



News Release

For Immediate Release: March 6, 2014

H&R Block Reports U.S. Tax Volume Through Feb. 28; Fiscal 2014 Third Quarter Earnings

KANSAS CITY, Mo. - H&R Block, Inc. (NYSE: HRB) the world's largest consumer tax services provider, today released U.S. tax volume through Feb. 28 and earnings for its fiscal 2014 third quarter ended January 31, 2014.

As a result of the delayed opening of the Internal Revenue Service's (IRS) e-file system to Jan. 31, revenue related to tax returns prepared but not yet filed totaling \$277 million shifted to the company's fiscal fourth quarter ending April 30. A majority of the company's revenues and all of its fiscal 2014 earnings will occur during its fiscal fourth quarter, and thus fiscal third quarter results are not indicative of expected performance for the full year.

The company recently outlined its strategy to grow revenues through a balance of improved client mix and increased product attachments and believes it remains on track to achieve these goals. Consistent with this strategy, the company discontinued its free federal 1040EZ promotion in virtually all markets and exited unprofitable retail partnerships. As a result, total U.S. tax returns prepared by and through H&R Block were lower by 6 percent through Feb. 28.

CEO Perspective

"In line with the strategy outlined at our most recent investor day last December, we entered this tax season with a solid plan focused on growing Tax Plus revenue" said Bill Cobb, H&R Block's president and chief executive officer. "While there is still over a month left in this tax season, our early results indicate that we are on track to achieve our objectives this year," added Cobb.

Fiscal 2014 Third Quarter Highlights¹

- Revenues decreased 58 percent², or \$272 million, to \$200 million primarily due to \$277 million of revenue related to tax returns prepared but not yet filed which will be recorded during the company's fiscal fourth quarter
- Adjusted net loss from continuing operations increased to \$209 million, or \$(0.77) per share, due almost entirely to the timing shift in revenues described above
- Company declares 206th consecutive quarterly dividend

¹ All per share amounts are based on fully diluted shares.

² Unless otherwise noted, all comparisons, including those made to the "prior year," refer to the current period compared to the prior year period.

Fiscal 2014 Third Quarter Results From Continuing Operations³

| (in millions, except EPS) | Actual | | Adjusted | |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Fiscal Year 2014 | Fiscal Year 2013 | Fiscal Year 2014 | Fiscal Year 2013 |
| Revenue | \$ 200 | \$ 472 | \$ 200 | \$ 472 |
| EBITDA | \$ (302) | \$ (52) | \$ (301) | \$ (47) |
| Pretax Loss | \$ (348) | \$ (96) | \$ (347) | \$ (91) |
| Net Loss | \$ (213) | \$ (17) | \$ (209) | \$ (57) |
| Weighted-Avg. Shares - Diluted | 274.1 | 271.5 | 274.1 | 271.5 |
| EPS | \$ (0.78) | \$ (0.06) | \$ (0.77) | \$ (0.21) |

Business Segment Financial Results and Highlights

CFO Perspective

"For the second consecutive year we've seen a late start to the tax season, resulting in the majority of our business occurring in the fiscal fourth quarter. Given the seasonal nature of our business, the focus remains on our performance for the full year," said Greg Macfarlane, H&R Block's chief financial officer. "We're pleased with our early season financial results, and continue to expect our full year EBITDA margin to be consistent with last year."

Business Segment Results and Highlights

Tax Services

- Revenues decreased \$271 million to \$194 million, primarily due to a \$277 million shift of revenue from the fiscal third quarter to the fiscal fourth quarter related to completed tax returns that were not filed by Jan. 31
- Operating expenses decreased \$13 million to \$516 million
- Pretax loss increased to \$322 million, primarily due to the timing shift in revenues mentioned above

Corporate

- Total operating expenses decreased \$8 million to \$32 million, primarily due to lower interest expense and mortgage loan loss provisions
- Pretax loss decreased \$6 million to \$26 million

Discontinued Operations

- Net loss of \$2 million improved by \$1 million from the prior year
- Sand Canyon Corporation (SCC), a separate legal entity of H&R Block, Inc., received new claims for alleged breaches of representations and warranties in the principal amount of \$1 million
- SCC's accrual for contingent losses relating to representations and warranties remained unchanged at \$159 million

³ EBITDA (earnings before interest, taxes, depreciation and amortization) is a non-GAAP financial measure, which the company finds relevant when measuring its performance. The company also reports adjusted financial performance, which it believes is a better indication of the company's recurring operations. See "About Non-GAAP Financial Measures" below for more information regarding financial measures not prepared in accordance with generally accepted accounting principles (GAAP).

Dividend

A previously announced quarterly cash dividend of 20 cents per share is payable April 1, 2014, to shareholders of record as of March 17, 2014.

The April 1 dividend payment will mark H&R Block's 206th consecutive quarterly dividend since the company went public in 1962.

Conference Call

In conjunction with the fiscal third quarter results, the company will host a conference call at 4:30 p.m. Eastern time on March 6, 2014 for analysts, institutional investors, and shareholders to discuss the fiscal 2014 third quarter results, fiscal year 2014 outlook and a general business update. To access the call, please dial the number below approximately 10 minutes prior to the scheduled starting time:

U.S./Canada (888) 895-5260 or International (443) 842-7595
Conference ID: 51003273

The call will also be webcast in a listen-only format for the media and public. The link to the webcast can be accessed directly at <http://investors.hrblock.com>.

A replay of the call will be available beginning at 6:30 p.m. Eastern time on March 6, 2014, and continuing until April 7, 2014, by dialing (855) 859-2056 (U.S./Canada) or (404) 537-3406 (International). The conference ID is 51003273. The webcast will be available for replay March 7, 2014 at <http://investors.hrblock.com>.

About H&R Block

H&R Block, Inc. (NYSE: HRB) is the world's largest consumer tax services provider. More than 625 million tax returns have been prepared worldwide by and through H&R Block since 1955. In fiscal 2013, H&R Block had annual revenues of \$2.9 billion with 24.8 million tax returns prepared worldwide. Tax return preparation services are provided in over 11,000 company-owned and franchise retail tax offices worldwide by professional tax preparers, and through H&R Block digital products. H&R Block Bank provides affordable banking products and services. For more information, visit the H&R Block Newsroom.

About Non-GAAP Financial Measures

This press release and the accompanying tables include non-GAAP financial measures. 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 "About Non-GAAP Financial Measures."

Forward-Looking Statements

This press release may 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," "seeks," "estimates," "projects," "forecasts," "targets," "would," "will," "should," "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, income, earnings per share, capital expenditures, dividends, liquidity, capital structure 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 and regulatory factors, many of which are beyond the company's control and which are described in our Annual Report on Form 10-K for the fiscal year ended April 30, 2013 in the section entitled "Risk Factors," as well as additional factors we may describe from time to time in other filings with the Securities and Exchange Commission. 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.

For Further Information

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TABLES FOLLOW

KEY OPERATING RESULTS

(unaudited, amounts in thousands, except per share data)

| | Three months ended January 31, | | | |
|---------------------------------------|--------------------------------|-------------------|---------------------|--------------------|
| | Revenues | | Income (loss) | |
| | 2014 | 2013 | 2014 | 2013 |
| Tax Services | \$ 193,996 | \$ 464,634 | \$ (322,099) | \$ (64,189) |
| Corporate and Eliminations | 5,774 | 7,345 | (25,726) | (32,079) |
| | <u>\$ 199,770</u> | <u>\$ 471,979</u> | <u>(347,825)</u> | <u>(96,268)</u> |
| Income tax benefit | | | (135,074) | (79,353) |
| Net loss from continuing operations | | | <u>(212,751)</u> | <u>(16,915)</u> |
| Net loss from discontinued operations | | | (1,960) | (793) |
| Net loss | | | <u>\$ (214,711)</u> | <u>\$ (17,708)</u> |
| Basic and diluted loss per share: | | | | |
| Continuing operations | | | \$ (0.78) | \$ (0.06) |
| Discontinued operations | | | — | (0.01) |
| Consolidated | | | <u>\$ (0.78)</u> | <u>\$ (0.07)</u> |
| Basic and diluted shares | | | 274,110 | 271,542 |

| | Nine months ended January 31, | | | |
|---------------------------------------|-------------------------------|-------------------|---------------------|---------------------|
| | Revenues | | Income (loss) | |
| | 2014 | 2013 | 2014 | 2013 |
| Tax Services | \$ 443,727 | \$ 684,706 | \$ (625,807) | \$ (335,203) |
| Corporate and Eliminations | 17,578 | 21,025 | (85,874) | (92,622) |
| | <u>\$ 461,305</u> | <u>\$ 705,731</u> | <u>(711,681)</u> | <u>(427,825)</u> |
| Income tax benefit | | | (282,645) | (204,061) |
| Net loss from continuing operations | | | <u>(429,036)</u> | <u>(223,764)</u> |
| Net loss from discontinued operations | | | (5,805) | (6,628) |
| Net loss | | | <u>\$ (434,841)</u> | <u>\$ (230,392)</u> |
| Basic and diluted loss per share: | | | | |
| Continuing operations | | | \$ (1.57) | \$ (0.82) |
| Discontinued operations | | | (0.02) | (0.02) |
| Consolidated | | | <u>\$ (1.59)</u> | <u>\$ (0.84)</u> |
| Basic and diluted shares | | | 273,699 | 273,281 |


CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except per share data)

| As of | January 31, 2014 (unaudited) | January 31, 2013 (unaudited) | April 30, 2013 |
|--|---------------------------------|---------------------------------|----------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 437,404 | \$ 418,385 | \$ 1,747,584 |
| Cash and cash equivalents — restricted | 44,855 | 37,958 | 117,837 |
| Receivables, net | 677,221 | 949,160 | 206,835 |
| Prepaid expenses and other current assets | 345,231 | 331,046 | 390,087 |
| Total current assets | 1,504,711 | 1,736,549 | 2,462,343 |
| Mortgage loans held for investment, net | 282,149 | 357,887 | 338,789 |
| Investments in available-for-sale securities | 443,770 | 396,312 | 486,876 |
| Property and equipment, net | 314,565 | 273,450 | 267,880 |
| Intangible assets, net | 318,719 | 288,238 | 284,439 |
| Goodwill | 437,386 | 435,256 | 434,782 |
| Other assets | 213,987 | 444,804 | 262,670 |
| Total assets | \$ 3,515,287 | \$ 3,932,496 | \$ 4,537,779 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| LIABILITIES: | | | |
| Commercial paper borrowings | \$ 194,984 | \$ 424,967 | \$ — |
| Customer banking deposits | 806,887 | 1,036,968 | 936,464 |
| Accounts payable, accrued expenses and other current liabilities | 520,121 | 479,660 | 523,921 |
| Accrued salaries, wages and payroll taxes | 108,583 | 103,538 | 134,970 |
| Accrued income taxes | 23,375 | 17,348 | 416,128 |
| Current portion of long-term debt | 400,570 | 713 | 722 |
| Total current liabilities | 2,054,520 | 2,063,194 | 2,012,205 |
| Long-term debt | 505,959 | 906,012 | 905,958 |
| Other noncurrent liabilities | 268,049 | 328,402 | 356,069 |
| Total liabilities | 2,828,528 | 3,297,608 | 3,274,232 |
| COMMITMENTS AND CONTINGENCIES | | | |
| STOCKHOLDERS' EQUITY: | | | |
| Common stock, no par, stated value \$.01 per share | 3,166 | 3,166 | 3,166 |
| Additional paid-in capital | 762,102 | 747,398 | 752,483 |
| Accumulated other comprehensive income (loss) | (4,776) | 9,055 | 10,550 |
| Retained earnings | 734,233 | 723,676 | 1,333,445 |
| Less treasury shares, at cost | (807,966) | (848,407) | (836,097) |
| Total stockholders' equity | 686,759 | 634,888 | 1,263,547 |
| Total liabilities and stockholders' equity | \$ 3,515,287 | \$ 3,932,496 | \$ 4,537,779 |

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited, in 000s, except per share amounts)

| | Three months ended | | Nine months ended | |
|---|---------------------|--------------------|---------------------|---------------------|
| | January 31, | | January 31, | |
| | 2014 | 2013 | 2014 | 2013 |
| REVENUES: | | | | |
| Service revenues | \$ 138,613 | \$ 362,194 | \$ 358,845 | \$ 558,528 |
| Product and other revenues | 23,788 | 71,485 | 43,268 | 89,171 |
| Interest income | 37,369 | 38,300 | 59,192 | 58,032 |
| | <u>199,770</u> | <u>471,979</u> | <u>461,305</u> | <u>705,731</u> |
| OPERATING EXPENSES: | | | | |
| Cost of revenues: | | | | |
| Compensation and benefits | 160,830 | 160,081 | 267,668 | 254,430 |
| Occupancy and equipment | 88,387 | 84,710 | 249,481 | 247,059 |
| Provision for bad debt and loan losses | 31,420 | 43,028 | 45,760 | 51,398 |
| Interest | 14,443 | 19,428 | 43,203 | 64,895 |
| Depreciation of property and equipment | 23,054 | 18,381 | 60,002 | 49,111 |
| Other | 45,403 | 51,990 | 128,340 | 116,160 |
| | <u>363,537</u> | <u>377,618</u> | <u>794,454</u> | <u>783,053</u> |
| Selling, general and administrative | 174,448 | 186,997 | 365,237 | 352,802 |
| | <u>537,985</u> | <u>564,615</u> | <u>1,159,691</u> | <u>1,135,855</u> |
| Operating loss | (338,215) | (92,636) | (698,386) | (430,124) |
| Other income (expense), net | (9,610) | (3,632) | (13,295) | 2,299 |
| Loss from continuing operations before income tax benefit | (347,825) | (96,268) | (711,681) | (427,825) |
| Income tax benefit | (135,074) | (79,353) | (282,645) | (204,061) |
| Net loss from continuing operations | (212,751) | (16,915) | (429,036) | (223,764) |
| Net loss from discontinued operations | (1,960) | (793) | (5,805) | (6,628) |
| NET LOSS | <u>\$ (214,711)</u> | <u>\$ (17,708)</u> | <u>\$ (434,841)</u> | <u>\$ (230,392)</u> |
| BASIC AND DILUTED LOSS PER SHARE: | | | | |
| Continuing operations | \$ (0.78) | \$ (0.06) | \$ (1.57) | \$ (0.82) |
| Discontinued operations | — | (0.01) | (0.02) | (0.02) |
| Consolidated | <u>\$ (0.78)</u> | <u>\$ (0.07)</u> | <u>\$ (1.59)</u> | <u>\$ (0.84)</u> |

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited, in 000s)

| Nine months ended January 31, | 2014 | 2013 |
|--|-----------------------|-----------------------|
| NET CASH USED IN OPERATING ACTIVITIES | \$ (1,120,322) | \$ (1,311,926) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of available-for-sale securities | (45,158) | (108,351) |
| Maturities of and payments received on available-for-sale securities | 72,502 | 86,808 |
| Principal payments on mortgage loans held for investment, net | 35,320 | 31,205 |
| Capital expenditures | (125,654) | (96,063) |
| Payments made for business acquisitions, net of cash acquired | (37,865) | (20,662) |
| Proceeds received on notes receivable | 64,865 | — |
| Franchise loans: | | |
| Loans funded | (62,039) | (68,874) |
| Payments received | 17,893 | 9,594 |
| Other, net | 12,227 | (13,973) |
| Net cash used in investing activities | (67,909) | (180,316) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayments of commercial paper and other short-term borrowings | (80,930) | (789,271) |
| Proceeds from issuance of commercial paper and other short-term borrowings | 275,914 | 1,214,238 |
| Repayments of long-term debt | — | (636,621) |
| Proceeds from issuance of long-term debt | — | 497,185 |
| Customer banking deposits, net | (124,947) | 208,753 |
| Dividends paid | (164,134) | (162,692) |
| Repurchase of common stock, including shares surrendered | (6,047) | (340,298) |
| Proceeds from exercise of stock options | 28,083 | 11,529 |
| Other, net | (29,872) | (36,113) |
| Net cash used in financing activities | (101,933) | (33,290) |
| Effects of exchange rate changes on cash | (20,016) | (417) |
| Net decrease in cash and cash equivalents | (1,310,180) | (1,525,949) |
| Cash and cash equivalents at beginning of the period | 1,747,584 | 1,944,334 |
| Cash and cash equivalents at end of the period | \$ 437,404 | \$ 418,385 |
| SUPPLEMENTARY CASH FLOW DATA: | | |
| Income taxes paid, net of refunds received | \$ 87,672 | \$ 104,986 |
| Interest paid on borrowings | 43,297 | 62,160 |
| Interest paid on deposits | 1,696 | 4,377 |
| Transfers of foreclosed loans to other assets | 6,389 | 7,208 |
| Accrued additions to property and equipment | 4,113 | 1,001 |
| Transfer of mortgage loans held for investment to held for sale | 7,608 | — |


U.S. TAX OPERATING DATA

(in 000s)

| | Nine months ended | | | Ten months ended | | |
|---|-------------------|-------|----------|------------------|--------|----------|
| | January 31, | | | February 28, | | |
| | 2014 | 2013 | % Change | 2014 | 2013 | % Change |
| Tax Returns Prepared: ^(1,2) | | | | | | |
| H&R Block Company-Owned Operations | 1,516 | 1,724 | (12.1)% | 4,689 | 5,287 | (11.3)% |
| H&R Block Franchise Operations | 1,037 | 1,114 | (6.9)% | 3,131 | 3,313 | (5.5)% |
| Total H&R Block Assisted Returns | 2,553 | 2,838 | (10.0)% | 7,820 | 8,600 | (9.1)% |
| H&R Block Desktop ⁽³⁾ | 137 | 143 | (4.2)% | 833 | 824 | 1.1 % |
| H&R Block Online ⁽³⁾ | 654 | 865 | (24.4)% | 2,683 | 2,714 | (1.1)% |
| Sub-Total ⁽³⁾ | 791 | 1,008 | (21.5)% | 3,516 | 3,538 | (0.6)% |
| H&R Block Free File Alliance ⁽³⁾ | 64 | 65 | (1.5)% | 436 | 367 | 18.8 % |
| Total H&R Block Tax Software ⁽³⁾ | 855 | 1,073 | (20.3)% | 3,952 | 3,905 | 1.2 % |
| Total H&R Block U.S. Returns | 3,408 | 3,911 | (12.9)% | 11,772 | 12,505 | (5.9)% |

⁽¹⁾ Prior year numbers have been reclassified between company-owned and franchise operations for offices which were refranchised during either year.

⁽²⁾ Amounts shown include 1.8 million and 0.2 million returns at January 31, 2014 and 2013, respectively, which were completed as of January 31, but not yet electronically filed.

⁽³⁾ Previously reported tax software return counts for fiscal year 2013 has been restated to primarily reflect accepted e-files. No changes were made to previously reported assisted return counts.

HISTORICAL FULL YEAR U.S. TAX OPERATING DATA (REVISED)

(in 000s)

| | Fiscal Year | | |
|---|-------------|--------|--------|
| | 2013 | 2012 | 2011 |
| Tax Returns Prepared: | | | |
| H&R Block Company-Owned Operations | 8,907 | 9,207 | 9,168 |
| H&R Block Franchise Operations | 5,598 | 5,693 | 5,588 |
| Total H&R Block Assisted Returns | 14,505 | 14,900 | 14,756 |
| H&R Block Desktop ⁽¹⁾ | 2,055 | 2,124 | 2,013 |
| H&R Block Online ⁽¹⁾ | 4,356 | 3,932 | 3,314 |
| Sub-Total ⁽¹⁾ | 6,411 | 6,056 | 5,327 |
| H&R Block Free File Alliance ⁽¹⁾ | 663 | 721 | 659 |
| Total H&R Block Tax Software ⁽¹⁾ | 7,074 | 6,777 | 5,986 |
| Total H&R Block U.S. Returns | 21,579 | 21,677 | 20,742 |

⁽¹⁾ Previously reported tax software return counts for fiscal years 2013 and prior have been restated to primarily reflect accepted e-files. No changes were made to previously reported assisted return counts.


TAX SERVICES – FINANCIAL RESULTS

(unaudited, amounts in 000s)

| | Three months ended January 31, | | Nine months ended January 31, | |
|--|-----------------------------------|-------------|----------------------------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| Tax preparation fees: | | | | |
| U.S. | \$ 72,108 | \$ 254,225 | \$ 123,145 | \$ 296,865 |
| International | 9,253 | 19,960 | 82,915 | 85,543 |
| | 81,361 | 274,185 | 206,060 | 382,408 |
| Royalties | 15,061 | 56,211 | 31,150 | 71,692 |
| Fees from refund anticipation checks | 15,542 | 44,706 | 21,282 | 49,176 |
| Fees from Emerald Card | 12,689 | 11,379 | 37,299 | 31,716 |
| Fees from Peace of Mind® guarantees | 12,684 | 11,950 | 59,661 | 57,505 |
| Interest and fee income on Emerald Advance | 27,656 | 28,399 | 28,602 | 30,074 |
| Other | 29,003 | 37,804 | 59,673 | 62,135 |
| Total revenues | 193,996 | 464,634 | 443,727 | 684,706 |
| Compensation and benefits: | | | | |
| Field wages | 136,885 | 136,532 | 226,320 | 214,230 |
| Other wages | 41,629 | 37,039 | 112,029 | 105,998 |
| Benefits and other compensation | 34,696 | 32,369 | 72,811 | 65,908 |
| | 213,210 | 205,940 | 411,160 | 386,136 |
| Occupancy and equipment | 88,148 | 84,631 | 250,332 | 246,749 |
| Marketing and advertising | 77,852 | 99,262 | 97,435 | 118,100 |
| Depreciation and amortization | 31,819 | 24,557 | 81,253 | 68,421 |
| Bad debt | 31,420 | 39,528 | 38,535 | 41,148 |
| Supplies | 7,387 | 8,724 | 14,355 | 15,155 |
| Other | 66,259 | 66,181 | 176,464 | 144,200 |
| Total expenses | 516,095 | 528,823 | 1,069,534 | 1,019,909 |
| Pretax loss | \$ (322,099) | \$ (64,189) | \$ (625,807) | \$ (335,203) |

NON-GAAP FINANCIAL MEASURES

(unaudited, amounts in thousands, except per share amounts)

| | Three months ended January 31, 2014 | | | | | |
|---|-------------------------------------|-------------------|---------------------|----------------------|---------------------|------------------|
| | Revenues | Expenses | EBITDA | Pretax income (loss) | Net income (loss) | EPS |
| As reported - from continuing operations | \$ 199,770 | \$ 537,985 | \$ (301,571) | \$ (347,825) | \$ (212,751) | \$ (0.78) |
| Adjustments: | | | | | | |
| Loss contingencies - litigation | — | 346 | 346 | 346 | 207 | — |
| Impairment of goodwill and intangible assets | — | 11 | 11 | 11 | 7 | — |
| Severance | — | 1,092 | 1,092 | 1,092 | 648 | — |
| Professional fees related to HRB Bank transaction | — | 171 | 171 | 171 | 95 | — |
| Gain on sales of tax offices | — | (616) | (616) | (616) | (372) | — |
| Discrete tax items | — | — | — | — | 3,238 | 0.01 |
| | <u>—</u> | <u>1,004</u> | <u>1,004</u> | <u>1,004</u> | <u>3,823</u> | <u>0.01</u> |
| As adjusted - from continuing operations | \$ 199,770 | \$ 536,981 | \$ (300,567) | \$ (346,821) | \$ (208,928) | \$ (0.77) |
| | Three months ended January 31, 2013 | | | | | |
| | Revenues | Expenses | EBITDA | Pretax income (loss) | Net income (loss) | EPS |
| As reported - from continuing operations | \$ 471,979 | \$ 564,615 | \$ (52,202) | \$ (96,268) | \$ (16,915) | \$ (0.06) |
| Adjustments: | | | | | | |
| Loss contingencies - litigation | — | (190) | (190) | (190) | (126) | — |
| Impairment of goodwill and intangible assets | — | — | — | — | 3 | — |
| Severance | — | (582) | (582) | (582) | (355) | — |
| Professional fees related to HRB Bank transaction | — | 383 | 383 | 383 | 235 | — |
| Loss on extinguishment of debt | — | 5,790 | 5,790 | 5,790 | 3,552 | — |
| Gain on sales of tax offices | — | (352) | (352) | (352) | (217) | 0.01 |
| Discrete tax items | — | — | — | — | (42,852) | (0.16) |
| | <u>—</u> | <u>5,049</u> | <u>5,049</u> | <u>5,049</u> | <u>(39,760)</u> | <u>(0.15)</u> |
| As adjusted - from continuing operations | \$ 471,979 | \$ 559,566 | \$ (47,153) | \$ (91,219) | \$ (56,675) | \$ (0.21) |

NON-GAAP FINANCIAL MEASURES

(unaudited, amounts in thousands, except per share amounts)

| Nine months ended January 31, 2014 | | | | | | |
|--|-------------------|--------------------------------|---------------------|-------------------------------|---------------------|------------------|
| | Revenues | Expenses | EBITDA | Pretax income (loss) | Net income (loss) | EPS |
| As reported - from continuing operations | \$ 461,305 | \$ 1,159,691 | \$ (587,125) | \$ (711,681) | \$ (429,036) | \$ (1.57) |
| Adjustments: | | | | | | |
| Loss contingencies - litigation | — | 1,069 | 1,069 | 1,069 | 650 | — |
| Impairment of goodwill and intangible assets | — | 11 | 11 | 11 | 7 | — |
| Severance | — | 4,025 | 4,025 | 4,025 | 2,447 | 0.01 |
| Professional fees related to HRB Bank transaction | — | 1,978 | 1,978 | 1,978 | 1,203 | — |
| Gain on sales of tax offices | — | (1,215) | (1,215) | (1,215) | (739) | — |
| Discrete tax items | — | — | — | — | (3,666) | (0.01) |
| | <u>—</u> | <u>5,868</u> | <u>5,868</u> | <u>5,868</u> | <u>(98)</u> | <u>—</u> |
| As adjusted - from continuing operations | \$ 461,305 | \$ 1,153,823 | \$ (581,257) | \$ (705,813) | \$ (429,134) | \$ (1.57) |
| Nine months ended January 31, 2013 | | | | | | |
| | Revenues | Expenses | EBITDA | Pretax income (loss) | Net income (loss) | EPS |
| As reported - from continuing operations | \$ 705,731 | \$ 1,135,855 | \$ (295,688) | \$ (427,825) | \$ (223,764) | \$ (0.82) |
| Adjustments: | | | | | | |
| Loss contingencies - litigation | — | (4,943) | (4,943) | (4,943) | (3,032) | (0.01) |
| Impairment of goodwill and intangible assets | — | 1,421 | 1,421 | 1,421 | 872 | — |
| Severance | — | 475 | 475 | 475 | 291 | — |
| Professional fees related to HRB Bank transaction | — | 430 | 430 | 430 | 264 | — |
| Loss on extinguishment of debt | — | 5,790 | 5,790 | 5,790 | 3,552 | — |
| Gain on sales of tax offices | — | (876) | (876) | (876) | (537) | 0.01 |
| Discrete tax items | — | — | — | — | (38,679) | (0.14) |
| | <u>—</u> | <u>2,297</u> | <u>2,297</u> | <u>2,297</u> | <u>(37,269)</u> | <u>(0.14)</u> |
| As adjusted - from continuing operations | \$ 705,731 | \$ 1,133,558 | \$ (293,391) | \$ (425,528) | \$ (261,033) | \$ (0.96) |
| | | Three months ended January 31, | | Nine months ended January 31, | | |
| | | 2014 | 2013 | 2014 | 2013 | |
| EBITDA | | | | | | |
| Net loss from continuing operations - as reported | | \$ (212,751) | \$ (16,915) | \$ (429,036) | \$ (223,764) | |
| Add back : | | | | | | |
| Income taxes | | (135,074) | (79,353) | (282,645) | (204,061) | |
| Interest expense | | 14,443 | 19,428 | 43,203 | 64,895 | |
| Depreciation and amortization | | 31,811 | 24,638 | 81,353 | 67,242 | |
| | | <u>(88,820)</u> | <u>(35,287)</u> | <u>(158,089)</u> | <u>(71,924)</u> | |
| EBITDA from continuing operations | | \$ (301,571) | \$ (52,202) | \$ (587,125) | \$ (295,688) | |

NON-GAAP FINANCIAL MEASURES

(unaudited, amounts in thousands, except per share amounts)

| Supplemental Information | Three months ended January 31, | | Nine months ended January 31, | |
|---|-----------------------------------|----------|----------------------------------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| Stock-based compensation expense: | | | | |
| Pretax | \$ 4,715 | \$ 3,677 | \$ 15,477 | \$ 11,414 |
| After-tax | 2,809 | 2,271 | 9,410 | 7,001 |
| Amortization of intangible assets: | | | | |
| Pretax | \$ 8,757 | \$ 6,256 | \$ 21,351 | \$ 18,130 |
| After-tax | 5,256 | 3,862 | 12,981 | 11,121 |

ABOUT NON-GAAP FINANCIAL MEASURES

The accompanying press release contains non-GAAP financial measures. 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 in other companies.

We consider non-GAAP financial measures to be a useful metric for management and investors to evaluate and compare the ongoing operating performance of our business on a consistent basis across reporting periods, as it eliminates the effect of items that are not indicative of our core operating performance.

The following are descriptions of adjustments we make for our non-GAAP financial measures:

- We exclude from our non-GAAP financial measures litigation charges we incur and favorable reserve adjustments. This does not include legal defense costs.
- We exclude from our non-GAAP financial measures non-cash charges to adjust the carrying values of goodwill, intangible assets, other long-lived assets and investments to their estimated fair values.
- We exclude from our non-GAAP financial measures severance and other restructuring charges in connection with the termination of personnel, closure of offices and related costs.
- We exclude from our non-GAAP financial measures the gains and losses on business dispositions, including investment banking, legal and accounting fees.
- We exclude from our non-GAAP financial measures the gains and losses on extinguishment of debt.
- We exclude from our non-GAAP financial measures the effects of discrete income tax reserve and related adjustments recorded in a specific quarter.

We may consider whether other significant items that arise in the future should also be excluded from our non-GAAP financial measures.

We measure the performance of our business using a variety of metrics, including EBITDA, adjusted EBITDA, adjusted pretax and net income (loss) of continuing operations and adjusted EPS. We also use EBITDA and pretax income of continuing operations as performance metrics in incentive compensation calculations for our employees. These adjusted results eliminate the impact of items that we do not consider indicative of our core operating performance and, we believe, provide meaningful information to assist in understanding our financial results, analyzing trends in our underlying business, and assessing our prospects for future performance.