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H&R Block, Inc. F4Q09 (Qtr End 04/30/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line of Kartik Mehta - FTN Midwest Research

Kartik Mehta - FTN Midwest Research

I wanted to ask you a little bit about the guidance you gave at least on the tax side, you talked about industry being negative, Wal-Mart having if you don't get anything back negative 2% impact on your overall filer growth and then you talked about pricing being [moded]. If you take all of that into consideration, would it be fair to assume that you're expecting on the low end for tax revenues to be flat to slightly down next year.

Russ Smyth

As I said in kind of the explanation about the guidance inherent in that is an assumption of single-digit revenue growth. In terms of the various specific spec and into that, we really think about our EPS range as a range of outcomes and its got a lot of different variables as you know; client growth, what happens with net average charge, benefits of complexity, assumptions about margin improvements, loan loss provisions, share buybacks.

As a management team we are focused on managing this overall portfolio of variables. And we're committed to managing that in a way that hits the earnings guidance that we've given you and so we need that flexibility in this kind of environment to be able to make the right decisions to number one, hit those EPS guideline we've given, as well as doing it in a way that builds our opportunity to have future success in 2011 and beyond.

So that's how we're looking at those variables. I know a lot of you would like to have specific assumptions about each one of them but frankly that's not how we run the business or manage the business. We manage the portfolio to get to the right outcome and that's my view of the job of our senior management team and myself.

Kartik Mehta - FTN Midwest Research

And then on the margin side, you talked about margins for the tax business growing 100 basis points I believe next fiscal year, is that just a result of cost containment that you're going to do or do you need to see flow through from a revenue perspective to get to that 100 basis points.

Russ Smyth

First of all just to clarify, the 100 basis points was over two years, fiscal year 2010 and fiscal year 2011 and again in terms of where that's coming from, it's a combination of the cost reduction efforts that we will continue to have. It is a combination of some of the P&L reinvestment we will make back into our business to make sure that we can grow our business in 2010 and 2011 and beyond.

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