H&R Block Reports Fiscal 2024 Second Quarter Results; Full Year Outlook Reaffirmed

February 6, 2024

KANSAS CITY, Mo., Feb. 06, 2024 (GLOBE NEWSWIRE) -- H&R Block, Inc. (NYSE: HRB) (the "Company") today released its financial results[1] for the fiscal 2024 second quarter ended December 31, 2023.

- *Revenue grew 8% as the Company saw a strong end to the extended filing season*
- *The Company reaffirmed its previously announced outlook for fiscal year 2024*
- *Repurchased $218.1 million of shares during the quarter, retiring another 3% of shares outstanding*

"I'm pleased with our Q2 performance, and our results reflect the progress we continue to make," said Jeff Jones, H&R Block's president and chief executive officer. "In the quarter, our refreshed Emerald Advance product performed well, we launched AI Tax Assist in our DIY Online product, and we continued to allocate capital by paying our quarterly dividend and repurchasing shares. We are well positioned for the tax season, and I'm looking forward to the rest of the year."

Fiscal 2024 Second Quarter Results and Key Financial Metrics
"Our performance continues to meet expectations, and our capital allocation practice remains strong," said Tony Bowen, H&R Block's chief financial officer. "We feel good about our balance sheet and how we are positioned in the current environment, and I am confident in our ability to drive ongoing value for shareholders."

- Total revenue of $179.1 million increased by $12.7 million, or 8%, to the prior year. The increase was primarily due to higher volumes and net average charge in the Assisted category combined with higher interest and fee income on Emerald Advance[SM] due to an increase in Emerald Advance[SM] Loans and an earlier start to the offering period in the current year.
- Total operating expenses of $446.5 million decreased by $3.1 million, as a result of lower consulting and marketing and advertising expenses, partially offset by higher corporate wages resulting from higher headcount in the current year.
- Pretax loss decreased by $15.1 million to $282.9 million.
- Loss per share from continuing operations[2] improved from $(1.43) to $(1.33) and adjusted loss per share from continuing operations[2] improved from $(1.37) to $(1.27), due to a lower loss, partially offset by fewer shares outstanding.

Capital Allocation

The Company reported the following related to its capital structure:

- As previously announced, a quarterly cash dividend of $0.32 per share is payable on April 3, 2024 to shareholders of record as of March 5, 2024. H&R Block has paid quarterly dividends consecutively since the Company became public in 1962.
- Repurchased and retired 4.8 million shares at an aggregate price of $218.1 million, or $45.88 per share in the second quarter.
- The Company has approximately $350.0 million remaining on its $1.25 billion share repurchase authorization available through fiscal year 2025.

Since 2016, the Company has returned more than $3.8 billion to shareholders in the form of share repurchases and dividends, buying back over 40% of its shares outstanding[3].

Fiscal Year 2024 Outlook

The Company continues to expect:

- Revenue to be in the range of $3.530 to $3.585 billion.
- EBITDA[4] to be in the range of $930 to $965 million.
- Effective tax rate to be approximately 23%.
- Adjusted Diluted Earnings Per Share[4] to be in the range of $4.10 to $4.30.

Other Announcements

- Today the Company separately announced that chief financial officer Tony Bowen has decided to retire. He is committed to a smooth transition and will remain at the Company into September of 2024. The press release can be found on the investor relations website at https://investors.hrblock.com/.

Conference Call

A conference call for analysts, institutional investors, and shareholders will be held at 4:30 p.m. Eastern time on Tuesday, February 6, 2024. During the conference call the Company will discuss fiscal 2024 second quarter results, outlook, and give a general business update. To join live, participants must register at https://register.vevent.com/register/BI161a9ef1a2c8484cb4c9c10131ac69ee. Once registered, the participant will receive a dial-in number and unique PIN to access the call. Please join approximately 5 minutes prior to the scheduled start time.

The call, along with a presentation for viewing, will also be webcast in a listen-only format for the media and public. The webcast can be accessed directly at https://edge.media-server.com/mmc/p/4u8imwtm and will be available for replay 2 hours after the call is concluded and continuing for 90 days.

About H&R Block

H&R Block, Inc. (NYSE: HRB) provides help and inspires confidence in its clients and communities everywhere through global tax preparation services, financial products, and small-business solutions. The Company blends digital innovation with human expertise and care as it helps people get the best outcome at tax time and also be better with money using its mobile banking app, Spruce. Through Block Advisors and Wave, the Company helps small-business owners thrive with year-round bookkeeping, payroll, advisory, and payment processing solutions. For more information, visit H&R Block News or follow @HRBlockNews.

About Non-GAAP Financial Information

This press release and the accompanying tables include non-GAAP financial information. 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 generally accepted accounting principles, please see the section of the accompanying tables titled "Non-GAAP Financial Information."

Forward-Looking Statements

This press release 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" or "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 https://investors.hrblock.com. In addition, factors that may cause the Company’s actual estimated 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, or 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.

[1]All amounts in this release are unaudited. Unless otherwise noted, all comparisons refer to the current period compared to the corresponding prior year period.

[2]All per share amounts are based on fully diluted shares at the end of the corresponding period. The Company reports non-GAAP financial measures of performance, including adjusted earnings per share (EPS), earnings before interest, tax, depreciation, and amortization (EBITDA) from continuing operations, free cash flow, and free cash flow yield, which it considers to be useful metrics for management and investors to evaluate and compare the ongoing operating performance of the Company. See "About Non-GAAP Financial Information" below for more information regarding financial measures not prepared in accordance with generally accepted accounting principles (GAAP).

[3]Shares outstanding calculated as of April 30, 2016.

[4]Adjusted EPS and EBITDA 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 below section titled “Non-GAAP Financial Information” and in the accompanying tables. 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.

For Further Information

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FINANCIAL RESULTS (unaudited, in 000s - except per share amounts)

	Three months ended December 31,		Six months ended December 31,	
	2023	2022	**2023**	2022
REVENUES:				
U.S. tax preparation and related services:				
Assisted tax preparation	**$ 48,342**	$ 41,216	**$ 87,605**	$ 77,528
Royalties	**5,454**	4,946	**11,155**	11,174
DIY tax preparation	**13,111**	12,150	**16,959**	15,308
Refund Transfers	**813**	1,542	**1,955**	2,826
Peace of Mind® Extended Service Plan	**17,440**	17,320	**42,287**	42,090
Tax Identity Shield®	**4,694**	5,350	**9,274**	10,517
Other	**9,592**	8,513	**20,572**	17,873
Total U.S. tax preparation and related services	**99,446**	91,037	**189,807**	177,316
Financial services:				
Emerald Card® and Spruce℠	**11,700**	12,478	**20,333**	24,090
Interest and fee income on Emerald Advance℠	**15,235**	12,903	**15,533**	13,517
Total financial services	**26,935**	25,381	**35,866**	37,607
International	**29,569**	28,046	**90,134**	86,880
Wave	**23,133**	21,941	**47,076**	44,587
Total revenues	**$ 179,083**	$ 166,405	**$ 362,883**	$ 346,390
Compensation and benefits:				
Field wages	**77,795**	76,204	**140,230**	137,877
Other wages	**74,671**	70,530	**146,769**	134,283
Benefits and other compensation	**36,063**	34,277	**71,311**	69,109
	188,529	181,011	**358,310**	341,269
Occupancy	**101,194**	101,173	**200,479**	198,763
Marketing and advertising	**11,305**	15,142	**16,786**	25,791
Depreciation and amortization	**30,107**	32,723	**60,332**	66,347
Bad debt	**21,754**	22,416	**26,552**	22,745
Other	**93,626**	97,143	**174,182**	183,789
Total operating expenses	**446,515**	449,608	**836,641**	838,704
Other income (expense), net	**5,922**	4,185	**15,758**	7,796
Interest expense on borrowings	**(21,364)**	(18,985)	**(37,234)**	(34,809)
Pretax loss	**(282,874)**	(298,003)	**(495,234)**	(519,327)
Income tax benefit	**(93,758)**	(77,140)	**(143,245)**	(131,097)
Net loss from continuing operations	**(189,116)**	(220,863)	**(351,989)**	(388,230)
Net loss from discontinued operations	**(639)**	(2,716)	**(1,248)**	(3,770)
Net loss	**$ (189,755)**	$ (223,579)	**$ (353,237)**	$ (392,000)
BASIC AND DILUTED LOSS PER SHARE:				
Continuing operations	**$ (1.33)**	$ (1.43)	**$ (2.44)**	$ (2.48)
Discontinued operations	**—**	(0.02)	**(0.01)**	(0.02)
Consolidated	**$ (1.33)**	$ (1.45)	**$ (2.45)**	$ (2.50)
WEIGHTED AVERAGE DILUTED SHARES	**142,340**	154,119	**144,307**	156,701
Adjusted diluted EPS[(1)]	**$ (1.27)**	$ (1.37)	**$ (2.31)**	$ (2.36)

EBITDA[1]	**$**	**(231,403)**	$	(246,295)	**$**	**(397,668)**	$	(418,171)

[1] All non-GAAP measures are results from continuing operations. See "Non-GAAP Financial Information" for a reconciliation of non-GAAP measures.

CONSOLIDATED BALANCE SHEETS		(unaudited, in 000s - except per share data)
As of	**December 31, 2023**	June 30, 2023
ASSETS		
Cash and cash equivalents	**$ 321,014**	$ 986,975
Cash and cash equivalents - restricted	**17,210**	28,341
Receivables, net	**397,453**	59,987
Income taxes receivable	**74,415**	35,910
Prepaid expenses and other current assets	**88,793**	76,273
Total current assets	**898,885**	1,187,486
Property and equipment, net	**137,153**	130,015
Operating lease right of use assets	**385,288**	438,299
Intangible assets, net	**275,230**	277,043
Goodwill	**789,068**	775,453
Deferred tax assets and income taxes receivable	**239,300**	211,391
Other noncurrent assets	**51,371**	52,571
Total assets	**$ 2,776,295**	$ 3,072,258
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable and accrued expenses	**$ 143,339**	$ 159,901
Accrued salaries, wages and payroll taxes	**65,774**	95,154
Accrued income taxes and reserves for uncertain tax positions	**151,332**	271,800
Operating lease liabilities	**185,424**	205,391
Deferred revenue and other current liabilities	**199,718**	206,536
Total current liabilities	**745,587**	938,782
Long-term debt and line of credit borrowings	**2,290,044**	1,488,974
Deferred tax liabilities and reserves for uncertain tax positions	**235,303**	264,567
Operating lease liabilities	**208,734**	240,543
Deferred revenue and other noncurrent liabilities	**69,279**	107,328
Total liabilities	**3,548,947**	3,040,194
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, no par, stated value $.01 per share	**1,709**	1,789
Additional paid-in capital	**746,734**	770,376
Accumulated other comprehensive loss	**(36,454)**	(37,099)
Retained deficit	**(846,162)**	(48,677)
Less treasury shares, at cost	**(638,479)**	(654,325)
Total stockholders' equity (deficiency)	**(772,652)**	32,064
Total liabilities and stockholders' equity	**$ 2,776,295**	$ 3,072,258

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS		(unaudited, in 000s)
Six months ended December 31,	**2023**	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	**$ (353,237)**	$ (392,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	**60,331**	66,347
Provision for credit losses	**21,536**	16,581

Deferred taxes	**(35,525)**	41,534
Stock-based compensation	**17,525**	17,893
Changes in assets and liabilities, net of acquisitions:		
Receivables	**(348,833)**	(262,293)
Prepaid expenses, other current and noncurrent assets	**(7,395)**	(32,983)
Accounts payable, accrued expenses, salaries, wages and payroll taxes	**(58,543)**	(121,156)
Deferred revenue, other current and noncurrent liabilities	**(58,520)**	(52,703)
Income tax receivables, accrued income taxes and income tax reserves	**(180,706)**	(60,163)
Other, net	**1,201**	(1,515)
Net cash used in operating activities	**(942,166)**	(780,458)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	**(32,708)**	(41,495)
Payments made for business acquisitions, net of cash acquired	**(27,158)**	(39,757)
Franchise loans funded	**(15,491)**	(17,491)
Payments from franchisees	**2,747**	3,861
Other, net	**1,565**	(4,208)
Net cash used in investing activities	**(71,045)**	(99,090)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of line of credit borrowings	**(25,000)**	(170,000)
Proceeds from line of credit borrowings	**825,000**	750,000
Dividends paid	**(89,854)**	(89,193)
Repurchase of common stock, including shares surrendered	**(378,709)**	(365,633)
Other, net	**4,011**	3,639
Net cash provided by financing activities	**335,448**	128,813
Effects of exchange rate changes on cash	**671**	(7,790)
Net decrease in cash and cash equivalents, including restricted balances	**(677,092)**	(758,525)
Cash, cash equivalents and restricted cash, beginning of period	**1,015,316**	1,050,713
Cash, cash equivalents and restricted cash, end of period	**$ 338,224**	$ 292,188
SUPPLEMENTARY CASH FLOW DATA:		
Income taxes paid (received), net	**$ 72,160**	$ (114,385)
Interest paid on borrowings	**35,496**	31,812
Accrued additions to property and equipment	**4,036**	2,499
New operating right of use assets and related lease liabilities	**70,532**	79,917
Accrued dividends payable to common shareholders	**45,273**	44,569

(in 000s)

	Three months ended December 31,		Six months ended December 31,	
NON-GAAP FINANCIAL MEASURE - EBITDA	**2023**	2022	**2023**	2022
Net loss - as reported	**$ (189,755)**	$ (223,579)	**$ (353,237)**	$ (392,000)
Discontinued operations, net	**639**	2,716	**1,248**	3,770
Net loss from continuing operations - as reported	**(189,116)**	(220,863)	**(351,989)**	(388,230)
Add back:				
Income tax benefit	**(93,758)**	(77,140)	**(143,245)**	(131,097)
Interest expense	**21,364**	18,985	**37,234**	34,809
Depreciation and amortization	**30,107**	32,723	**60,332**	66,347
	(42,287)	(25,432)	**(45,679)**	(29,941)
EBITDA from continuing operations	**$ (231,403)**	$ (246,295)	**$ (397,668)**	$ (418,171)

(in 000s, except per share amounts)

NON-GAAP FINANCIAL MEASURE - ADJUSTED EPS	Three months ended December 31,		Six months ended December 31,	
	2023	2022	**2023**	2022
Net loss from continuing operations - as reported	**$ (189,116)**	$ (220,863)	**$ (351,989)**	$ (388,230)
Adjustments:				
Amortization of intangibles related to acquisitions (pretax)	**12,269**	12,839	**24,824**	25,535
Tax effect of adjustments[(1)]	**(3,087)**	(2,787)	**(6,022)**	(6,008)
Adjusted net loss from continuing operations	**$ (179,934)**	$ (210,811)	**$ (333,187)**	$ (368,703)
Diluted loss per share from continuing operations - as reported	**$ (1.33)**	$ (1.43)	**$ (2.44)**	$ (2.48)
Adjustments, net of tax	**0.06**	0.06	**0.13**	0.12
Adjusted diluted loss per share from continuing operations	**$ (1.27)**	$ (1.37)	**$ (2.31)**	$ (2.36)

[(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 Financial Information

Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with 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.

We consider our non-GAAP financial measures to be performance measures and a useful metric for management and investors to evaluate and compare the ongoing operating performance of our business. We make adjustments for certain non-GAAP financial measures related to amortization of intangibles from acquisitions and goodwill impairments. We may consider whether other significant items that arise in the future should be excluded from our non-GAAP financial measures.

We measure the performance of our business using a variety of metrics, including earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations, adjusted EBITDA from continuing operations, adjusted diluted earnings per share from continuing operations, free cash flow, and free cash flow yield. We also use EBITDA from continuing operations and pretax income from continuing operations, each subject to permitted adjustments, as performance metrics in incentive compensation calculations for our employees.