H&R Block Q2 FY26

Financial Results Conference Call Transcript

February 3, 2026

Jessica Hazel, Vice President, Investor Relations: Thank you. Good afternoon, and welcome to H&R Block's fiscal 2026 second 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, February 3, 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: Thank you Jessica. Good afternoon everyone and thank you for joining us.

In January, I stepped into the role of President and CEO with a deep sense of responsibility and optimism about the future of our company. This is a pivotal moment for us, given the opportunities ahead to strengthen our core business and accelerate H&R Block's growth. My focus is clear: build on what works, challenge what needs to evolve, and ensure every decision begins and ends with the client.

Today, I'll organize our discussion into three parts. First, we'll focus on core tax season fundamentals — the table stakes that remain critical for H&R Block. Next, I will highlight the improvements clients and tax professionals will see and feel firsthand this year. And finally, I'll touch on some of the ways we are positioning the company for long-term growth, laying the foundation for the strategy that will guide us in the years ahead. Tiffany will then walk you through our quarterly results, the factors shaping our performance, and the momentum they bring to our full-year outlook.

1. The Fundamentals that Matter

Let's start with the Fundamentals that matter.

Our strategy begins and ends with the client. We deliver meaningful value through expert-led, technology-enabled experiences. This season, we are focused on reducing friction and creating confidence-building moments for every client, whether they choose to engage in person, online, or through any of the options in our omni-channel model, including access to our broader financial services offering. That means attracting and converting new clients and retaining existing clients with a compelling value for the price they pay, and ensuring every experience reinforces why H&R Block is the right choice.

This season also brings meaningful tax law changes due to the One Big Beautiful Bill Act. And while the impact varies widely across taxpayers, the net effect is greater complexity, more questions, and a heightened desire for confidence as clients navigate new deductions, exemptions, and eligibility rules. These shifts reinforce the essential role our tax pros play in helping people feel informed and supported, at a time when confidence and accuracy matter more than ever.

Unmatched Local Presence & Professional Expertise

With nearly 9,000 offices nationwide and more than 60,000 highly trained tax pros, we offer scale and expertise that cannot be matched. Our tax pros average 10 years of tenure with H&R Block, combining deep knowledge with empathy to navigate complex tax situations and provide experiences beyond what digital-only solutions can offer. This human connection gives clients reassurance that their returns are handled with care and backed by our accuracy guarantee. Rooted in local presence and trusted expertise, we deliver the results clients expect and deserve.

Client Success: Confidence & Convenience

Creating confidence and convenience is at the heart of our approach. Clients trust us with what is often their largest financial outcome of the year, and we deliver through accuracy, expertise, and solutions designed to reduce friction at every step. Whether clients choose to work with a tax pro or file on their own using our award-winning online tax product, our focus is on experiences that make engagement effortless and build loyalty from day one. Our goal is clear: every client completes their tax journey confident in their outcome and convinced H&R Block is the partner they want for the future.

Marketing That Reaches Our Ideal Audiences

We know that reaching the right clients is fundamental to our success. Our marketing must connect with those who value trust, accuracy, and personalized service, including consumers and small businesses with more complex needs who represent our greatest opportunity for long-term value creation. This means showing up where they are with messages that resonate and build confidence. And because the landscape is evolving rapidly, from how consumers search to where they engage, we are committed to testing new approaches and learning in real time to help ensure our strategy stays effective. By targeting the right audiences and managing our pipeline thoughtfully, we aim to drive engagement and loyalty while staying agile in a changing environment.

2. Visible Change and Measurable Progress

Our clients expect more than promises. They expect progress they can see and feel, and a process that makes filing easy. This season, we are introducing meaningful improvements designed to make the experience — whether with a tax professional or through our digital channels — more seamless, more outcome-oriented, and more valuable. From onboarding that builds trust from day one, to tools that reduce friction and instill confidence, these changes reflect our commitment to elevating the client experience while equipping our tax pros to perform with greater consistency and efficiency.

Scaling Second Look for New Clients

Second Look, a service where we review the last three years of a new client's tax returns to find errors or see if any refund dollars were left on the table, has been part of Block's offerings for years. This year, we've transformed it from a niche offering into a core component of the new client experience. We are significantly scaling this industry-leading service and embedding it as a standard part of how we serve new clients. By integrating Second Look into onboarding and using technology to meaningfully scale, we expect to deepen engagement, improve retention, and foster longer-term loyalty. At the same time, we're further elevating our DIY solutions.

Unmatched Value in Our Paid DIY Products

Customers who use our top-rated online DIY paid product will experience an even stronger value proposition designed to build confidence at every step. Earlier this season, CNET named H&R Block the best online tax product for 2025, and the enhancements we are introducing this year build on that strong foundation. Our Paid SKUs feature AI Tax Assist and human help, providing real-time guidance to help clients navigate complexity with ease. This year, new clients can also receive Second Look at no cost. And for new, early season filers, we're providing Tax Pro Review free of charge. This service includes a professional review of the completed return and supporting documents. This unique offering gives DIY clients a bridge to professional insight, creating a distinctive way to sample the human expertise that Block has delivered for 70 years.

Just as technology is strengthening the value of our DIY products, it's also transforming how our tax pros deliver for our clients.

Technology-Enabled Excellence

Our tax pros have entered the season with enhanced training and advanced AI tools, positioning them to be more effective than ever. At the center is our nationally launched AI-enabled tax pro assistant, which provides real-time guidance during client interactions. This empowers our tax pros to quickly surface the insights clients need to achieve their best possible results, on the spot. In a year of significant tax law change, when complexity is rising and clients are seeking assurance and clarity more than ever, these capabilities underscore our commitment to leading the assisted channel through expert-led, technology-enabled services. Because the real advantage comes when technology enhances, not replaces, the judgment of tax pros, giving clients both a seamless experience and the confidence that only expert insight can provide.

We've also introduced tools and workflows that make the experience more consistent and outcome oriented. Features such as Save the Date, two-year comparisons, and personalized product offerings will be delivered more consistently, supported by automation, so clients feel informed, confident, and cared for throughout the process.

Operating with Discipline

I'm optimistic about the plans we've put in place and the discipline guiding every decision. As we move through the season, we're staying closely connected to the metrics that help us understand how our work is resonating — especially new client acquisition, conversion through the funnel, and the retention of clients we've served before. We're also watching the elements that strengthen satisfaction and loyalty, including offerings like Second Look and Save the Date, along with the consistent delivery of what clients value most. In small business, we anticipate continued momentum in tax preparation services, bookkeeping, payroll, payments, and invoicing, combining human expertise with digital-first offerings. These insights help refine our roadmap and prioritization.

<u>3. A Foundation for Long-Term Growth</u>

Lastly, I want to share how we think about the future. Block has a proud legacy, but we also have meaningful opportunities to improve — deepening customer centricity, strengthening our learning mindset, harnessing technology to accelerate progress, and operating with significantly higher velocity. Historically, our season-to-season approach limited experimentation, speed, and long-term thinking.

We've developed a multi-year, client-centered strategy focused on delivering confidence, convenience, and transformative experiences. Shifting from a short-term seasonal lens to a clear, long-term view of the ideal client and tax pro experience allows us to test and learn continuously, move faster with sharper hypotheses, and increase our pace of delivery and transformation. This is a fundamental change in how I intend to lead.

As we experiment and test, not every test will succeed, but each one creates insight. By embedding disciplined experimentation into our operating rhythm, we'll identify opportunities sooner, adapt more quickly, and create greater value for all stakeholders over time.

Elevating Our Role to Deliver Advisory Excellence

As we begin to bring this strategy to life, with more to come in the quarters ahead, the first area of focus is elevating our role as trusted advisors. When clients engage with us, they're looking for confidence and convenience. And we are transforming our organization to ensure experiences are grounded in both. Our technology-enabled, human expertise positions us to deliver insights that matter, helping clients feel informed and empowered while turning a once-a-year task into a meaningful opportunity to support their broader financial lives. While we are early in this work, we are committed in our vision to combine the judgment and empathy of our tax pros with technology to create personalized guidance that goes beyond tax filing. This approach reinforces what sets H&R Block apart and lays the groundwork for deeper, lasting client relationships.

To enable this, we are piloting automation capabilities that streamline work behind the scenes, freeing tax pros to focus on insights that matter. By embedding AI into workflows, we can extract data from documents, pre-populate returns, and automate repetitive back-office tasks. These efficiencies should reduce manual effort, create greater consistency across the network, and enable more time for meaningful client interactions. While early in testing, this represents an important step towards combining human judgment with technology to significantly elevate the client experience.

Advancing Small Business Strategy

Turning to small business, we continue to see substantial long-term opportunity, including the chance to grow our share in a very large market and deepen the value we provide through more year-round engagement with each client. As we advance this strategy, we're also taking thoughtful near-term steps to strengthen our foundation, including integrating Wave into H&R Block small business in ways that combine our scale and brand trust with Wave's SaaS capabilities. This integration enhances our ability to tackle complexity for small business owners today, while supporting the broader vision we see ahead.

AI as a Strategic Enabler

Lastly, AI is a critical enabler of our long-term vision. Having spent my career building technology platforms and leading product and engineering teams, I have seen first-hand how technology can unlock step-change improvements in the client experience, productivity, and growth when applied with discipline and purpose. Our approach is intentional, disciplined, and responsible, not focused on using AI for its own sake, but on applying it to real client and associate challenges at scale. We evaluate every opportunity through our framework: how technology elevates the client experience, how it strengthens our associates' expertise, and how it drives productivity across the organization. Throughout today's remarks, I've highlighted several initiatives made possible by advances in AI, technology, and innovation. I'm optimistic about the speed and possibilities this will unlock as we move forward on our journey, and I look forward to sharing more progress in the future.

I'll now hand the call over to Tiffany.

<u>Financial Update</u>

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

We are pleased with our results for the first half of the fiscal year and, as Curtis shared, believe we are well positioned for the tax season which gives us the confidence to reaffirm our fiscal 2026 outlook.

Before I get into the details of the quarter, I'd like to remind everyone that our business is highly seasonal and, historically, Q2 contributes approximately 5% of our annual total revenue and typically results in a net loss.

For the second quarter, we delivered revenue of $199 million, an increase of 11% over the prior year. This increase was primarily driven by higher Assisted tax prep volume and net average charge (or NAC), continued double-digit Wave growth, and higher DIY software sales.

In our company-owned offices, we saw strong demand for tax prep services through the end of the extension season and drove improved conversion year-over-year.

NAC also improved, reflecting a favorable mix of more complex clients and disciplined pricing actions.

At Wave, we were pleased to once again deliver strong results in our high margin subscription product, ProTier, as well as increased payments volume. This reinforces our commitment to fully integrate Wave into H&R Block's small business solution by year-end.

In Q2, we also completed our Emerald Advance offer period. Applications exceeded our expectations and the average loan amount was above the prior year, resulting in favorable loan volume.

Total operating expenses for the quarter were $498 million, a 5% increase over the prior year. This increase was primarily due to higher field wages as a result of higher assisted revenue, and increased consulting costs associated with a strategic sourcing and cost optimization initiative. We expect this initiative to drive sustainable savings over the next several years.

These operating expense increases were expected and contemplated in our full year outlook.

Our second quarter EBITDA loss was $266 million compared to a prior year loss of $261 million.

The effective tax rate was 24.3% compared to 22.4% in the prior year.

Our net loss from continuing operations was $242 million, representing a 40 basis point improvement over the prior year.

Loss per share from continuing operations was $1.91, while adjusted loss per share was $1.84, compared to $1.73 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. This dynamic is reflected in the 11-cent year-over-year increase in adjusted loss per share, even as our net loss improved.

Our disciplined approach to capital allocation continues to drive meaningful value for our shareholders. We generate significant, stable cash flow, and expect this year to be no different. We then invest in the business, grow the dividend, and return excess capital to shareholders through share repurchases.

In the first half of this fiscal year, we have returned $508 million to shareholders in the form of dividends and share repurchases. We have approximately $700 million remaining on our current share repurchase program.

Turning to our full-year outlook, we are reaffirming the following ranges as provided in today's earnings release:

- Revenue between $3.875 and $3.895 billion;
- EBITDA between $1.015 and $1.035 billion;

- An effective tax rate of approximately 25%; and,
- Adjusted EPS between $4.85 and $5.00.

Our outlook continues to contemplate certain key assumptions:

- First, industry growth in line with historical norms, or about 1%.
- A continued emphasis on achieving a healthier balance of volume, price, and mix over time.
- The strategic prioritization of Assisted and Paid DIY, the two areas that deliver the strongest lifetime value for H&R Block.
- An expanding contribution from small business as a meaningful revenue driver in fiscal 2026 and beyond.
- And, continued franchise acquisitions when opportunities arise at attractive EBITDA multiples, which remains a prudent and value-accretive use of capital.

Taken together, these inputs underpin our fiscal 2026 outlook and reinforce our focus on disciplined execution of our strategy, which we believe positions us well to continue delivering meaningful value for our shareholders.

And with that, I'll turn it back over to Curtis for closing remarks.

Curtis Campbell, President, and Chief Executive Officer: Thanks Tiffany. Our priorities are clear. We are focused on the client, equipping our tax pros to build trust, and delivering meaningful outcomes at every turn. Coupled with products designed for clarity, confidence, and convenience, we focus on meeting clients where they are, on their terms. By combining disciplined execution with a commitment to progress, we are positioning H&R Block for lasting growth. I am confident in our team's ability to adapt, deliver, and strengthen our company for the future.

Thank you for your continued trust and partnership.

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) and earnings before interest, taxes, depreciation, and amortization (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. H&R Block is not a bank. Bank products and services are offered by Pathward, N.A.