



SECOND QUARTER FISCAL 2019  
EARNINGS CALL

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DECEMBER 6, 2018

# 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. 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, operational, 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 fiscal year ended April 30, 2018 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. 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, guidance from the Internal Revenue Service, Securities and Exchange Commission, or the Financial Accounting Standards Board about the Tax Legislation, and future actions of the company. You may get our Securities and Exchange Commission filings for free at our website at <http://investors.hrblock.com>. 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 this presentation, including earnings from continuing operations before interest, taxes, depreciation, and amortization ("EBITDA"), EBITDA Margin from continuing operations, calculated as EBITDA from continuing operations divided by revenues from continuing operations ("EBITDA Margin"), and Free Cash Flow. 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 our press release filed on December 6, 2018 and our previously filed press releases, both of which are posted on our investor relations website at <http://investors.hrblock.com>.

## Market and Industry 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

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PRESIDENT & CEO

# Today's Call

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# Enterprise Strategy

# Key objectives of our enterprise strategy

## Assisted

- **Improving the value** we deliver, including an investment in price
- Developing and delivering on a **clear brand promise** to differentiate H&R Block to consumers
- Improving the **quality and consistency** of our service delivery in the tax office

## Virtual

- **Innovating** in this emerging space, **leading the industry** as consumer expectations evolve
- Combining **digital technology** with the **unmatched scale and expertise of our network** to deliver value-added solutions

## Do-It-Yourself (DIY)

- Investing to **improve the product and user experience**
- Pricing at a level that is competitive and **provides compelling value** to our clients
- Continuing to communicate this value, **growing awareness** and compelling consumers to switch to H&R Block

Tax Season 2019

# Upfront, transparent pricing

# Leading the industry with upfront, transparent pricing

## Assisted

- Price is determined upfront in **three easy steps**
- Also **lowered prices** for millions of Assisted clients

## DIY

- Added transparency throughout the online filing process with **real-time pricing display**
- Will set **new industry expectation** for DIY consumers

## Virtual

- Will **continue upfront pricing** approach
- Testing various price points throughout the season for **optimal pricing**

INTRODUCING

**UPFRONT  
TRANSPARENT  
PRICING**

\$

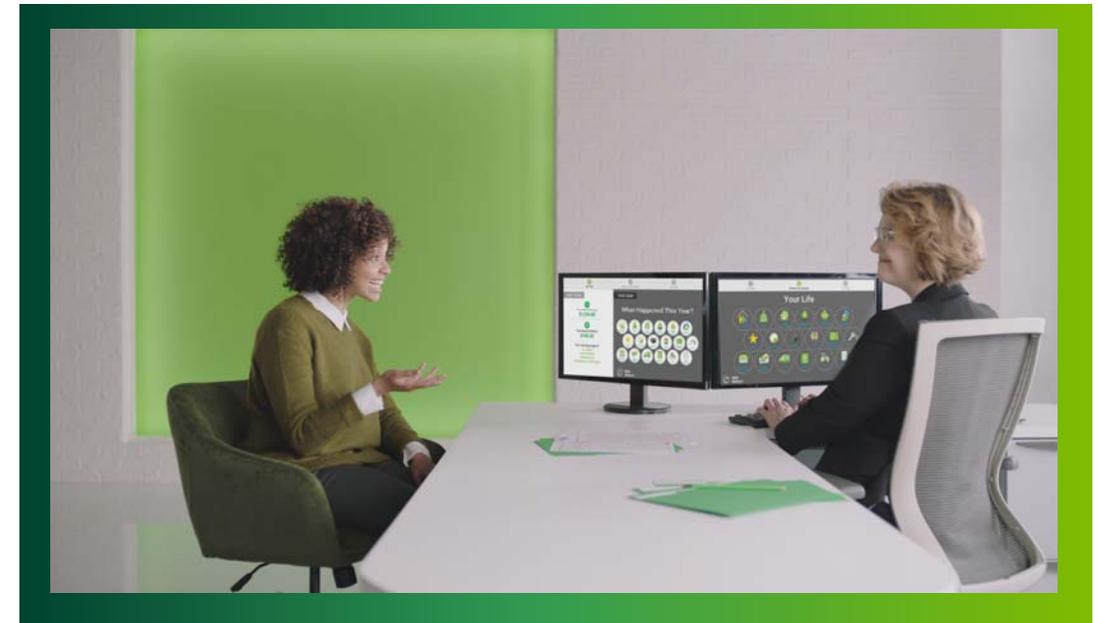
**No surprises.  
No hidden fees.**

Tax Season 2019

# Client Experience

# Assisted client experience improvements aimed at both new and existing clients

- **Improved tax estimator** delivers key tax tips and more robust W-4 planning
- Simplified process for clients to go **paperless**
- **Increased accessibility** through improved drop-off services
- Focused the efforts of field leadership to drive **consistent, high-quality service**
- **Enhanced and differentiated** new client experience



# Evolving DIY product with numerous enhancements

- Improved **mobile experience**, giving clients more visibility to where they are in the process
- Leveraging data to make our product **smarter and more personalized**
- **Easier access to help**
  - **Redesigned** help center
  - New **virtual assistant leverages machine learning** to deliver quick answers
- Eliminated break points to **drive conversion**



# New innovation to connect our clients to the expertise of our tax pros



- **On-demand and unlimited help** when clients need it while preparing their return online
- Clients **interact virtually**, via chat and co-browsing to ask product or tax questions
- **Best value for consumers** who are confident doing taxes themselves but have a few questions along the way

# Virtual product improvements



*Virtual Assisted tax preparation that addresses the needs of clients who want assistance but don't want to visit an office*

- Streamlined workflows and improved document upload
- Added ability to schedule an upfront phone consultation with assigned tax pro



*Virtual service for DIY clients who are comfortable preparing their own return but want the peace of mind knowing that a tax expert has reviewed and signed their return*

- Optimized tax pro network for improved service consistency
- Improved end-to-end mobile experience

# Unmatched capability to serve consumers in more ways



Tax Season 2019

# Partnerships & Promotions

# Continuing value-added promotions and partnerships

## Refund Advance



- **Early access, often the same day**, to refund dollars
- **100% interest free** with no fees to the client, unlike some competitor offerings
- Loan amounts **up to \$3,000**

## Partnerships

- Exclusive provider of desktop software to **Walmart** for the second consecutive year
- Aggressive promotion with **Amazon**
- Continuing **Stride** partnership which allows clients the ability to track and input business expenses into their tax return
- **LendingTree** partnership will again provide our clients access to free credit reports

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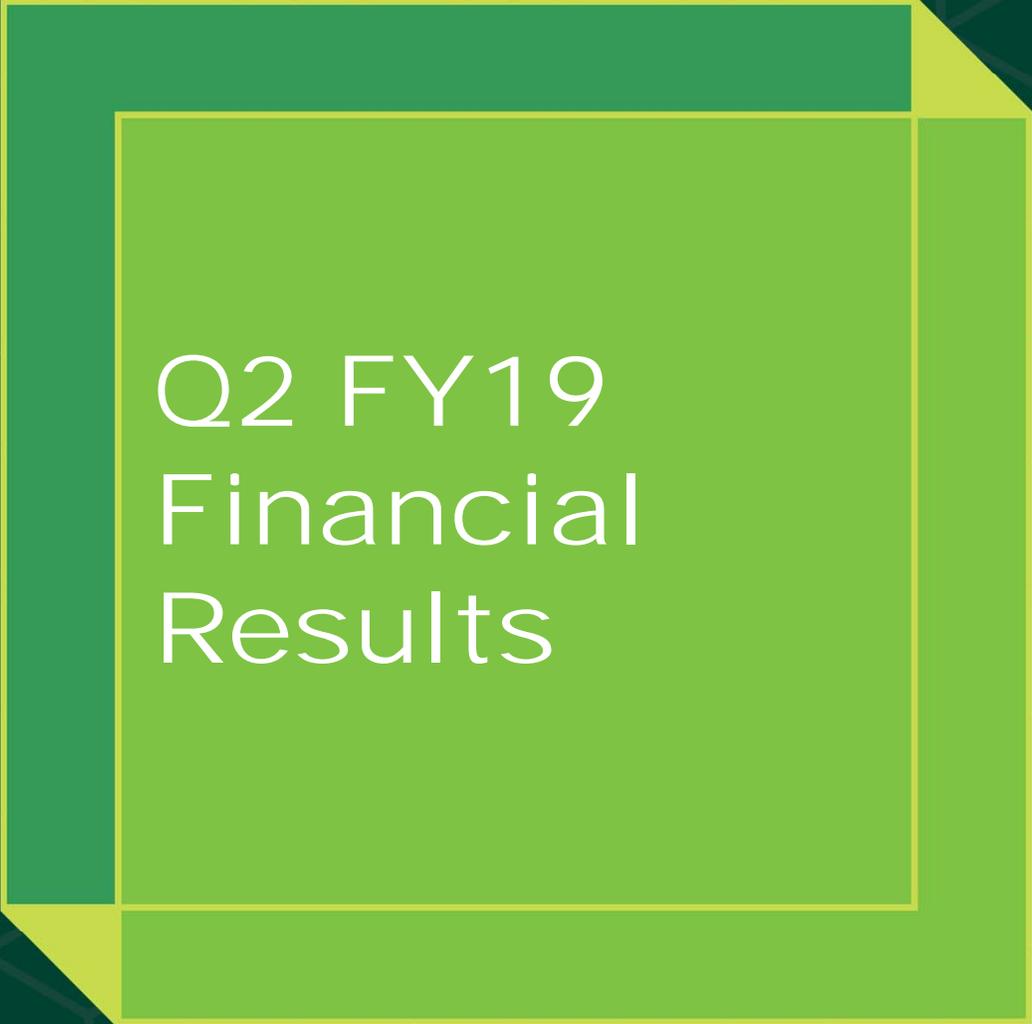
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PRESIDENT & CEO

TONY BOWEN

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CHIEF FINANCIAL OFFICER



Q2 FY19  
Financial  
Results

# Q2 FY19 Summary – Continuing Operations

(in millions, except EPS)	Q2 FY19	Q2 FY18
<b>Revenue</b>	\$ 149	\$ 141
<b>Pretax Loss</b>	\$ (232)	\$ (236)
<b>Net Loss</b>	\$ (171)	\$ (148)
<b>Weighted-Avg. Shares - Diluted</b>	205.5	209.1
<b>EPS<sup>1</sup></b>	\$ (0.83)	\$ (0.71)
<b>EBITDA<sup>2</sup></b>	\$ (169)	\$ (170)

Note: All amounts are unaudited. The company normally reports a fiscal first quarter loss due to the seasonality of its tax business.

<sup>1</sup> All per share amounts are based on fully diluted shares at the end of the corresponding period.

<sup>2</sup> The company reports non-GAAP financial measures of performance, including earnings before interest, tax, depreciation, and amortization (EBITDA) from continuing operations, EBITDA Margin from continuing operations, and Free Cash Flow, 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" in our December 6, 2018 earnings release, posted to our investor relations website at <http://investors.hrblock.com>, for more information regarding financial measures not prepared in accordance with GAAP and reconciliations of these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP.



FY19  
Financial  
Outlook

# Reiterating financial outlook for FY19

## REVENUES

**\$3,050M - \$3,100M**

## EBITDA MARGIN<sup>1</sup>

**24% - 26%**

## EFFECTIVE TAX RATE

**23% - 25%**

<sup>1</sup> EBITDA Margin from continuing operations is a non-GAAP financial measure. Specific quantifications of the amounts that would be required to reconcile the company's EBITDA Margin outlook for FY19 are not available. Because of the variability of these and other items as well as the impact of future events on these items, management is unable to reconcile without unreasonable effort the expected range of EBITDA Margin for the fiscal year to a comparable GAAP range. See "About Non-GAAP Financial Information" in our December 6, 2018 earnings release, posted to our investor relations website at <http://investors.hrblock.com>, for more information regarding financial measures not prepared in accordance with GAAP.

# Detailed FY19 financial outlook

<b>Revenues</b>	\$3,050M - \$3,100M
<b>EBITDA Margin<sup>1</sup></b>	24% - 26%
<b>Effective Tax Rate</b>	23% - 25%
<b>Depreciation &amp; Amortization</b>	\$165M - \$175M
<b>Capital Expenditures</b>	\$95M - \$105M
<b>Interest Expense</b>	\$80M - \$85M

<sup>1</sup> EBITDA Margin from continuing operations is a non-GAAP financial measure. Specific quantifications of the amounts that would be required to reconcile the company's EBITDA Margin outlook for FY19 are not available. Because of the variability of these and other items as well as the impact of future events on these items, management is unable to reconcile without unreasonable effort the expected range of EBITDA Margin for the fiscal year to a comparable GAAP range. See "About Non-GAAP Financial Information" in our December 6, 2018 earnings release, posted to our investor relations website at <http://investors.hrblock.com>, for more information regarding financial measures not prepared in accordance with GAAP.

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# Q&A

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