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# EDITED TRANSCRIPT

TAX - Q3 2017 Liberty Tax Inc Earnings Call

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MARCH 08, 2017 / 1:30PM, TAX - Q3 2017 Liberty Tax Inc Earnings Call

## CORPORATE PARTICIPANTS

**Vanessa Szajnoga** *Liberty Tax, Inc. - VP, Legal and General Counsel, Liberty Tax Service*

**John Hewitt** *Liberty Tax, Inc. - Chairman, President & CEO*

**Kathy Donovan** *Liberty Tax, Inc. - CFO*

## CONFERENCE CALL PARTICIPANTS

**Lee Jagoda** *CJS Securities - Analyst*

**Alex Paris** *Barrington Research - Analyst*

**Michael Millman** *Millman Research - Analyst*

## PRESENTATION

### Operator

Ladies and gentlemen, thank you for standing by and welcome to the Liberty Tax third-quarter fiscal 2017 earnings call. (Operator Instructions). I will now turn the call over to Vanessa Szajnoga. Please go ahead.

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**Vanessa Szajnoga** - *Liberty Tax, Inc. - VP, Legal and General Counsel, Liberty Tax Service*

Thank you, Crystal. Good morning, everyone and thank you for joining us. With me today are John Hewitt, our Founder, Chairman and Chief Executive Officer and Kathy Donovan, our Vice President and Chief Financial Officer.

The press release announcing our third-quarter earnings was distributed this morning. The earnings release may be accessed at the Investor Relations section of our website located at [www.libertytax.com](http://www.libertytax.com). A replay of this call will be available shortly after the conclusion of the call. The information to access the replay was in the earnings press release.

I'd like to remind everyone that today's remarks may include forward-looking statements as defined under the Securities Exchange Act of 1934. Such statements are based on current information and management's expectations as of this date and are not guarantees of future performance.

Forward-looking statements involve certain risks, uncertainties and assumptions that are difficult to predict. As a result, our actual outcomes and results could differ materially. You can learn more about these risks in our Annual Report on Form 10-K for the fiscal year ended April 30, 2016 and our other SEC filings.

Liberty Tax undertakes no obligation to publicly update these risk factors or forward-looking statements. This presentation also contains references to certain non-GAAP financial measures, which are metrics that we use internally to measure our operating performance. For a description of these non-GAAP financial measures, including the reasons management uses each and the 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 latest earnings release, which is also available under the Investor Relations section of our website.

I would now like to turn the call over to John Hewitt. John.

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**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

Thank you, Vanessa and good morning, everyone. Thank you for joining us today. We are obviously disappointed with the slow start to the tax season, which I will address in a moment, but, first, I would like to start off by talking about something that has gone well this season. We've done



## MARCH 08, 2017 / 1:30PM, TAX - Q3 2017 Liberty Tax Inc Earnings Call

a good job continuing our efforts in building out our compliance team, refining our compliance processes and continue to work with regulators in this regard.

In addition to engaging outside industry experts, we have continued to expand the size and scope of our internal compliance efforts, as well as invested in the development of enhanced internal processes and procedures.

As we stated before, there is no place in the Liberty system for those who do not uphold our standards or abide by the law. And we feel the investments we made are key to maintaining the integrity of the Liberty brand. We are committed to building upon the work we've already completed to provide our franchisees and their employees with the tools required to ensure compliance with our standards and the law.

With all that said, the return counts this season clearly show that we need to step back and take a hard look at how we do things. The level of reduction we saw in new territory sales this season was significant. The impact of last year's negative press had an impact not only on sales to new franchisees, but also expansions or sales of new territories to our existing franchisees.

As of the end of January, we have sold 85 total US and Canadian territories compared to 184 at the same point last year. Of those sales, 46 were sold to new franchisees compared to 115 at the same point last year. Anytime there is negative publicity or events, it is human nature for individuals -- in this case, our existing franchisees -- to pause their expansion plans. We are taking significant steps to reaffirm our commitment to the franchisees and the power of the Liberty brand and believe the overhang of last year's compliance issues should now be behind us.

As I will continue to say, happy, successful franchisees are our number one priority in how we grow this business and we need to focus on working with them to help them be successful. After all, our franchise base consists of over 1700 small business men and women working extremely hard throughout the year to grow their businesses and serve their communities.

To ensure the success of our franchisees, we have implemented programs this season, which directly contribute to the franchisee profitability while maintaining our competitive edge in the marketplace.

First, we piloted an optional check fee where we share 50% of the proceeds with the franchisee. Our largest competitor also charges a check fee, but, to our knowledge, does not share this fee with the store owners. Currently, only about 10% of our franchisees chose this option in 2017, but it will remain an option for them going forward.

We also launched an initiative this year to encourage more customers to take advantage of our prepaid Netspend card. With many refunds being delayed by the PATH Act this year, the Netspend card offered a win-win-win solution for our customers, the Company and our franchisees. We believe that the card is a safer, faster way for our customers to receive their refunds as it is typically funded two to three days prior to a check being printed in our offices. The Company earns economics on the card and we invest back into our franchise base by showing those card economics with our franchise operators.

To our knowledge, no other franchise tax chain shares those economics with their franchisees. We are proud to share the economics of these types of programs with our franchisees and are committed to assisting in the financial health of their business.

As we continue to adapt the products and services we offer, we will look to incent our franchisees for their participation. In addition to lower-than-expected sales and expansions, we are impacted by the number of terminations this off-season. Many of those which we talked about on our second-quarter call were involuntary wherein Liberty acquired the territories in locations as a result of our compliance efforts. There were also some voluntary terminations where franchisees chose to exit the system. We do anticipate some potential further culling out of the system.

Owning and operating a business is not right for everyone and we may work with a select group of franchisees to determine if their tax business is right for them and for Liberty.

Turning to office count. This tax season, we operate a little over 400 fewer locations than last year. On a permanent basis, we were down roughly 250 with about 150 less seasonal locations. The decrease in office count is a result of a number of factors. First, we ended our relationship with



## MARCH 08, 2017 / 1:30PM, TAX - Q3 2017 Liberty Tax Inc Earnings Call

Walmart for their seasonal locations. Historically, these locations were used mainly as marketing sites within an existing franchisee's territory driving very little return count, but the rents became cost-prohibitive for our franchisees to receive a return on their investment.

Fewer new sales and an increasing company store inventory driven by the pruning of several large franchisees with attractive territories in prime markets also contributed to the decline in new permanent locations. We were successful in selling many of the locations we acquired from the compliance tax force's efforts to qualified new and existing franchisees, but believe this had a negative effect on office count growth as it provided our franchisees an alternative to acquiring a new undeveloped territory.

We remain dedicated to growing office counts, but are reviewing our sales processes to ensure that we are not sacrificing short-term office growth at the expense of long-term sustainable growth. Our mission is to build a strong healthy franchisee base eager to grow their businesses while holding the integrity of the Liberty brand and we are putting this structure in place to ensure success.

Next, I'd like to provide an update on our SiempreTax+ brand. This season, we are operating 159 stores compared to 144 last season, representing a 10% growth. Siempre was not immune to office closures in 2017 either. Some of the exiting franchisees operated a number of Siempre locations throughout the country. None the less, we are happy to report the increase in year-over-year office counts. The increase in office count relates to an additional 20 seasonal locations. Unlike our more well-known Liberty locations, operating seasonal Siempre locations is a great way to begin to establish the brand in highly Hispanic areas with the hopes of full expansion into the future storefront locations.

Although we expect changes to immigration with the new administration, we remain confident in the rollout of the SiempreTax+ brand and the void it fills for the ever-growing Hispanic population.

Turning to the industry, following five tough years, I do not anticipate discussing another year of headwinds in 2017 where the PATH Act has created a massive change in the industry. The uncertainty around the timing of refunds seems to have shifted many early season filers who historically filed in late January to early February timeframe later in the season.

Looking to the Company performance through January 31, our return counts were down 22% compared to the prior January. This compares to the tax professional industry being down roughly 29% for the most comparable data released by the IRS. Through February 28, our return counts are now down 16% compared to the most recently published industry data being down 13%.

Over the prior few weeks, we have been increasing day over day and although we do not anticipate making up the entire first-half shortfall, recent trends look favorable and we expect to outperform our prior-year return counts for the second half of the season.

Lastly, as everyone knows, succession planning is a key part of every CEO's responsibilities. The Board and I have had ongoing discussions regarding this and have been actively working to continue strengthening our executive team to ensure we have plans in place for all positions, including my own. We have had discussions with several top-notch individuals and we believe we are close to selecting a strong candidate to join our executive ranks. I look forward to updating you on future calls about the status of our executive team.

In conclusion, my management team and I are not satisfied with the results of fiscal 2017 so far, but we are committed to building a stronger brand with an enthusiastic, successful franchisee base. All of our efforts have been focused on offsetting the decline. Ultimately all taxpayers need to file their returns by April 18 and we are focused on providing this service to our customers.

Our industry outlook remains strong and we look forward to executing upon the strategies we are developing to drive long-term sustainable growth in an attractive market. I look forward to taking your questions after Kathy walks you through the financials.

Now I'd like to turn the call over to our CFO, Kathy Donovan, to take you through the details of our third-quarter results.



## MARCH 08, 2017 / 1:30PM, TAX - Q3 2017 Liberty Tax Inc Earnings Call

**Kathy Donovan** - Liberty Tax, Inc. - CFO

Thank you, John. Good morning, everyone. John has given you an update on the overall tax season to date, so I will now focus on the third quarter. In the third quarter, our total revenue declined 9.7% to \$48.4 million. Royalties and advertising drove most of the decline and reflect the unusually slow start to the season. As John said, return counts through January 1 were down 22% and royalties were down 25% reflecting a 3% decline in early season average net fee.

In terms of pricing, we have already seen prices beginning to rebound and we continue to expect a low single digit increase in average net fee for the year. Despite the reduction in return count, our financial products group is off to a good start. As the market has changed, our financial products group has worked hard to provide the right solutions for our franchisees and their customers. Increased adoption of our Refund Advance product drove most of the revenue increase, but we also benefited from increased pricing offset by a small reduction in RT attachment rate. Based on a mix shift between early and late season clients, we also expect to see a slight reduction in the overall RT attachment rate for the year.

Tax preparation revenue in our company stores was up slightly. We are operating 318 stores in the US this year compared to 258 last year. Like our franchise locations, company stores were also impacted by the slow overall start to the season. We expect the increased number of stores to drive higher tax preparation revenue for the year, which will be partially offset by lower royalties and advertising fees since all the additional stores were franchise owned last year.

Switching to expenses, the decline in operating expense was the result of lower advertising and area developer expense. A portion of those declines relates to the delayed timing of the season, but we've also worked hard this year to drive costs down through better expense management and continued repurchases of area developer territories.

Savings in those areas was partially offset by the increased cost of our Refund Advance program. Our 2017 program provided our customer up to \$1300 per advance compared to \$750 last year and as such, the cost of the program increased accordingly.

Turning to income tax expense, we continue to put focus on this area. We expect to report an effective tax rate between 37% and 38% for the year. Excluding the impact of any potential corporate tax reform, our long-term effective tax rate would be at the high end of that range. It is too early to predict what tax law changes, if any, will eventually happen, but we are one of the companies that would benefit significantly from a lower corporate tax rate both in terms of net income and cash flow.

Finally, on a GAAP basis, our EPS for the quarter was \$0.18 per share compared to \$0.34 last year and on an adjusted basis, excluding a small amount of tax force-related expenses, our EPS was \$0.19 compared to \$0.34 last year.

Now let's take a quick look at the balance sheet. Our revolver balance at the end of the quarter was \$131.2 million compared to \$150.7 million last year. The lower borrowing was partially driven by the shift in timing for the season, which moved some of our franchisees' financing needs from Q3 to Q4.

As regularly happens at this time of the year, we are rapidly repaying that balance and as we continue to receive funding from the IRS, we expect to fully repay the revolver by the end of the year.

Regarding dividends, our Board has approved our ninth consecutive quarterly dividend of \$0.16 per share, which will be paid on April 24.

To summarize what John said earlier, we are not happy with our results to date. We are now focused on maximizing our performance for the rest of the year and we expect to outperform prior-year return counts for the second half of the season. And with that, John and I would now be happy to answer your questions. Crystal.



MARCH 08, 2017 / 1:30PM, TAX - Q3 2017 Liberty Tax Inc Earnings Call

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions). Lee Jagoda, CJS Securities.

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### Lee Jagoda - CJS Securities - Analyst

So starting with your return count, on a per-location basis, it looks like it only declined around 7.5%, which is better than the industry to date. Is there any way you can give us some detail about same-store numbers so we can take into account some of those seasonal locations that were closed and then the new ones that were opened?

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### John Hewitt - Liberty Tax, Inc. - Chairman, President & CEO

We don't really give guidance on same-store sales because our competitors don't.

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### Kathy Donovan - Liberty Tax, Inc. - CFO

But when we get closer to the end of the year, we will be able to give you some ideas on the mix shift that we had between seasonal and permanent locations.

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### Lee Jagoda - CJS Securities - Analyst

And that goes to the next question. Is there a way for you to give us how many seasonal locations remain in the system today and what, if any, future plans you have for seasonal locations?

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### Kathy Donovan - Liberty Tax, Inc. - CFO

Yes. I believe we are at 67.

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### Lee Jagoda - CJS Securities - Analyst

And that includes the 20 for Siempre?

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### Kathy Donovan - Liberty Tax, Inc. - CFO

No, I'm sorry, 113 when you include Siempre.

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### Lee Jagoda - CJS Securities - Analyst

113. Okay.

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### John Hewitt - Liberty Tax, Inc. - Chairman, President & CEO

So just a small percentage of our system.



MARCH 08, 2017 / 1:30PM, TAX - Q3 2017 Liberty Tax Inc Earnings Call

**Lee Jagoda** - *CJS Securities - Analyst*

Got it. And then, Kathy, I missed -- how many Company-owned stores do you have currently and what was the year-over-year number?

**Kathy Donovan** - *Liberty Tax, Inc. - CFO*

318 compared to 258 last year.

**Lee Jagoda** - *CJS Securities - Analyst*

Okay.

**Kathy Donovan** - *Liberty Tax, Inc. - CFO*

And again, there is a big mix shift happening there because, last year, we had the new cluster programs, which were brand-new and just getting underway. And this year, we took over more seasoned locations from some of the tax force efforts at the beginning of the year.

**Lee Jagoda** - *CJS Securities - Analyst*

Got it. So said a different way, the more mature locations should have higher profitability to Liberty this tax season versus last?

**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

Exactly.

**Lee Jagoda** - *CJS Securities - Analyst*

Okay. One last one from me and I will get back in and let others ask some questions. John, you mentioned succession planning, which is something I would have never expected to hear on a conference call. So I guess the way I would ask it is it succession planning for a planned succession, or is it more of a contingency plan in case one day you can no longer run the business?

**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

Well, as you know, Lee, I have said often times they've got to kill me to stop me, but I am getting -- I'm 67 years old, so it is time that I have a backup in the Company that can help me and make my life easier and we can do a lot better job in supporting our franchisees and our employees.

**Lee Jagoda** - *CJS Securities - Analyst*

Like I said, just making sure that nothing changed on that front, which it sounds like it hasn't. So thank you.

**Operator**

Alex Paris, Barrington Research.



## MARCH 08, 2017 / 1:30PM, TAX - Q3 2017 Liberty Tax Inc Earnings Call

**Alex Paris** - *Barrington Research - Analyst*

So I just want to follow up on the succession question and the overall comments that you had made. You are talking to executives right now. What are you recruiting for, a COO?

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**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

Yes, exactly. We haven't had a COO for three years.

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**Alex Paris** - *Barrington Research - Analyst*

Okay. So you have no current plans to retire, nor does the Board have any plans to retire you in the near term?

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**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

Well, as you remember, I have controlling shares, so -- and I do not plan on retiring. I don't know anything else I could do that would be more fun than what I do, even under any difficult times.

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**Alex Paris** - *Barrington Research - Analyst*

Okay. So it's just as you said; it's the natural succession planning for a 67-year-old.

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**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

Exactly, exactly.

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**Alex Paris** - *Barrington Research - Analyst*

Okay, good. Thank you for that. Another question on store count. Kathy, in the numbers, 3,823 and 4,225 last year, just the total number -- those are US -- how many Canadian offices did you operate this year and then last year?

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**Kathy Donovan** - *Liberty Tax, Inc. - CFO*

This year, we have 254 versus 262 last year.

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**Alex Paris** - *Barrington Research - Analyst*

Okay.

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**Kathy Donovan** - *Liberty Tax, Inc. - CFO*

And that will all be in the Q that comes out later today or tomorrow.

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## MARCH 08, 2017 / 1:30PM, TAX - Q3 2017 Liberty Tax Inc Earnings Call

**Alex Paris** - *Barrington Research - Analyst*

Okay. And then in terms of the comments you made with regard to the second half of the tax season, you expect the second half of the tax season, Liberty Tax is going to outperform the second half of the tax season last year in return count?

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**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

Yes, Alex. Since mid-February, early to mid-February, we have been increasing the return count on a daily basis.

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**Alex Paris** - *Barrington Research - Analyst*

And so, again, that is quite impressive given you have a smaller store footprint.

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**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

Well, thank you.

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**Alex Paris** - *Barrington Research - Analyst*

Yes. You also said, maybe it was Kathy that said while you don't expect to close the gap of the slow start to the tax season, does that mean that we expect fewer returns year-over-year when the season is done?

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**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

Yes.

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**Alex Paris** - *Barrington Research - Analyst*

Okay. But you've been growing year-over-year on a weekly basis since mid-February. It's just a big valley to overcome I guess in the early season.

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**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

Exactly.

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**Kathy Donovan** - *Liberty Tax, Inc. - CFO*

And it will all come down to [second peaks].

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**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

Right. It's not impossible, but it is unlikely.

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## MARCH 08, 2017 / 1:30PM, TAX - Q3 2017 Liberty Tax Inc Earnings Call

**Alex Paris** - *Barrington Research - Analyst*

H&R Block reported yesterday and they outperformed the industry. I suspect some of that was due to their free filer -- 1040 EZ free filing in their retail stores, which are revenue less returns. Did you have a competitive product offering free filing and is that in your return count and to what degree is that in your return count?

**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

Well, let me talk about their free return 1040 EZ program. They had run it for three years in a row and stopped that about four years ago. And during that time, in the second or third year of that, we replicated that in test offices to see if it was viable and it was for a period from January 1 till February 15. Most of our franchisees asked to opt out of the test long before February 15 because it was so unsuccessful.

So this year, there was no drive in our franchise system to replicate that and in -- our franchisees anecdotally tell us what they are suffering from and I haven't gotten one complaint about their program. So it's not having a meaningful impact on Liberty, but it would be obvious that, when our largest competitor is offering free tax returns during the early part of the season, it has some minimal impact on our performance certainly.

**Alex Paris** - *Barrington Research - Analyst*

But said another way, and in a positive sense, your returns were all paid returns.

**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

Exactly.

**Alex Paris** - *Barrington Research - Analyst*

All right. You touched on it, but how did the Refund Advance product do versus your expectations this year because it is over with now, right?

**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

Yes, it ended at February 28 and it was based on a percentage of our customers that selected it. It was right in line with our expectations.

**Alex Paris** - *Barrington Research - Analyst*

How many refund advances did you make?

**Kathy Donovan** - *Liberty Tax, Inc. - CFO*

This year, we did about 175,000, which is about a 40% increase over last year.

**Alex Paris** - *Barrington Research - Analyst*

Are each of those for the full \$1300, or are some less than \$1300?



## MARCH 08, 2017 / 1:30PM, TAX - Q3 2017 Liberty Tax Inc Earnings Call

**Kathy Donovan** - *Liberty Tax, Inc. - CFO*

On average, this year -- last year, we were only offering \$750. This year, the maximum was \$1300 and our average was close to \$1200. So our customers were qualifying for the higher rate.

**Alex Paris** - *Barrington Research - Analyst*

Great. And then you talked about a slightly lower attach rate in your refund transfer products. That obviously didn't -- do you include Refund Advance as a transfer product? Or is that separate?

**Kathy Donovan** - *Liberty Tax, Inc. - CFO*

No. Yes, that is separate. And it was less than 100 basis points, but it was a slight reduction. The third quarter was just such an unusual quarter. We don't think it had anything to do with any type of pricing actions we took during the year. It was just a very slight reduction.

**Alex Paris** - *Barrington Research - Analyst*

And remind me, what is the attach rate? What was the attach rate in full tax season 2016?

**Kathy Donovan** - *Liberty Tax, Inc. - CFO*

A little over 49%.

**Alex Paris** - *Barrington Research - Analyst*

Okay. And then I think, John, you mentioned further culling in either the store base or the franchise base. As I recall, I think you cull 10% a year. Is that correct and what are your plans for this year?

**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

We keep over 90% of our franchisees on average each year; that is correct. And so 90% is about a good number, which would mean a loss of 10%. But, in most years, we are able to take up that slack with new franchisees and our franchisees expanding. This was an aberrant year based on all the press and the compliance issues from last tax season.

**Alex Paris** - *Barrington Research - Analyst*

So the thought would be you had a tough year in new franchise sales, you had a tough year in getting existing franchises to open up additional stores due in part to negative press associated with compliance issues last year. Given your stronger compliance posture this year, no negative press, over time, that fades from memory and you could theoretically do better on that basis next year?

**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

That's exactly how we feel and we feel the worst is behind us. We are optimistic about the next sales season.



## MARCH 08, 2017 / 1:30PM, TAX - Q3 2017 Liberty Tax Inc Earnings Call

**Alex Paris** - *Barrington Research - Analyst*

Okay. Good. That will do me for now. Thank you very much.

**Operator**

Michael Millman, Millman Research.

**Michael Millman** - *Millman Research - Analyst*

So following up on some of the last questions, do you think that you or the Company is getting undue scrutiny because of what's occurred in the last year or two?

**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

I would never take on the IRS in that comment. I would never challenge the IRS, but we feel that we have made all the right moves in compliance, hiring one of the former IRS commissioners and his law firm and in the state situations, we hired the former Attorney General in Maryland and one of the top people in New York compliance has joined our team. So at both the state and the federal level, we've got a great team that gives us guidance and we are more proactive than ever and have I think the best relationship we've ever had with the IRS right now.

**Michael Millman** - *Millman Research - Analyst*

Okay. I guess that's a good thing, or maybe it's a good thing. And in terms of the IRS numbers, when do you think you'll see a catch-up in the tax professionals? And I'm not sure if you want to look at this day to day or date to date? I guess your numbers are date to date. Their numbers I think are about 7% date to date, but either way.

**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

Yes, I think -- I go out and I have spoken in 10 or 12 cities to large groups of franchisees and what I counsel them is you're not going to make up -- the IRS is not going to make up that difference in March. March is a very slow filing season. And remember though, only about half of the public has filed yet and that deficit is going to be made up in the last seven days of the filing season, so between April 12 and April 18.

One thing I will say, Michael, that we were forecasting a 2% growth in IRS numbers this year, but there may be some impact from the PATH Act and also, we haven't discussed the ITIN situation. The ITIN are undocumented workers who have a -- can get an ITIN number versus a social security number. Those ITIN filers are filing at a reduced level this year, probably fearful of the Trump initiatives.

So I suspect that now my guidance for the full year would be the IRS may be flat in number of filers year-over-year, but the final push isn't going to be seen until the last seven days of the tax season, April 12 to April 18.

**Michael Millman** - *Millman Research - Analyst*

When you parse that between tax pros and self-prepared, how do you see those numbers?

**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

I would say the tax pros are flat and small mid-single digit growth for online.



MARCH 08, 2017 / 1:30PM, TAX - Q3 2017 Liberty Tax Inc Earnings Call

**Michael Millman** - *Millman Research - Analyst*

So kind of the same as we have seen the last two years?

**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

Yes, seems like 10 or 12 years.

**Michael Millman** - *Millman Research - Analyst*

I guess time has a way of flying. And do you think that, at this point, there is a bunch of folks that are saying why even bother this year. It's already too late. I will wait until next year and maybe things will be easier next year, which is (multiple speakers) nonetheless.

**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

That happens to a small percentage of the population every year. This year, that is certainly true in the undocumented workers, the ITIN returns. They are going to wait until -- file in the summer or the next year. So, yes, that's the reason -- the reason that the IRS isn't going to -- or less people are going to file than we anticipated.

**Michael Millman** - *Millman Research - Analyst*

And finally, do you have a number for ITIN typical filers?

**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

We don't. I don't think the IRS releases that number and since our competitors don't, we don't share our numbers with them.

**Michael Millman** - *Millman Research - Analyst*

So you know who is an ITIN. When they come in, they show you whatever they have as opposed to not showing (multiple speakers)?

**John Hewitt** - *Liberty Tax, Inc. - Chairman, President & CEO*

Yes, they have an identical -- instead of putting in a social security number, we put an ITIN in and those digits are known and so we measure that every day.

**Michael Millman** - *Millman Research - Analyst*

Okay. Thanks, John.

**Operator**

Scott Schneeberger, Oppenheimer.



MARCH 08, 2017 / 1:30PM, TAX - Q3 2017 Liberty Tax Inc Earnings Call

**Unidentified Participant**

This is Greg on for Scott. Given the start to this tax season and assuming PATH persists in a similar fashion next year, how would you project the tax season progressing and playing out competitively in the upcoming year?

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**John Hewitt** - Liberty Tax, Inc. - Chairman, President & CEO

You mean in 2018?

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**Unidentified Participant**

Yes, correct.

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**John Hewitt** - Liberty Tax, Inc. - Chairman, President & CEO

I would think that it would shift even a little bit more towards later filing as people get accustomed to it. There was a feeling -- when the public was told the IRS can't give you your refund until February 15, the feeling in the marketplace of consumers was you couldn't file until February 15. So as that happened, more and more people I think in the future are going to delay their filing until -- if it continues next year -- till after February 15.

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**Unidentified Participant**

Okay. Great. Thank you.

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**Operator**

And we will now turn the call back over to John Hewitt for closing remarks.

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**John Hewitt** - Liberty Tax, Inc. - Chairman, President & CEO

Thank you, everyone, for your attention and your interest and as always, we understand that we are only going to be successful if we have happy, successful franchisees and happy, successful employees. Thank you. Have a wonderful day.

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**Operator**

This concludes today's conference call. You may now disconnect.

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## MARCH 08, 2017 / 1:30PM, TAX - Q3 2017 Liberty Tax Inc Earnings Call

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