
 - Monetization trends better than anticipated
- **+7% revenue growth**
- Improving losses and expect positive trends in FY25

Financial Products

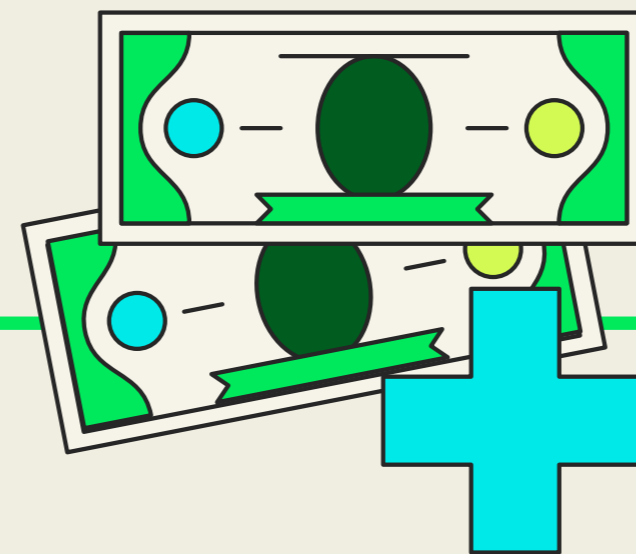
Spruce: H&R Block's mobile banking platform

Since launch through June 30, 2024:

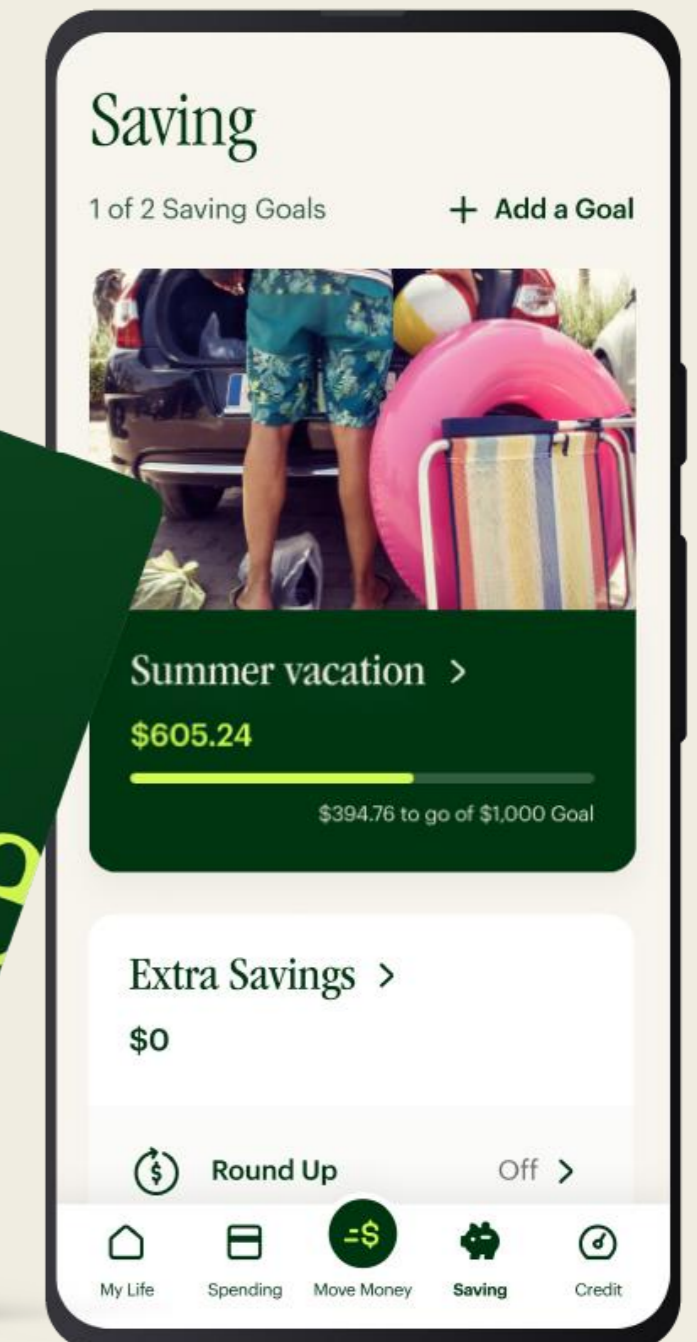
476K
signups



Nearing
\$1B
in customer
deposits



- Nearly 50% of deposits in FY24 were non-tax
- July deposits increased 60% YoY



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

Block Experience

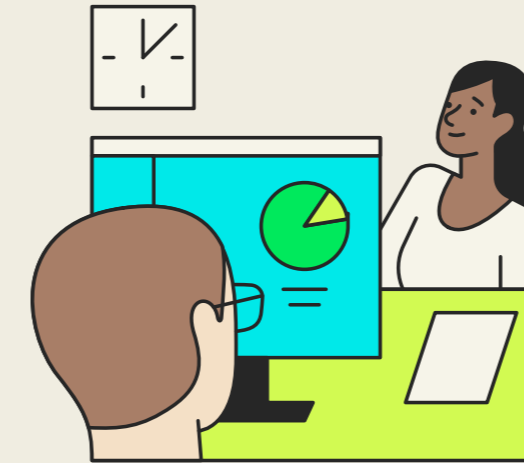
Blending digital tools with human expertise and care



DIY

Our strategy continues to deliver:

- **Meaningful growth** in **paid clients** and **NAC**
- **11% revenue growth**
- **AI Tax Assist** performed well
- Potential to drive **future efficiencies** and **cost savings** with **genAI**



Assisted

- **NAC growth**
- Improved CSAT scores
- Success in attracting and serving higher value clients
- Clear about where we can improve client experience

Management Transition

As shared in Q2, CFO Tony Bowen made the personal decision to retire on September 13,

Thank you, Tony

Under his leadership as CFO:

- Returned >**\$3.9B** to shareholders
- Retired >**40%** of shares outstanding
- Increased the dividend by **88%**¹



¹ Dividend growth is calculated as the percentage growth from our April 2016 dividend to our October 2024 dividend.

Management Transition

Tiffany Mason joined H&R Block as EVP, Finance and will become **CFO** on **September 13**

Welcome, Tiffany

- Proven track record of financial leadership in consumer services, retail, and franchising
- Most recently served as EVP & CFO at Driven Brands; prior to that spent 13 years at Lowe's
- Tony and Tiffany are working together closely to ensure a seamless transition



Management Transition

Scott Manuel joined H&R Block as Chief Strategy and Operations Officer

Welcome, Scott

- Overseeing functions essential to driving our long-term enterprise strategy and improving our execution
- Track record of delivering customer-centric innovation in complex and dynamic environments
- Proven general manager with deep technical expertise



Tony Bowen

Chief Financial Officer

FY24 Financial Results

<i>In millions, except per share amounts</i>	<i>For the year ended June 30, 2024</i> FY24	<i>For the year ended June 30, 2023</i> FY23	Change
Revenue	\$3,610.3	\$3,472.2	4.0%
Operating Expenses	\$2,805.1	\$2,723.5	(3.0%)
Interest Expense	\$79.1	\$73.0	(8.4%)
Pretax Income	\$762.3	\$711.2	7.2%
EBITDA¹	\$963.2	\$914.7	5.3%
Earnings Per Share¹	\$4.14	\$3.56	16.3%
Adjusted Earnings Per Share¹	\$4.41	\$3.82	15.4%

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 Remains Strong

Today Announced:

17% increase to our quarterly dividend to \$0.375 / share

New share repurchase authorization of \$1.5B

Since 2016:

Increased the dividend by 88%¹

Repurchased **>\$2.3B** of shares, retired **>40%** of shares outstanding at an **average price of \$26.74**



¹Dividend growth is calculated as the percentage growth from our April 2016 dividend to our October 2024 dividend.

FY25 Outlook

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>*Approximate 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.



Q&A

Appendix Section

Non-GAAP Measure: EBITDA

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

	(in 000s)	
EBITDA	Year ended June 30, 2024	Year ended June 30, 2023
Net income - as reported	\$ 595,317	\$ 553,700
Discontinued operations, net	2,646	8,100
Net income from continuing operations - as reported	<u>597,963</u>	<u>561,800</u>
Add back:		
Income taxes	164,359	149,412
Interest expense	79,080	72,978
Depreciation and amortization	121,784	130,501
	<u>365,223</u>	<u>352,891</u>
EBITDA from continuing operations	<u>\$ 963,186</u>	<u>\$ 914,691</u>

Non-GAAP Measure: Adjusted EPS

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

(in 000s, except per share amounts)

ADJUSTED EPS	Year ended June 30, 2024	Year ended June 30, 2023
Net income from continuing operations - as reported	\$ 597,963	\$ 561,800
Adjustments:		
Amortization of intangibles related to acquisitions (pretax)	50,835	51,411
Tax effect of adjustments ⁽¹⁾	(11,751)	(10,797)
Adjusted net income from continuing operations	\$ 637,047	\$ 602,414
Diluted earnings per share from continuing operations - as reported	\$ 4.14	\$ 3.56
Adjustments, net of tax	0.27	0.26
Adjusted diluted earnings per share from continuing operations	\$ 4.41	\$ 3.82

⁽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 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 000s, except per share amounts)	
	Year ended June 30, 2024	
FREE CASH FLOW YIELD		
Operating cash flow - as reported	\$	720,860
Less: capital expenditures		(63,678)
Free cash flow	\$	657,182
Market price at June 28, 2024 ⁽¹⁾	\$	54.23
Shares outstanding		139,591
Market capitalization	\$	7,570,020
Free cash flow yield		8.7%

⁽¹⁾ The last trading day of the fiscal year.

H&R Block Operating Statistics

OPERATING STATISTICS	July 1, 2023 - June 30, 2024	July 1, 2022 - June 30, 2023	% Change
TAX RETURNS PREPARED (U.S. only, in 000s) ⁽¹⁾ :			
Company-owned operations	8,805	8,721	1.0 %
Franchise operations ⁽²⁾	2,609	2,847	(8.4)%
Total Assisted	11,414	11,568	(1.3)%
Desktop	1,786	1,795	(0.5)%
Online paid	3,796	3,602	5.4 %
Online free	3,538	3,173	11.5 %
Total DIY	9,120	8,570	6.4 %
Total H&R Block U.S. returns	20,534	20,138	2.0 %
NET AVERAGE CHARGE (U.S. only) ⁽³⁾ :			
Company-owned operations	\$ 258.36	\$ 248.50	4.0 %
Franchise operations ⁽⁴⁾	\$ 248.69	\$ 238.04	4.5 %
DIY online paid	\$ 74.58	\$ 69.85	6.8 %

⁽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 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.

⁽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 reclassified.

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

⁽⁴⁾ 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.