

H&R BLOCK INC
Form 10-Q
December 09, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended October 31, 2014

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 1-6089

H&R Block, Inc.

(Exact name of registrant as specified in its charter)

MISSOURI

(State or other jurisdiction of
incorporation or organization)

44-0607856

(I.R.S. Employer
Identification No.)

One H&R Block Way, Kansas City, Missouri 64105

(Address of principal executive offices, including zip code)

(816) 854-3000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the registrant's Common Stock, without par value, at the close of business on November 30, 2014: 275,168,156 shares.

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Form 10-Q for the Period Ended October 31, 2014

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)(unaudited, in 000s, except
per share amounts)

	Three months ended October 31,		Six months ended October 31,	
	2014	2013	2014	2013
REVENUES:				
Service revenues	\$ 115,442	\$ 112,432	\$ 230,915	\$ 220,232
Royalty, product and other revenues	9,756	11,282	18,570	19,480
Interest income	9,430	10,626	18,729	21,823
	134,628	134,340	268,214	261,535
OPERATING EXPENSES:				
Cost of revenues:				
Compensation and benefits	69,381	60,526	121,236	106,838
Occupancy and equipment	87,626	82,358	170,932	161,094
Provision for bad debt and loan losses	385	2,849	4,749	14,340
Depreciation and amortization	28,429	22,095	53,514	40,715
Other	35,876	39,235	68,992	80,326
	221,697	207,063	419,423	403,313
Selling, general and administrative:				
Marketing and advertising	12,513	13,601	20,658	20,724
Compensation and benefits	54,353	54,818	115,317	107,865
Depreciation and amortization	10,500	4,573	19,101	8,827
Other selling, general and administrative	20,013	21,100	39,503	53,373
	97,379	94,092	194,579	190,789
Total operating expenses	319,076	301,155	614,002	594,102
Other income (expense), net	(2,282	) 1,254	(2,963	) (3,685
Interest expense on borrowings	13,843	13,801	27,638	27,604
Loss from continuing operations before income tax benefit	(200,573	) (179,362	) (376,389	) (363,856
Income tax benefit	(87,346	) (76,347	) (154,311	) (147,571
Net loss from continuing operations	(113,227	) (103,015	) (222,078	) (216,285
Net income (loss) from discontinued operations, net of tax (benefits) of \$766 and (\$1,218), (\$3,798) and \$(2,427)	1,229	(1,928	) (6,152	) (3,845
NET LOSS	\$ (111,998	) \$ (104,943	) \$ (228,230	) \$ (220,130
BASIC AND DILUTED LOSS PER SHARE:				
Continuing operations	\$ (0.41	) \$ (0.38	) \$ (0.81	) \$ (0.79
Discontinued operations	—	(0.01	) (0.02	) (0.01
Consolidated	\$ (0.41	) \$ (0.39	) \$ (0.83	) \$ (0.80
DIVIDENDS DECLARED PER SHARE	\$ 0.20	\$ 0.20	\$ 0.40	\$ 0.40
COMPREHENSIVE INCOME (LOSS):				
Net loss	\$ (111,998) \$ (104,943) \$ (228,230) \$ (220,130

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Unrealized gains (losses) on securities, net of taxes:

Unrealized holding gains (losses) arising during the period	5,493	1,138	4,770	(6,577)
Reclassification adjustment for gains included in income	(589	) —	(15) —	
Change in foreign currency translation adjustments	(3,810	) 582	(3,355	) (2,510)
Other comprehensive income (loss)	1,094	1,720	1,400	(9,087)
Comprehensive loss	\$(110,904) \$(103,223) \$(226,830) \$(229,217)

See accompanying notes to consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS		(unaudited, in 000s, except share and per share amounts)		
As of	October 31, 2014	October 31, 2013	April 30, 2014	
ASSETS				
Cash and cash equivalents	\$627,490	\$790,772	\$2,185,307	
Cash and cash equivalents - restricted	55,543	47,521	115,319	
Receivables, less allowance for doubtful accounts of \$51,746, \$52,969 and \$52,578	107,705	131,701	191,618	
Prepaid expenses and other current assets	285,463	225,660	198,267	
Investments in available-for-sale securities	381,180	—	423,495	
Total current assets	1,457,381	1,195,654	3,114,006	
Mortgage loans held for investment, less allowance for loan losses of \$9,761, \$12,704 and \$11,272	251,092	295,907	268,428	
Investments in available-for-sale securities	9,774	465,344	4,329	
Property and equipment, at cost less accumulated depreciation and amortization of \$491,153, \$449,738 and \$446,049	318,225	311,157	304,911	
Intangible assets, net	414,045	296,213	355,622	
Goodwill	464,182	442,812	436,117	
Other assets	176,591	267,426	210,116	
Total assets	\$3,091,290	\$3,274,513	\$4,693,529	
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES:				
Customer banking deposits	\$454,860	\$655,129	\$769,785	
Accounts payable, accrued expenses and other current liabilities	436,830	426,994	569,007	
Accrued salaries, wages and payroll taxes	36,215	41,584	167,032	
Accrued income taxes	147,000	22,475	406,655	
Current portion of long-term debt	772	400,503	400,637	
Total current liabilities	1,075,677	1,546,685	2,313,116	
Long-term debt	505,588	506,078	505,837	
Other noncurrent liabilities	271,349	266,775	318,027	
Total liabilities	1,852,614	2,319,538		