Liberty Tax, Inc.
Form 10-K/A
October 10, 2018
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Amendment No. 1 to
FORM 10-K/A
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the year ended April 30, 2018

or

o 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: 001-35588
Liberty Tax, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	27-3561876 (I.R.S. Employer Identification No.)
1716 Corporate Landing Parkway, Virginia Beach, Virginia (Address of principal executive offices)	23454 (Zip Code)

Registrant's telephone number, including area code: (757) 493-8855
Securities registered pursuant to Section 12(b) of the Act:

Class A Common Stock, par value $0.01 per share (Title of Class)	The NASDAQ Stock Market LLC (Name of Exchange on which registered)

Securities to be registered pursuant to Section 12(g) of the Act:
None
(Title of class)
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES o NO ý
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. YES o NO ý
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 o NO ý
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES o NO ý
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

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

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO ý

The aggregate market value of the shares of Class A common stock held by non-affiliates of the registrant computed based on the last reported sale price of $13.05 on October 31, 2017 was $113,476,272.

The number of shares of the registrant's Class A common stock outstanding as of October 1, 2018 was 14,036,684.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s Schedule 14f-1 Information Statement, filed with the Securities and Exchange Commission on August 24, 2018, are incorporated by reference into Part III hereof.

EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 10-K of Liberty Tax, Inc. (the “Company”) amends the Company’s Annual Report on Form 10-K for the year ended April 30, 2018, which was filed with the Securities and Exchange Commission on October 5, 2018 (the “Original Filing”). This Amendment No. 1 is being filed solely to correct the date on the Report of Independent Registered Public Accounting Firm of KPMG LLP referenced in Part II, Item 8 and included in Part IV, Item 15 of this Amendment No. 1 from "October 5, 2018" to "July 7, 2017." This change does not in any way affect the conclusions expressed by KPMG LLP in the Original Filing, or any other disclosure included in Part II, Item 8, Part II, Item 9, or Part IV, Item 15 of the Original Filing.

In accordance with applicable Securities and Exchange Commission rules and as required by rule 12b-15 under the Securities Exchange Act of 1934, as amended, Item 15 of this Amendment No. 1 reflects new consents of Cherry Bekaert LLP (Exhibit 23.1) and KPMG LLP (Exhibit 23.2), and currently dated certifications from the Company’s Chief Executive Officer (Exhibits 31.1 and 32.1) and Chief Financial Officer (Exhibits 31.2 and 32.2). Except as described above, this Amendment No. 1 does not amend, update, or change any other information contained in the Original Filing. For ease of reference, the entire Annual Report on Form 10-K is included with this Amendment No. 1.

Table of Contents

Table of Contents

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements concerning our business, operations, and financial performance and condition as well as our plans, objectives, and expectations for our business operations and financial performance and condition. Any statements contained herein that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as "aim," "anticipate," "assume," "believe," "could," "due," "estimate," "expect," "goal," "intend," "may," "objective," "plan," "predict," "potential," "positioned," "should," "target," "will," "would," and other similar expressions that are predictions of or indicate future events and future trends. These forward-looking statements are based on current expectations, estimates, forecasts, and projections about our business and the industry in which we operate and our management's beliefs and assumptions. They are not guarantees of future performance or development and involve known and unknown risks, uncertainties, and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this annual report may turn out to be inaccurate. Factors that may cause such differences include, but are not limited to, the risks described under "Item 1A—Risk Factors," including:

- our inability to grow on a sustainable basis;
- the seasonality of our business;
- departures of key executives or directors;
- our ability to attract additional talent to our senior management team;
- our delisting determination by Nasdaq and the risk that our appeal to Nasdaq will not be successful;
- our inability to secure reliable sources of the tax settlement products we make available to our customers;
- government regulation and oversight, including the regulation of tax preparers or settlement products such as refund transfers and loan settlement products;
- government initiatives that simplify tax return preparation, improve the timing and efficiency of processing tax returns, limit payments to tax preparers, or decrease the number of tax returns filed or the size of the refunds;
- government initiatives to pre-populate income tax returns;
- the effect of regulation of the products and services that we offer, including changes in laws and regulations;
- the possible characterization of refund transfers as a form of loan or extension of credit;
- changes in the tax settlement products offered to our customers that make our services less attractive to customers or more costly to us;
- our ability to maintain relationships with our tax settlement product service providers;
- any potential non-compliance, fraud or other misconduct by our franchisees or employees;
- our ability and the ability of our franchisees to comply with legal and regulatory requirements;
- failures by our franchisees and their employees to comply with their contractual obligations to us and with laws and regulations, to the extent these failures affect our reputation or subject us to legal risk;
- the ability of our franchisees to open new territories and operate them successfully;
- the ability of our franchisees to generate sufficient revenue to repay their indebtedness to us;
- our ability to manage Company-owned offices;
- our exposure to litigation;
- our ability and our franchisees' ability to protect customers' personal information, including from a cyber-security incident;
- the impact of identity-theft concerns on customer attitudes toward our services;
- our ability to access the credit markets and satisfy our covenants to lenders;
- challenges in deploying accurate tax software in a timely way each tax season;
- the impact of the Tax Cuts and Job Act (the “Tax Act”), including, but not limited to, the effect of the lower corporate tax rate, including on the valuation of our tax assets and liabilities;

Table of Contents

- any future refinements to our preliminary analysis of the impact of the Tax Act;
- changes in the effect of the Tax Act due to issuance of interpretive regulatory guidance or enactment of corrective or supplement legislation;
- delays in the commencement of the tax season attributable to Congressional action affecting tax matters and the resulting inability of federal and state tax agencies to accept tax returns on a timely basis, or other changes that have the effect of delaying the tax refund cycle;
- competition in the tax preparation market;
- the effect of federal and state legislation that affects the demand for paid tax preparation, such as the Affordable Care Act and potential immigration reform;
- our reliance on technology systems and electronic communications;
- our ability to effectively deploy software in a timely manner and with all the features our customers require;
- the impact of any acquisitions or dispositions, including our ability to integrate acquisitions and capitalize on their anticipated synergies; and
- other factors, including the risk factors discussed in this annual report.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. These forward-looking statements speak only as of the date of this annual report. Unless required by law, we do not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. A potential investor or other vendor should, however, review the factors and risks we describe in the reports we will file from time to time with the U.S. Securities and Exchange Commission ("SEC") after the date of this annual report.

Table of Contents

PART I

Item 1. Business.

Company Information

We were incorporated in Delaware in September 2010 as JTH Holding, Inc. In July 2014, our corporate name was changed to Liberty Tax, Inc. in order to better reflect our primary business and to eliminate confusion among stockholders and potential investors seeking information about us. We are the holding company for JTH Tax, Inc. d/b/a Liberty Tax Service, our largest subsidiary, which was incorporated in Delaware in October 1996.

References in this report to "years" are to our fiscal years, which end on April 30 unless otherwise noted, and all references to "tax season" refer to the period between January 1 and April 30 of the referenced year. Unless the context requires otherwise, the terms "Liberty Tax," "Liberty Tax Service," "we," the "Company," "us," and "our" refer to Liberty Tax, Inc. and its consolidated subsidiaries. A complete list of our subsidiaries can be found in Exhibit 21.1 to this report.

Financial Information about Segments

The majority of our revenue is earned through our United States operations; however, during our fiscal years 2018, 2017, and 2016, we earned $8.1 million, $7.0 million, and $7.0 million, respectively, from our Canadian operations. Due to the similarity in the nature of products and services, production process, type of customer, distribution methods, future prospects, and regulatory environment, we combine our United States operations and our Canadian operations into one reportable segment.

Our Business

We are one of the leading providers of tax preparation services in the United States and Canada. Although we operate a limited number of Company-owned offices each tax season, our tax preparation services and related tax settlement products are offered primarily through franchised locations. The majority of our offices are operated under the Liberty Tax Service or SiempreTax+ brands. We also provide an online digital Do-It-Yourself ("DIY") tax program in the United States.

Our business involves providing retail federal and state income tax preparation services and related tax settlement products in the United States and Canada. Our focus is on growing the number of Liberty Tax and SiempreTax+ offices, increasing the number of tax returns prepared by those offices, and enhancing profitability by offering services and products that continue to build both brands.

The tax return preparation market is divided into two primary distinct sectors: paid tax preparation and DIY preparation. Approximately 57% of U.S. e-filed returns during the 2018 tax season were prepared by paid preparers. Through our franchise and Company-owned offices, we offer tax preparation services and related financial products to our tax customers. The services and products are designed to provide streamlined tax preparation services for taxpayers who, for reasons of complexity, convenience, or the need for prompt tax refunds, seek assisted tax preparation services. In the 2018 tax season, we and our franchisees accounted for 1.5 million tax returns filed through our U.S. retail offices, 0.4 million through our Canadian retail offices, and 0.1 million through our online tax programs.

We expect to benefit from anticipated industry consolidation as we believe many independent tax preparers will look to exit the industry as they confront increased costs, regulatory requirements and demands to provide tax settlement products. We believe we will be a beneficiary of this consolidation because we are able to more efficiently address changing regulatory requirements due to our scale and also because we have succeeded in providing a fully competitive mix of financial products we believe to be attractive to our customers.

We believe the growing Hispanic population in the United States presents an opportunity for growth for tax preparers who are able to successfully target those potential customers with tax and related services that serve the unique needs of the Hispanic community. For that reason, during fiscal 2015 we launched a new franchised tax brand, SiempreTax+, which operated 77 offices during the 2018 tax season. We expect this brand to have growth potential, and we are working with our franchisees to develop additional non-tax service offerings in these offices that will attract customers to the brand. Moreover, we anticipate that any immigration reform, whether enacted through executive action or by Congress, will continue to increase the number of Hispanic filers.

Our Franchise Model

We rely on a franchise model for our growth. Although our competitors rely on a mix of franchise locations and Company-owned offices or operate a majority of Company-owned offices, we have historically operated relatively few Company-owned stores and have determined that we can best grow our Company by increasing our franchisee base, and the

Table of Contents

number of offices operated by franchisees. Under our franchise model, we are able to focus on marketing, franchisee coaching and support, financial product development and other initiatives that drive our overall success. In addition, our franchise model allows us to grow our tax system with minimal capital expenditures or fixed cost investments.

We have included in our franchisee model the sale of area developer ("AD") areas. Under the AD model, we make large clusters of territories available to an AD who is responsible for marketing the available franchise territories within the larger AD area in order to help us fill gaps in our franchise system. As described below, when we utilize an AD to assist us in franchise sales, we receive revenue from the sale of the AD area but sacrifice a portion of the franchise fees and the royalty stream from the franchises within the AD area.

Franchise territories. We have divided the United States into approximately 10,000 potential franchise territories. We attempt to draw territory boundaries such that each territory has a target population of approximately 30,000 people. Franchisees are permitted to open more than one office in a territory.

Upon the launch of our new SiempreTax+ brand, we made clear to franchisees who owned existing territories that they could have rights to operate both brands within those territories, and that they would be permitted to open offices of both brands, in their existing territories, if they determined that the territory would support both a Liberty Tax office and a SiempreTax+ office. Our franchisees may also be permitted to sell rights to one brand in their territory while retaining rights to the other brand. During fiscal 2015, we also began to sell the rights to our two brands separately in undeveloped territories while we retained the territory boundaries that existed before the launch of our second brand.

Franchise sales process. We engage in an active marketing process, both directly and through our ADs, in order to sell additional franchise territories. Our sales process includes sales to new franchisees, as well as the sale of additional territories to existing franchisees willing to expand into additional territories. For new franchisees, the process includes multiple steps that culminate in a week-long training session that we call Effective Operations Training. In addition, from time to time, we offer special franchise purchase programs, which are designed to allow existing franchisees to acquire additional territories or to encourage independent tax preparers to become franchisees.

Our franchise agreements. Under the terms of our standard franchise agreement, each franchisee receives the right to operate a tax return preparation business under the Liberty Tax Service brand and/or SiempreTax+ brand within a designated geographic area. Similarly, our agreements with ADs permit ADs to market franchise territories within a designated multi-territory area. Franchise agreements have an initial term of five years and are renewable. The agreements impose various performance requirements on franchisees, require franchisees to use our proprietary software and equipment designated by us, and obligate our franchisees to operate in their offices in accordance with standards we establish. These standards include specified in-season and out-of-season opening hours, criteria for the location of franchise offices, requirements related to tax preparers and other office employees, and minimum performance standards. Our agreements also require our franchisees to comply with applicable state and federal legal requirements. Although we do not control and are not responsible for any compliance issues that could be caused by our franchisees or their tax preparers, we provide guidance to our franchisees regarding their compliance obligations, including the provision of standard advertising templates, training materials that include detailed compliance information, and systems that alert them to unusual activity. We also use a variety of means in an attempt to identify potential franchise and tax law compliance issues and require franchisees to address any concerns, including the continued enhancement of a Compliance Department which helps to examine and prevent non-compliance, fraud and other misconduct among our franchisees and employees.

Each year, we terminate a number of franchisees and other franchisees voluntarily relinquish their territories, sometimes in exchange for our forbearance on the remaining indebtedness owed to us in connection with the franchise territory. In order to protect our competitive position, we regularly take actions to enforce the non-competition obligations and restrictions regarding customer lists and our trademarks and service marks contained in our franchise agreements.

AD areas. We initiated our AD program in 2001 in order to accelerate the growth of our franchise system. We continue utilizing the AD program to focus on areas with large underdeveloped groups of territories we believe would benefit from the dedicated sales attention that an AD offers. Our fees for AD areas vary based on our assessment of the revenue potential of each AD area, and also depend on the performance of any existing franchisees within the AD area being sold. Our ADs generally receive 50% of both the franchise fee and royalties collected from franchises located in their AD areas and are required to provide marketing and operational support.

Company-owned offices. We intentionally operate relatively few Company-owned offices. During the 2018 tax season we operated 344 Company-owned offices in the U.S. and Canada, 8 of which were seasonal offices. We focus primarily on growing through the opening of new franchise locations, and most of the Company-owned offices we operate in a given tax season are offices that have been previously owned by former franchisees who have ceased operations or failed to meet our performance standards. Rather than close offices that we believe have the potential to be successful, we attempt to resell these

Table of Contents

offices, and when we fail to do so before the beginning of a tax season, we may operate them as Company-owned offices until we can resell them at a later time. In future periods, the number of Company-owned offices may increase if the Company reacquires more offices from existing franchisees and does not find suitable buyers to take over the office prior to the start of the tax season. For this reason, the number of offices we operate as Company-owned offices may change substantially from season to season.

Franchise fees and royalties. Franchisees presently have several options for acquiring a new undeveloped territory. The typical franchise fee for a Liberty Tax franchise is $40,000 and the fee starts at $25,000 for the SiempreTax+ franchise. We often offer special financing programs. Our franchise agreement requires franchisees to pay us a base royalty equal to 14% of the franchisee's tax preparation revenue, subject to certain specified minimums. Franchisees are also required to pay us an advertising fee of 5% of their tax preparation revenue.

Franchisee loans. We provide a substantial amount of lending to our franchisees and ADs. In addition to allowing franchisees to finance a portion of their franchise fees, which they pay over time, we also offer our franchisees working capital loans to fund their operations.

This indebtedness generally takes one of the following forms:

- The unpaid portion of franchise and AD fees, which does not represent a cash advance by us to the franchisee or AD, but a financing of the franchise or AD fee, generally payable over four years for territory franchise fees and six years for AD fees.
- Amounts due to us in connection with the purchase of a Company-owned office. The notes for these amounts are generally payable over five years following the acquisition.
- Annual working capital loans made available to qualified franchisees between May 1 and January 31 each year, which are repayable to us generally by the end of February.

Fee intercept. We have the ability to collect these amounts from our franchisees through a "fee intercept" mechanism. Our franchise agreement allows us to obtain repayment of amounts due to us from our franchisees through an electronic fee intercept program before our franchisees receive the net proceeds from tax preparation and other fees they have charged to their customers who have received a tax settlement product. Therefore, we are able to reduce the nonpayment risk associated with amounts outstanding from franchisees by obtaining direct electronic payment in the ordinary course throughout the tax season. Our credit risk associated with amounts outstanding from ADs is also mitigated by our electronic fee intercept program, which enables us to obtain repayments of amounts that would otherwise flow through to ADs as their share of franchise fee and royalty payments, to the extent of an AD's indebtedness to us.

Tax software. Our current proprietary tax software programs offer an interactive question-and-answer format that is easy for our retail office tax preparers to use, facilitating tax preparer training. A substantial number of changes are made each year to federal and state tax laws, regulations, and forms that require us to expend substantial resources every year to develop and maintain tax preparation software. We also offer an online digital DIY tax software in the United States.

Franchisee support. We provide substantial support to our franchisees in a variety of ways. Our franchise agreement requires our franchisees to adhere to certain minimum standards, including the use of tax preparation software we provide, the use of computers and other equipment that we select (but that we do not sell to them), training requirements, and other criteria. We make substantial training opportunities available to our franchisees and their prospective employees, and we require each franchisee to send representatives to a week-long Effective Operations Training seminar before they are allowed to operate a franchise location. We also make intermediate and advanced training available to our franchisees, offer "Tax School" classes for franchisees and prospective tax preparers, and provide substantial phone and internet-based support, particularly during the tax season. During the tax season, we maintain a fully-staffed operations center, with extended hours, at our corporate headquarters in Virginia Beach, Virginia. During the peak tax season, we hold daily conference calls in which we share and allow other franchisees to share recommendations and techniques for improving office performance, and in which we emphasize the importance of implementing the marketing plan that we recommend as part of our franchisee training.

Our Financial Products

We expend considerable effort to ensure that our franchisees are able to offer a complete range of tax settlement products to our customers, and to provide our customers choices in these products. We offer these products because we believe that a substantial portion of our prospective customer base places significant value on the ability to monetize their expected income tax refund more quickly than they would be able to do if they were to file their tax return without utilizing the services of a paid tax preparer. We offer two types of tax settlement products: refund transfer products and refund-based loans.

Table of Contents

Refund transfer products. Many of our tax customers seek products that will enable them to obtain access to their tax refunds more quickly than they might otherwise be able to receive those funds. We believe that many of our customers are unbanked, in that they do not have access to a traditional banking account, and therefore, cannot make such an account available to the IRS and other tax authorities for the direct deposit of their tax refunds. Additionally, customers may have access to a traditional banking account, but for personal reasons, may prefer not to utilize that account for the deposit of their tax refunds.

A refund transfer product involves direct deposit of the customer's tax refund into a newly established temporary bank account in the customer's name that we establish with one of our banking partners that have contracted with one of our subsidiaries, JTH Financial, LLC ("JTH Financial"). The balance of the customer’s refund, after payment of tax preparation and other fees will be delivered to the customer by paper check, prepaid card or a direct deposit into a customer’s existing bank account. When the prepaid card option is elected, the card is issued through one of our financial product partners and is branded with the Liberty Tax logo. When we deliver a physical refund check to a customer, we are generally able to print the check in one of our retail tax offices on check stock paper within a matter of hours after the electronic deposit of the customer's refund has been made to the customer's temporary account. We also enter into check-cashing arrangements with a number of retail establishments, which facilitate the ability of our customers to monetize their check even when they do not have traditional banking relationships.

We believe the continued availability of refund transfers will enable us to continue to offer an adequate mix of tax settlement products to our customers. The number of customers in our U.S. offices receiving our refund transfer products, which we call our "attachment rate," has varied from 46.1% for the 2018 tax season compared to 47.6% for the 2017 tax season and 49.2% for the 2016 tax season.

Refund-based loans. During the past few seasons, we partnered with banks to make available a refund-based loan to customers ("Refund Advance"). Approved customers were charged no fees or interest on the Refund Advance. There were no additional requirements for the customer to pay for any additional products, such as a refund transfer, to receive a Refund Advance.

Online Tax Preparation

Although online tax preparation, through our digital online tax services, represents a small portion of tax returns prepared and associated revenue, we believe there is a market for customers who wish to prepare their own tax returns using moderately priced online tax preparation products, and the continued availability of these products may be a part of our long-term growth, particularly if we are able to successfully integrate our online and retail tax services.

Intellectual Property

We regard our intellectual property as critical to our success and we rely on trademark, copyright, and trade secret laws in the United States to protect our proprietary rights. We pursue the protection of our service mark and trademarks by applying to register key trademarks in the United States. The initial duration of federal trademark registrations is 10 years. Most registrations can be renewed perpetually at 10-year intervals. In addition, we seek to protect our proprietary rights through the use of confidentiality agreements with employees, consultants, vendors, advisors, and others. The primary marks we believe to be of material importance to our business include our Lady Liberty logo and the brands "Liberty Tax," "Liberty Tax Service," "Liberty Income Tax," "Liberty Canada," and "SiempreTax+."

Seasonality

The tax return preparation business is highly seasonal, and we historically generate most of our revenues during the period from January 1 through April 30. For example, in fiscal 2018 and 2017, we earned 28% and 28% of our revenues during our fiscal third quarter ended January 31, respectively, and 91% and 92% of our revenues during the combined fiscal third and fourth quarters of 2018 and 2017, respectively. We generally operate at a loss during the period from May 1 through December 31, during which we incur costs associated with preparing for the upcoming tax season.

Available Financing

We use our available financing to fund operations between tax seasons and have minimal outstanding indebtedness at the end of each fiscal year. At April 30, 2018 and 2017, for example, we had no outstanding balance under our revolving credit facility. Our term loan had outstanding balances of $14.9 million and $17.5 million at April 30, 2018 and 2017, respectively.

Competition

The paid tax preparation market is highly competitive. We compete with tens of thousands of paid tax return preparers, including H&R Block, Jackson Hewitt, regional and local tax return preparation companies, most of which are independent and

Table of Contents

some of which are franchised, regional and national accounting firms, and financial service institutions that prepare tax returns as part of their businesses.

We also face increased competitive challenges from the online and software self-preparer market, including the Free File Alliance ("FFA"), a consortium of the IRS and online preparation services that provides free online tax return preparation, and from volunteer and certain state organizations that prepare tax returns at no cost for low-income and other qualified taxpayers. Our ability to compete in the tax return preparation business depends on our product mix, price for services, customer service, the specific site locations of our offices, local economic conditions, quality of on-site office management, the ability to file tax returns electronically with the IRS, and the availability of tax settlement products to offer to our customers.

We also compete for the sale of tax return preparation franchises with H&R Block, Jackson Hewitt, and other regional franchisors. In addition, we compete with franchisors of other high-margin services outside of the tax preparation industry that attract entrepreneurs seeking to become franchisees. Our ability to continue to sell franchises is dependent on our brand image, the products and services to be provided through the network, the relative costs of financing and start-up costs, our reputation for quality, and our marketing and advertising support. However, we believe that there is no existing smaller competitor in the retail tax preparation market that could challenge our market position on a national scale due to the expense and length of time required to develop the infrastructure, systems and software necessary to create and support a nationwide network of tax preparation offices. As a result, we believe that it would be difficult for an additional national competitor to emerge in our market for the foreseeable future.

Our online tax business also competes with a number of companies. Intuit, Inc., the maker of Turbo Tax, is the largest supplier of tax preparation software for online tax preparation services. H&R Block and Blucora, Inc., the owner of TaxAct, also have substantial online and software-based products.

Regulation

We and our franchisees must comply with laws and regulations relating to our businesses. Regulations and related regulatory matters specific to our businesses are described below.

Federal tax return preparation regulation. Federal law requires tax preparers to, among other things, set forth their signatures and identification numbers on all tax returns prepared by them and retain for three years all tax returns prepared. Federal laws also subject tax preparers to accuracy-related penalties in connection with the preparation of tax returns. Preparers may be enjoined from further acting as tax preparers if they continually or repeatedly engage in specified misconduct. Additionally, all authorized IRS e-file providers must adhere to IRS e-file rules and requirements to continue participation in IRS e-file. Adherence to all rules and regulations is expected of all providers regardless of where published and includes, but is not limited to, those described in IRS Publication 1345, Handbook for Authorized IRS e-file Providers. Various IRS regulations also require tax return preparers to comply with certain due diligence requirements to investigate factual matters in connection with the preparation of tax returns. The IRS conducts audit examinations of authorized IRS e-file providers and tax return preparers, reviewing samples of prepared tax returns to ensure compliance with regulations in connection with tax return preparation activities. From time to time, certain of our franchisees and Company-owned offices are the subject of IRS audits to review their tax return preparation activities.

We engage in significant efforts to enhance tax compliance by our franchisees and their preparers, including the use of a franchisee alert system that identifies anomalous patterns, compliance audits of selected offices and returns, additional training requirements and actions taken against problematic preparers (including blacklisting to prevent their hiring by other franchisees and reporting to the IRS).

The IRS published final regulations in 2010 that would have imposed mandatory tax return preparer regulations, but federal courts have ruled that the IRS did not have authority to implement those regulations. The IRS has created a voluntary tax preparer certification regime.

During fiscal 2016, the United States Department of Justice (“DOJ”) announced two law suits against certain of our former larger franchisees and two lawsuits against then-existing franchisees. Allegations involved claims of fraudulent tax preparation. We were not named as a defendant in these suits, which concluded in fiscal 2017. Further, in fiscal 2017, the State of Maryland, Office of the Comptroller suspended the processing of electronic and paper returns of one franchisee who owned two offices in that state. We retained outside counsel to conduct internal reviews (the

“Internal Review”) of our compliance practices, policies and procedures in connection with tax return preparation activities. The Internal Review’s examination made certain recommendations, many of which have been implemented including enhanced monitoring tools and increased training of franchisees and their preparers. We have continued to actively cooperate with the applicable government authorities in connection with their investigations and to enhance our Compliance Department to examine and prevent non-compliance, fraud and other misconduct among our franchisees and their employees. In fiscal 2018, the DOJ filed suit against one former and two

Table of Contents

then active franchisees in Florida based upon their alleged preparation of fraudulent tax returns. Also during fiscal 2018, the DOJ indicted four Milwaukee tax preparers based upon their alleged filing of fraudulent tax returns.

State tax return preparation regulation. We are also subject to tax return preparation regulation at the state level. The scope and substance of these regulations vary from state to state, but states also conduct examinations and take enforcement action against tax return preparers. From time to time, certain of our franchisees and Company-owned offices are the subject of state-level audits to review their tax preparation activities. In addition, particularly in the absence of effective IRS regulations imposing mandatory tax return preparer requirements, several states have begun to fill this void by imposing state-level preparer regulatory requirements. We believe our in-house certification program exceeds these regulatory requirements.

Financial privacy regulation. The Gramm-Leach-Bliley Act and related FTC regulations require income tax return preparers to adopt and disclose customer privacy policies and provide customers a reasonable opportunity to opt-out of having personal information disclosed to unaffiliated third parties for marketing purposes. Some states have adopted or proposed stricter opt-in requirements in connection with use or disclosure of consumer information. Federal and state law also requires us and our franchisees to safeguard the privacy and security of our customers' data, including financial information, to prevent the compromise or breach of our security that would result in the unauthorized release of customer data. Breaches of information security that affect us or our franchisees require compliance with customer notification requirements imposed at the state and local level, and in addition, may subject us to regulatory review by the FTC and other federal and state agencies. For example, in connection with a burglary that occurred at a single franchise office, both we and the affected franchisee have been required to respond to a document request issued by the FTC. Additional restrictions on disclosure are imposed by the IRS, which prohibits the use or disclosure by tax preparers of income tax return information without the prior written consent of the taxpayer. The IRS may continue to consider further regulations concerning disclosures or uses of tax return information.

Financial product regulation. Federal and state statutes and regulations govern the facilitation of refund-based loans and other tax settlement financial products. These laws require us, among other things, to provide specific loan disclosures and advertise loans in a certain manner. In addition, we are subject to federal and state laws that prohibit deceptive claims and require that our marketing practices are fair and not misleading. Federal law also limits the annual percentage rate on loans for active duty service members and their dependents. There are also many states that have statutes regulating, through licensing and other requirements, the activities of brokering loans and offering credit repair services to consumers, as well as local usury laws which could be applicable to our business in certain circumstances. From time to time, we receive inquiries from various state regulators regarding our and our franchisees' facilitation of refund-based loans and other tax settlement products. We have in certain states paid fines, penalties, and other payments as well as agreed to injunctive relief, in connection with resolving these types of inquiries.

Potential regulation of refund transfer products or treatment of refund transfer products as loans or extensions of credit. Our refund transfer products may be subject to additional regulation because of potential regulatory changes as well as litigation asserting that refund transfer products constitute a loan or extension of credit because many customers who receive refund transfer products elect to defer paying their tax preparation fees until their tax refund is received. With respect to possible new regulation, the broad authority of the Consumer Financial Protection Bureau ("CFPB") may enable that agency to pursue initiatives that negatively impact our ability to offer tax settlement products by imposing disclosure requirements or other limitations that make the products more difficult to offer or reduce their acceptance by potential customers. See "Item 1A—Risk Factors—Risk Related to Regulation of Our Industry—Federal and state regulators may impose new regulations on non-loan tax settlement products that would make those products more expensive for us to offer or more difficult for our customers to obtain."

We have previously been subject to class action litigation asserting that the refund transfer product is a loan or extension of credit, and should therefore be subject to loan-related federal and state disclosure requirements, which litigation was settled in January 2016. We are also subject to an injunction in California that treats our refund transfer product as an extension of credit. If we are subject to an adverse decision in future litigation that affects our offering of refund transfer products in other states, our refund transfer products would be subject to additional regulatory requirements in those states, including federal truth-in-lending disclosure obligations, and possible compliance with statutes and regulations governing refund anticipation loans that have been adopted in numerous states. This additional regulation would not prohibit us from offering refund transfer products but might require us to make interest rate and other disclosures to customers because of the characterization of the refund transfer product as a loan or extension of credit that would make it more difficult to market the refund transfer product to potential customers or reduce their acceptance by potential customers, and might adversely affect fees charged related to refund transfer products because of limitations on fees imposed by state refund anticipation loans statutes and regulations. See "Item 1A—Risk Factors—Risks Related to Regulation of Our Industry—Federal and state regulators may impose new regulations on non-loan tax settlement products that would make those products more expensive for us to offer or more difficult for our customers to obtain" and "—We may be unsuccessful in litigation that characterizes refund transfer products as loans, which could subject us to damages and additional regulation, and which could adversely affect our ability to offer tax settlement products and have a material adverse effect on our operations and financial results."

Franchise regulations. Our franchising activities are subject to the rules and regulations of the FTC and various state agencies regulating the offer and sale of franchises. These laws require that we furnish to prospective franchisees a franchise disclosure document describing the requirements for purchasing and operating a Liberty Tax or a SiempreTax+ franchise. In a number of states in which we are currently franchising, we are required to be registered to sell franchises. Several states also regulate the franchisor/franchisee relationship particularly with respect to the duration and scope of non-competition provisions, the ability of a franchisor to terminate or refuse to renew a franchise, and the ability of a franchisor to designate sources of supply. Bills have been introduced in Congress from time to time that would provide for federal regulation of the franchisor/franchisee relationship in certain respects.

Telephone Consumer Protection Act. Maintaining contact with customers is an essential component of the efforts by our franchisees, and by us in Company-owned offices, to retain tax customers from year-to-year. In addition, we utilize a variety of contact methods to solicit new franchisees. The Telephone Consumer Protection Act ("TCPA") imposes substantial restrictions on the manner in which persons may be contacted, by telephone calls or text, on mobile telephones. We are required to comply with these restrictions in the telephone calls and text messages that we send, and we also make available tools intended to assist our franchisees in ensuring that telephone calls they make and text messages they send are compliant with the TCPA. Violations of the TCPA may result in per-call and per-message penalties of $500 to $1,500, and frequently result in class action litigation. The Federal Communications Commission ("FCC"), which is responsible for regulations relating to the TCPA, has been asked to clarify certain aspects of their regulations that have led to a substantial increase in TCPA litigation, but it is not clear that any significant changes to those regulations will be implemented in the foreseeable future.

Tax course regulations. Our tax courses are subject to regulation under proprietary school laws and regulations in many states. Under these regulations, our tax courses may need to be registered and may be subject to other requirements relating to facilities, instructor qualifications, contributions to tuition guaranty funds, bonding, and advertising.

Foreign regulations. We are subject to a variety of other regulations in the Canadian markets, including anti-corruption laws and regulations. Foreign regulations and laws potentially affecting our business are evolving rapidly. We rely on external counsel in Canada to advise us regarding compliance with applicable laws and regulations.

Employees

As of April 30, 2018, we employed 1,514 employees, consisting of 444 employees in our corporate operations, primarily located in Virginia Beach, Virginia and 1,070 employees at our Company-owned offices. Many of our employees are seasonal and, by contrast, we had 533 corporate employees and 1,408 employees at our Company-owned offices as of February 16, 2018. As of May 31, 2018, we employed 386 corporate employees and 643 employees at our Company-owned offices. We consider our relationships with our employees to be good.

Available Information

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed with or furnished to the SEC are available, free of charge, through our website at www.libertytax.com as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference room by calling the SEC at 1-800-SEC-0030. The SEC maintains a website at www.sec.gov containing reports, proxy and information statements and other information regarding issuers who file electronically with the SEC.

Item 1A. Risk Factors.

In addition to the other information contained in this annual report, the following risk factors should be considered carefully in evaluating our business. If any of the risks or uncertainties described below were to occur, our business, financial condition, and results of operations may be materially and adversely affected. Additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations.

Table of Contents

Risks Related to Our Business

Recent turnover in our senior management could have a material adverse effect on our business.

In September 2017, Edward Brunot, our Chief Operating Officer, was appointed as our Chief Executive Officer shortly after the termination of John T. Hewitt. In February 2018, the Board of Directors appointed Nicole Ossenfort as President and Chief Executive Officer to replace Mr. Brunot. In addition, several members of our senior management team have resigned since September 2017, including two chief financial officers, general counsel, chief information officer and other positions. Since that time, the Company made several significant hires, including the rehiring of Michael S. Piper as Chief Financial Officer; however, this turnover in senior management could cause operational disruptions and create uncertainty for management, employees, franchisees, customers and stockholders.

Senior management turnover may also disrupt our operations, our strategic focus or our ability to drive stockholder value. In addition, these changes and the failure to retain and recruit key employees, including senior management, could have a material adverse effect on our operations and ability to manage day-to-day aspects of our business, as well as our ability to continue to grow our business. Our future success will depend in part upon our ability to attract and retain senior management personnel having the experience and skills necessary to assist us. We face competition for personnel from numerous other entities, including competing tax return preparation firms, some of which have significantly greater resources than us. We can provide no assurances that turnover in senior management will not have a material adverse effect on our business.

Recent turnover with our Board of Directors may disrupt our operations, our strategic focus or our ability to drive stockholder value.

In addition to changes to our senior management, there also have been significant changes to our Board of Directors since September 2017, as reported in our periodic filings. In May 2018, four Class A directors - G. William Minner, Jr., Thomas Herskovits, Patrick A. Cozza and Lawrence Miller - were elected by our Class A stockholders to the Board of Directors. As a result of these changes, the Board of Directors appointed new independent members to its Nominating & Corporate Governance Committee and Compensation Committee to remain in compliance with our bylaws and Nasdaq listing standards.

Additionally, in connection with the sale of his Class A and Class B common stock to unaffiliated third parties, Mr. Hewitt agreed to tender his resignation to the Company's Board of Directors and agreed to cause the five Class B directors previously appointed by Mr. Hewitt to tender their resignations, in each case, effective upon the closing of the sale. On August 9, 2018, the Company received a written consent executed by a majority of the outstanding shares of the Company's Class A common stock electing the following five persons as directors of the Company to serve until the Company's next annual meeting of stockholders and until their successors are duly elected and qualified: Brian R. Kahn, Andrew M. Laurence, Matthew Avril, Bryant R. Riley and Kenneth M. Young.

Turnover with our Board of Directors may disrupt our operations, our strategic focus or our ability to drive stockholder value. If we fail to attract and retain new skilled personnel for our Board of Directors and senior management positions, our business and growth prospects could disrupt our operations and have a material adverse effect on our operations and business.

Because much of our growth has been achieved through rapidly opening new offices, we may not achieve the same level of growth in revenues and profits in future years.

Historically our growth has been driven by selling franchises and entering into agreements with ADs who have assisted us in expanding our geographic reach. However, our success depends, in part, on retaining operational offices which contribute to our growth. Slowed growth in expanding office count and closures of company-owned and franchisee operations could adversely affect our business, our consolidated financial position, results of operation and cash flows.

Our future viability, profitability, and growth will depend upon our ability to successfully operate and continue to expand our operations in the United States and Canada. Furthermore, in prior years, our business has experienced rapid growth in the number of franchisees and office locations in large geographic markets, and our continued growth in those markets may not continue at the same pace. Our ability to continue to grow our business will be subject to a number of risks and uncertainties and will depend in large part on:

Table of Contents

- adding new customers and retaining existing customers;
- innovating new products and services to meet the needs of our customers;
- finding new opportunities in our existing and new markets;
- remaining competitive in the tax return preparation industry;
- our ability to offer directly and to facilitate through others the sale of tax settlement products;
- attracting and retaining capable franchisees and ADs;
- maintaining a reputation for quality tax preparation services sufficient to attract and retain customers and franchisees;
- our success in replacing independent preparers with franchisees;
- hiring, training, and retaining skilled managers and seasonal employees; and
- expanding and improving the efficiency of our operations and systems.

There can be no assurance that any of our efforts will prove successful or that we will continue to achieve growth in revenues and profits.

The highly seasonal nature of our business presents a number of financial risks and operational challenges which, if we fail to meet, could materially affect our business.

Our business is highly seasonal, with the substantial portion of our revenue earned in the January through April "tax season" in the United States and Canada each year. The concentration of our revenue-generating activity during this relatively short period presents a number of challenges for us and our franchisees, including:

- cash and resource management during the first eight months of our fiscal year, when we generally operate at a loss and incur fixed costs and costs of preparing for the upcoming tax season;
- compliance with financial covenants under our credit facility, particularly if the timing of our revenue generation deviates from our typical revenue patterns;
- the availability of seasonal employees willing to work for our franchisees for at or near the minimum wage, with minimal benefits, for periods of less than a year;
- the success of our franchisees in hiring, training, and supervising these employees and dealing with turnover rates;
- accurate forecasting of revenues and expenses because we may have little or no time to respond to changes in competitive conditions, markets, pricing, and new product offerings by competitors, which could affect our position during the tax season;
- disruptions in one tax season, including any customer dissatisfaction issues, which may not be discovered until the following tax season; and
- ensuring optimal uninterrupted operations during peak season.

If we experience significant business disruptions during the tax season or if we or our franchisees are unable to meet the challenges described above, we could experience a loss of business, which could have a material adverse effect on our business, financial condition, and results of operations.

Our future success will depend in part upon the continued success of our senior management, as well as our ability to attract and retain capable middle management.

Failure to maintain the continued services of senior management personnel or to attract and maintain capable middle management could have a material adverse effect on us. If senior management were to leave the Company, it could be difficult

Table of Contents

to replace them, and our operations and ability to manage day to day aspects of our business as well as our ability to continue to grow our business may be materially adversely affected. Our future success will also depend in part upon our ability to attract and retain capable middle management, such as regional directors, consultants for franchised offices, training directors, tax advisors, and computer personnel, having the specific executive skills necessary to assist us and our franchisees. We face competition for personnel from numerous other entities, including competing tax return preparation firms, some of which have significantly greater resources than we do.

Because we are not a financial institution, we can only facilitate the sale of financial products through our arrangements with financial institutions and other financial partners and, if these arrangements are terminated for any reason, we may not be able to replace them on acceptable terms or at all.

Revenue derived from our facilitation of the sale of financial products provided to our customers by financial institutions and providers is approximately 25% to 30% of our total annual revenue. Our tax return preparation business is also, to some extent, dependent on our ability to facilitate the sale of these products, because our customers are often attracted to our business by the expectation that these products will be available. Financial products that monetize future tax refunds are specialized financial products, and if our arrangements with the financial institutions and other partners that provide our tax settlement products were to terminate and we were unable to secure an alternative relationship on acceptable terms, or at all, our financial results could be materially adversely affected. In addition, any changes in our contractual terms with these financial institutions and other partners that result in a reduction in our fee income, if not offset by customer growth associated with lower fees, could adversely affect our profitability. See "-Risks Related to Regulation of Our Industry-We may be unsuccessful in litigation that characterizes refund transfer products as loans, which could subject us to damages and additional regulation, and which could adversely affect our ability to offer tax settlement products and have a material adverse effect on our operations and financial results."

We face significant competition in the tax return preparation business and face a competitive threat from software providers and internet businesses that enable and encourage taxpayers to prepare their own tax returns.

The tax return preparation industry is characterized by intense competition. We compete with H&R Block, which is larger and more widely recognized than we are, Jackson Hewitt and with other national and regional tax services and smaller independent tax return preparation services, small franchisors, regional tax return preparation businesses, accounting firms, and financial service institutions that prepare tax returns as part of their business. Additionally, we believe that many taxpayers in our target market prepare their own returns and in light of recent tax legislation enacted by the US government and any proposed modifications to the Internal Revenue Code which simplify tax preparation, may result in even more taxpayers preparing their own returns. The availability of these alternative options may reduce demand for our products and limit the fees our franchisees can charge, and competitors may develop or offer more attractive or lower cost products and services than ours, which could erode our consumer base.

We also face increased competitive challenges from the online and software self-preparer market, including the FFA, a consortium of the IRS, online preparation services that provides free online tax return preparation, and assistance from volunteer organizations that prepare tax returns at no cost for low-income taxpayers. In addition, many of our direct competitors offer certain free online tax preparation and electronic filing options, and limited in-office promotions of free or nominal cost tax preparation services. Government tax authorities, volunteer organizations, and direct competitors may elect to expand free and reduced cost offerings in the future. Intense price competition, including offers of free service, could result in a loss of market share, lower revenues, or lower margins. Our ability to compete in the tax return preparation business depends on our product offerings, price for services, customer service, the specific site locations of our offices, local economic conditions, quality of on-site office management, the ability to file tax returns electronically with the IRS, and the availability of tax settlement products to our customers.

We rely on our own proprietary tax preparation software, and any difficulties in deploying or utilizing our software each tax season could adversely affect our business.

We utilize our own tax preparation software. However, tax changes made by the federal and state governments each year and changes in tax forms require us to make substantial changes to our software before the beginning of each tax season. See “-Risks Related to Changes in Tax Laws and Regulations-New or revised tax regulations could have a material effect on our financial results.” Although we engage in extensive testing of our software before deploying it in our franchisees' tax preparation offices and online, any delays in the availability of IRS forms or instructions or problems with the rollout of the new software each season could delay the ability to file tax returns at the beginning of the tax season and could adversely affect our business.

Table of Contents

Our Company-owned offices may not be as successful as our franchised offices.

Historically, almost all Liberty Tax offices have been owned by franchisees, and most of the Company-owned offices we have operated during a tax season have been offices previously operated by former franchisees. Our Company-owned offices may be less successful than our typical franchisee-owned offices because they often represent offices transitioned from a less successful franchisee. For this reason, we are not able to obtain the continuity of staffing in Company-owned offices that we expect to experience in our franchisee-owned offices. As part of our business strategy, we may also take back offices previously operated by franchisees who have elected to exit the system and these offices may face operational and financial challenges which could negatively impact the success of the offices. However, our failure to timely comply with our periodic reporting requirements has resulted in the delisting of our Class A common stock, which has affected our ability to sell franchises in our fiscal year ending April 30, 2019.

The provision of health insurance and other insurance products to customers by our franchisees and their preparers may subject us and our franchisees to additional claims from customers, as well as increased regulatory risk.

As part of our effort to make information about health insurance options available to tax office customers, we have encouraged our franchisees to make licensed insurance agents available in tax offices. A significant number of our franchisees have become or arranged for the availability of insurance agents and participated in the writing of health insurance policies for customers. The provision of these insurance services subjects our franchisees to a complex regulatory environment, and to potential claims by customers who may become dissatisfied with the insurance products they obtain. Any failure by our franchisees or their employees to comply with applicable insurance laws and regulations could have an adverse effect on our business and subject our franchisees and us to regulatory complaints, and any failure by our franchisees to provide satisfactory insurance services to customers may adversely affect our customer relationships and our business.

Our failure to protect our intellectual property rights may harm our competitive position, and litigation to protect our intellectual property rights or defend against third-party allegations of infringement may be costly.

We regard our intellectual property as critical to the success of our business. Third parties may infringe or misappropriate our trademarks or other intellectual property rights, which could have a material adverse effect on our business, financial condition, or operating results. The actions we take to protect our trademarks and other proprietary rights may not be adequate. Litigation may be necessary to enforce our intellectual property rights, protect our trade secrets, or determine the validity and scope of the proprietary rights of others. There are no assurances that we will be able to prevent infringement of our intellectual property rights or misappropriation of our proprietary information. Any infringement or misappropriation could harm any competitive advantage we currently derive or may derive from our proprietary rights. In addition, third parties may assert infringement claims against us. Any claims and any resulting litigation could subject us to significant liability for damages. An adverse determination in any litigation of this type could require us to design around a third party's patent or to license alternative technology from another party. Litigation is time-consuming and expensive to defend and could result in the diversion of our time and resources. Any claims from third parties may also result in limitations on our ability to use the intellectual property subject to these claims.

Our business relies on technology systems and electronic communications, which, if disrupted, could materially affect our business.

Our ability to file tax returns electronically and to facilitate tax settlement products depends on our ability to electronically communicate with all of our offices, the IRS, state tax agencies, and the financial institutions that provide the tax settlement products. Our electronic communications network is subject to disruptions of various magnitudes and durations, such as a data breach or server disruption. Any data breach or severe disruption of our network or electronic communications, especially during the tax season, could impair our ability to complete our customers' tax filings, to provide tax settlement products from financial institutions, or to maintain our operations, which, in turn, could have a material adverse effect on our business, financial condition, and results of operations. Additionally, in the course of our business, we collect, use, and retain large amounts of our clients' personal information, including tax return information and social security numbers. It is critical to our business strategy that our infrastructure, products and services remain secure and are perceived by customers, clients and partners to be secure. See "-If we fail to protect or fail to comply with laws and regulations related to our customers' personal information, we may face significant fines, penalties, or damages and our brand and reputation may be harmed."

We are dependent on our financing sources and any loss of financing could materially and adversely affect our operating results and our ability to expand our business.

We are dependent upon the continued availability of our credit facility, which consists of a term loan and a revolving loan, in order to fund our seasonal needs and for the further expansion of our business. If we were to default on our financing or otherwise lose access to our sources of credit, our ability to provide financing to our franchisees would be significantly impaired and may result in certain offices closing if our franchisees are not able to secure alternative financing for their working capital needs. In addition, our ability to expand our business would be impaired. We may need to obtain new credit arrangements and other sources of financing to continue to provide financing to our franchisees, to meet future obligations, and to fund our future growth. Our ability to maintain or refinance our debt and fund other obligations depends on our successful financial and operating performance and the availability of funds from credit markets. There is no assurance that when our credit facility matures in 2019, we will be able to renew or refinance our debt or enter into new credit arrangements on terms similar to those of our existing loans.

Our credit facility contains restrictive covenants and other requirements that may limit our business flexibility by imposing operating and financial restrictions on our operations.

Our credit facility is secured by substantially all of our assets, including the assets of our subsidiaries. We are subject to a number of covenants that could potentially restrict how we carry out our business or that require us to meet certain periodic tests in the form of financial covenants. The restrictions we consider to be material to our ongoing business include the following:

- We must satisfy a “leverage ratio” test that is based on our outstanding indebtedness at the end of each fiscal quarter.

- We must satisfy a “fixed charge coverage ratio” test at the end of each fiscal quarter.

- We must reduce the outstanding balance under our revolving loan to zero for a period of at least 45 consecutive days each fiscal year.

- We must also maintain a minimum net worth requirement, measured at April 30 of each year.

Our credit facility also contains customary affirmative and negative covenants, including limitations on indebtedness; limitations on liens and negative pledges; delivery of financial statements and other information requirements; limitations on investments, loans, and acquisitions; limitations on mergers, consolidations, liquidations, and dissolutions; limitations on sales of assets; limitations on certain restricted payments; and limitations on transactions with affiliates; among others.

A breach of any of these covenants, tests, or mandatory payments could limit our ability to borrow funds under the revolving loan or result in a default under our loans. In addition, these covenants may prevent us from incurring additional indebtedness to expand our operations and execute our business strategy, including making acquisitions. We may also from time to time seek to refinance all or a portion of our debt or incur additional debt in the future. Any such future debt or other contracts could contain covenants more restrictive than those in our existing credit facility. Our ability to comply with the covenants, tests, or mandatory payments in our credit facility may be affected by events beyond our control, including prevailing economic, financial, and industry conditions or our ability to make tax settlement products available to our customers. See “Item 2-Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Overview of factors affecting our liquidity-Credit facility.”

We are dependent on the timing of the tax filing season, and disruptions in the opening of the tax season may have a material adverse effect on our results of operations and liquidity.

Historically, the federal tax filing season has begun in mid-January, and both we and our franchisees have begun to prepare tax returns in early January with the ability to electronically file those returns beginning in mid-January. For both the 2013 and 2014 tax seasons, the IRS postponed the first date on which it generally accepts electronic filings until the end of January, and in 2013, also delayed the availability of a significant number of tax forms. These delays at the beginning of the tax season were also replicated at the state level in 2013, because of the reliance of states on tax forms that are dependent upon or subject to changes in federal tax forms. The change in the start of the 2013 and 2014 tax filing seasons materially affected our revenue during the fiscal quarter ended January 31 of both years, and also required us to engage in additional borrowing to support both our operations and those of our franchisees because of the delay in receipt of revenue associated with tax filings. Similarly, the Protecting Americans from Tax Hikes Act of 2015 (the "PATH Act"), enacted in 2015 came into effect in 2017, in which the IRS was required to wait until at least February 15, 2017 to issue refunds to taxpayers who claim the Earned Income Tax Credit or the Additional Child Tax Credit. In addition, due to tax reform and the IRS' modification of forms such as the 1040 and attached schedules, there is the possibility that the IRS' acceptance of tax returns may face, as of now undetermined,

Table of Contents

delays. Substantial delays in the opening of the tax filing season or the funding of processed returns, in future years would likely have an adverse effect on our revenue and liquidity.

Our floating rate debt financing exposes us to interest rate risk.

We may borrow amounts under our credit facility that bear interest at rates that vary with prevailing market interest rates. Accordingly, if we do not adequately hedge our interest rate risk, a rise in market interest rates will adversely affect our financial results. We expect to draw most heavily on our revolving loan from July through January of each year and then repay substantially all of the borrowings by the end of each tax season. Therefore, a significant rise in interest rates during our off-season could have a disproportionate impact on our financial results during these months.

The lines of business in which we operate involve substantial litigation, and such litigation may damage our reputation or result in material liabilities and losses.

We have been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions, and other litigation arising in connection with our various business activities. We are currently involved in a class action lawsuit, in which we are vigorously defending ourselves. There can be no assurance, however, that we will not have to pay significant damages or amounts in settlement above insurance coverage. Adverse outcomes related to litigation could result in substantial damages and could cause our net income to decline or may require us to alter our business operations. Negative public opinion can also result from our actual or alleged conduct in such claims, possibly damaging our reputation, which could negatively impact our financial performance and could cause the value of our stock to decline. See "Note 15 - Commitments and Contingencies" in the Notes to the Consolidated Financial Statements.

If we fail to protect or fail to comply with laws and regulations related to our customers' personal information, we may face significant fines, penalties, or damages and our brand and reputation may be harmed.

Privacy concerns relating to the disclosure of consumer financial information have drawn increased attention from federal and state governments in the United States. The IRS generally prohibits the use or disclosure by tax return preparers of taxpayers' information without the prior written consent of the taxpayer. In addition, the Gramm-Leach-Bliley Act and other Federal Trade Commission (“FTC”) regulations require financial service providers, including tax return preparers, to adopt and disclose consumer privacy policies and provide consumers with a reasonable opportunity to opt out of having personal information disclosed to unaffiliated third parties for advertising purposes. We and our franchisees manage highly sensitive client information in our operations, and although we have established security procedures to protect against identity theft and require our franchisees to do the same, a security incident resulting in breaches of our customers' privacy may occur. If the measures we have taken prove to be insufficient or inadequate or if our franchisees fail to meet their obligations in this area, we and our franchisees may become subject to litigation or administrative sanctions, which could result in significant fines, penalties, or damages and harm to our brand and reputation, which in turn could negatively impact our ability to retain our customers. Moreover, although we have some insurance that may defray the cost, the cost of remediating any breach resulting from a cybersecurity incident or other breach of the privacy of customer information would likely be substantial. Furthermore, we may be required to invest additional resources to protect us against damages caused by these actual or perceived disruptions or security breaches in the future. We could also suffer harm to our reputation from a security breach or inappropriate disclosure of customer information. Changes in these federal and state regulatory requirements could result in more stringent requirements and could result in a need to change business practices, including how information is disclosed. These changes could have a material adverse effect on our business, financial condition, and results of operations. Moreover, a significant security breach or disclosure of customer information could so damage our brand and reputation that demand for the services that are provided by us and our franchisees may be reduced.

If our business or the tax industry generally is perceived as a source of identity theft, our reputation may be harmed, and our financial performance could be materially adversely affected.

Identity theft and privacy concerns relating to customer information disclosure has been the subject of attention in recent years, including the substantial publicity around identity theft problems involving at least one of our competitors. Further, in May 2015, the IRS announced a significant breach of its data security that resulted in the potential theft of personally identifiable tax information involving more than 100,000 taxpayers. If the use of electronic tax filing becomes perceived by customers as subjecting them to unacceptable identity theft risk, or if we experience a breach of security that subjects a number of our customers to potential identity theft, customers may eschew our services or assisted tax preparation generally, in favor of self-preparation and the avoidance of electronic filing. In such an event, our reputation may be harmed, and we may experience a material adverse effect on our business, financial condition and results of operation.

Table of Contents

If we or our franchisees fail to comply with the Telephone Consumer Protection Act, we may face significant damages.

The retention of customers by our franchisees, and our ability to attract additional franchisees, depends on the use of telephone calls and text messaging to contact customers and potential franchisees. However, the Telephone Consumer Protection Act ("TCPA") imposes significant restrictions on the ability to utilize telephone calls and text messages to mobile telephone numbers as a means of communication, when the prior consent of the person being contacted has not been obtained. In fiscal 2015, we settled one lawsuit related to the manner in which a contractor for us previously contacted potential franchisees. Violations of the TCPA may be enforced by individual customers through class actions, and statutory penalties for TCPA violations range from $500 to $1,500 per violation. If we fail to ensure that our own telemarketing and telemarketing efforts are TCPA compliant, or if our franchisees fail to do so and we are held responsible for their behavior, we may incur significant damages.

If we and our franchisees are unable to attract and retain qualified employees, our financial performance could be materially adversely affected.

Both we and our franchisees depend on the ability to hire a substantial number of seasonal employees for each tax season. We require seasonal employees in order to staff our franchises and customer call centers and Company-owned offices, and our franchisees require employees to implement marketing programs, to act as tax preparers, and to otherwise staff their offices. The ability of our franchisees and us to meet our labor needs is subject to many external factors, including competition for qualified personnel, unemployment levels in each of the markets in which we have offices, prevailing wage rates, minimum wage laws, and workplace regulation. Our franchisees require a substantial number of employees who are willing to become trained as tax preparers, and who have the ability to engage in temporary, seasonal employment. Moreover, in addition to our seasonal employees, we hire a substantial number of full-time employees who are required to have the technical skills necessary to participate in software development, database management, and other highly technical tasks. If we and our franchisees are not able to hire a sufficient supply of qualified seasonal employees, or if we are not able to secure employees with the technical skills we require for other purposes, our ability to serve our customers in our offices, to deploy our marketing programs, and to maintain the services that our franchisees require may be compromised and have a material adverse effect on our business.

Failure to maintain sound business relationships with our franchisees may have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

Our financial success depends in significant part on our ability to maintain sound business relationships with our franchisees. The support of our franchisees is also critical for the success of our marketing programs and any new strategic initiatives we seek to undertake. Deterioration in our relationships with our franchisees or the failure of our franchisees to support our marketing programs and strategic initiatives could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

An increase in the minimum wage may adversely affect the operations of our franchisees.

Many of the seasonal employees hired by our franchisees for each tax season receive compensation at or near the minimum wage. If our franchisees experience increases in payroll expenses as a result of government-mandated increases in the minimum wage or overtime requirements, their costs of operation may increase at a rate greater than their ability to raise the prices of the services they offer. If this occurs, our franchisees may not be able to maintain seasonal employment at levels that will provide an optimal level of customer service and marketing support, their marketing and advertising programs may be less effective, and their results of operations may be adversely affected, which could, in turn, adversely affect our results of operations.

If credit market volatility affects our financial partners or franchisees, our business and financial performance could be adversely affected.

In recent years, the credit markets experienced unprecedented volatility and disruption, causing many lenders and institutional investors to cease providing funding to even the most creditworthy borrowers or to other financial institutions. If additional credit market volatility prevents our financial partners from providing tax settlement products to our customers, limits the products offered, or results in us having to incur further financial obligations to support our financial partners, our revenues or profitability could decline. The cost and availability of funds has also adversely impacted our franchisees' ability to grow and operate their businesses, which could cause our revenues or profitability to decline. In addition, future disruptions in the credit markets could adversely affect our ability to sell territories to new or existing franchisees, causing our revenues or profitability to decline.

Because the tax season is relatively short and straddles two quarters, our quarterly results may not be indicative of our performance.

We experience quarterly variations in revenues and operating income as a result of many factors, including the highly seasonal nature of the tax return preparation business, the timing of off-season activities, and the hiring of personnel. Due to the foregoing factors, our quarter-to-quarter results vary significantly. In addition, because our peak period straddles the third and fourth quarters, any delay or acceleration in the number of tax returns processed in January may make our year-to-year quarterly comparisons not as meaningful as year-to-year tax season comparisons. To the extent our quarterly results vary significantly from year to year, our stock value may be subject to significant volatility.

Risks Related to Our Class A Common Stock

Our corporate actions could be substantially influenced by our principal stockholders and affiliated entities.

As of August 10, 2018, our principal stockholders and their affiliated entities owned over 50% of our outstanding Class A common stock. These stockholders, acting individually or as a group, could exert substantial influence over matters, such as electing directors and approving mergers or other business combination transactions. In addition, because of the percentage of ownership and voting concentration in these principal stockholders and their affiliated entities, elections of our Board of Directors will generally be within the control of these stockholders and their affiliated entities. While all of our stockholders are entitled to vote on matters submitted to our stockholders for approval, the concentration of shares and voting control presently lies with these principal stockholders and their affiliated entities. As such, it would be difficult for stockholders to propose and have approved proposals not supported by management. There can be no assurance that matters voted upon by our principal stockholders and their affiliated entities will be viewed favorably by all stockholders of the Company. For information regarding the ownership of our outstanding stock, please see the section titled “Item 12-Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.”

Our Class A common stock is currently quoted on the OTC Market, which may have an unfavorable impact on our stock price and liquidity.

Effective at the open of business on August 2, 2018, our Class A common stock was suspended from trading on The Nasdaq Global Select Market. Since then, our Class A common stock has been quoted on the OTC Market. The OTC Market is a significantly more limited market than Nasdaq. The quotation of our shares on the OTC Market may result in a less liquid market available for existing and potential stockholders to trade shares of our common stock, could depress the trading price of our common stock and could have a long-term adverse impact on our ability to raise capital in the future. We have appealed the delisting determination of the Nasdaq Hearings Panel and requested to maintain the listing of the Company’s Class A common stock on Nasdaq. However, we cannot assure you that the appeal will be granted, that we will be able to meet the initial listing standards of any stock exchange, or that we will be able to maintain any such listing.

Our stock price has been extremely volatile, and investors may be unable to resell their shares at or above their acquisition price or at all.

Our stock price has been, and may continue to be, subject to wide fluctuations in response to many risk factors listed in this section, and others beyond our control, including, but not limited to:

- actual or anticipated variations in our operating results from quarter to quarter;
- actual or anticipated variations in our operating results from the expectations of securities analysts and investors;
- actual or anticipated variations in our operating results from our competitors;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- sales of Class A common stock or other securities by us or our stockholders in the future;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;

Table of Contents

- certain non-compliance, fraud and other misconduct by our franchisees and/or employees;
- departures of key executives or directors;
- resignation of our auditors;
- delisting determination by Nasdaq;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, financing efforts or capital commitments;
- delays or other changes in our expansion plans;
- involvement in litigation or governmental investigations or enforcement activity;
- stock price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- general market conditions in our industry and the industries of our customers;
- general economic and stock market conditions;
- regulatory or political developments; and
- terrorist attacks or natural disasters.

Furthermore, the capital markets experience extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political, and market conditions such as recessions, interest rate changes, or international currency fluctuations may negatively impact our stock price. Trading price fluctuations may also make it more difficult for us to use our Class A common stock as a means to make acquisitions or to use options to purchase our Class A common stock to attract and retain employees. If our stock price does not exceed the price at which stockholders acquired their shares, investors may not realize any return on their investment. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We currently are, and may be in the future, the target of this type of litigation. See "-We are named in federal securities class action lawsuits and derivative complaints; if we are unable to resolve these matters favorably, then our business, operating results and financial condition may be adversely affected."

A significant portion of our outstanding shares of Class A common stock may be sold into the market, which could adversely affect our stock price.

Although our Class A common stock is currently quoted on the OTC Market, sales of a substantial number of shares of our Class A common stock in the public market could occur at any time, subject to certain securities law restrictions. Sales of shares of our Class A common stock or the perception in the market that the holders of a large number of shares of Class A common stock intend to sell shares could reduce our stock price.

Our stock price and trading volume could decline if securities or industry analysts do not publish research or reports about our business or if they publish misleading or unfavorable research or reports about our business.

The trading market for our Class A common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. The number of securities or industry analysts that commence or maintain coverage of our Class A common stock could adversely impact the trading price and liquidity for our shares. In the event we obtain securities or industry analyst coverage, if one or more of the analysts who covers us downgrades our stock or publishes misleading or unfavorable research about our business, our stock price could decline. If one or more of these analysts ceases to cover us or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price or trading volume to decline.

Table of Contents

As a public company, we are subject to reporting and other compliance requirements, which may result in increased costs and focus of our management's attention.

As a company with public equity, we incur significant legal, accounting, and other expenses. In addition, the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), as well as related rules implemented by the SEC and Nasdaq, impose various requirements on companies with public equity. As a public company, we are required to:

- prepare and distribute periodic public reports and other stockholder communications in compliance with our obligations under the federal securities laws and Nasdaq rules,
- create or expand the roles and duties of our Board of Directors and committees of the Board of Directors,
- institute more comprehensive financial reporting and disclosure compliance functions,
- supplement our internal accounting and auditing function,
- enhance and formalize closing procedures at the end of our accounting periods,
- enhance our investor relations function,
- establish new or enhanced internal policies, including those relating to disclosure controls and procedures, and
- involve and retain to a greater degree outside counsel and accountants in the activities listed above.

Our management and other personnel have devoted a substantial amount of time to these compliance matters. Also, these rules and regulations have increased our legal and financial compliance costs and have made some activities more time-consuming and costly than would be the case for a private company. For example, these rules and regulations have made it more expensive for us to maintain director and officer liability insurance. As a result, it may be more difficult for us to recruit and retain qualified individuals to serve on our Board of Directors or as our executive officers. See “-Risks Related to Our Business-Recent turnover in our senior management could have a material adverse effect on our business.” and “-Risks Related to Our Business-Recent turnover with our Board of Directors may disrupt our operations, our strategic focus or our ability to drive stockholder value.”

In addition, as a public company, we are subject to financial reporting, internal controls over financial reporting and other requirements, including Nasdaq continued listing requirements. Our failure to timely comply with these periodic reporting requirements has resulted in the delisting of our Class A common stock, which could adversely affect investor confidence in our Company and, as a result, the value of our common stock. A failure to maintain adequate internal controls over financial reporting could adversely affect investor confidence in the accuracy of our financial statements which may have an unfavorable impact on the value of our common stock. In addition, our failure to timely comply with reporting requirements has resulted our inability to complete franchise sales and to provide current financial information to our investors. See “-Our Class A common stock is quoted on the OTC Market, which may have an unfavorable impact on our stock price and liquidity.”

We are named in federal securities class action lawsuits and derivative complaints; if we are unable to resolve these matters favorably, then our business, operating results and financial condition may be adversely affected.

We are currently involved in securities and derivative litigation in the Court of Chancery of the State of Delaware, United States District Court for the Eastern District of New York and the United States District Court in the Eastern

District of Virginia. See "Note 15 - Commitments and Contingencies" in the Notes to the Consolidated Financial Statements. We cannot at this time predict the outcome of these matters or reasonably determine the probability of a material adverse result or reasonably estimate range of potential exposure, if any, that these matters might have on us, our business, our financial condition or our results of operations, although such effects could be materially adverse. In addition, in the future, we may need to record litigation reserves with respect to these matters. Further, regardless of how these matters proceed, it could divert our management’s attention and other resources away from our business.

We will no longer be an “emerging growth company,” and we may no longer take advantage of certain exemptions from various reporting requirements.

Table of Contents

Concurrent with the filing of our Annual Report on Form 10-K for the year ended April 30, 2018, we will no longer be an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") enacted in April 2012, and we will not be able to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are emerging growth companies. As such, we will be required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. Further, we will not be able to take advantage of the same reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements that smaller reporting companies are permitted to provide or exemptions from the requirements of holding a nonbinding advisory stockholder vote on executive compensation, frequency of approval of executive compensation, and of any golden parachute payments not previously approved. In addition, we will no longer be able to take advantage of Section 107 of the JOBS Act that provides that an emerging growth company may take advantage of the extended transition period provided in the Securities Act of 1933 (the "Securities Act") and the Exchange Act for complying with new or revised accounting standards.

Although we may desire to continue to pay dividends in the future, our financial condition, debt covenants, or Delaware law may prohibit us from doing so.

We began declaring and paying cash dividends on our common stock in April 2015. Although we have announced a $0.16 per share quarterly cash dividend and may continue to pay cash dividends in the future, the payment of dividends will be at the discretion of our Board of Directors and will depend, among other things, on our earnings, capital requirements, and financial condition. Our ability to pay dividends will also be subject to compliance with financial covenants that are contained in our credit facility and may be restricted by any future indebtedness that we incur or issuances of preferred stock. In addition, applicable law requires our Board of Directors to determine that we have adequate surplus prior to the declaration of dividends. We cannot provide an assurance that we will continue to pay dividends at any specific level or at all.

Anti-takeover provisions in our charter documents, Delaware law, and our credit facility could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management, and adversely affect the value of our Class A common stock.

Provisions in our amended and restated certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and bylaws also include provisions that:

- authorize our Board of Directors to issue, without further action by the stockholders, up to approximately 3.0 million shares of undesignated preferred stock;

- specify that special meetings of our stockholders can be called only by our Board of Directors, the Chair of our Board of Directors, or holders of at least 20% of the shares that will be entitled to vote on the matters presented at such special meeting;

- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our Board of Directors; and

- do not provide for cumulative voting in the election of directors.

In addition, our credit facility contains covenants that may impede, discourage, or prevent a takeover of us. For instance, upon a change of control, we would default on our credit facility. As a result, a potential takeover may not occur unless sufficient funds are available to repay our outstanding debt.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our Board of Directors, which is responsible for appointing the members of our management. Any provision of our amended and restated certificate of incorporation and bylaws or our debt documents that has the effect of delaying or deterring a change of control could limit the opportunity for our stockholders to receive a premium for their shares of our Class A common stock. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect our stock value if they are viewed as discouraging takeover attempts in the future.

Risks Related to Our Franchise Business

Our success is tied to the growth and operations of our franchises, and their operations could adversely affect our business.

Table of Contents

Our financial success depends on our franchisees and the manner in which they operate and develop their offices. We do not exercise direct control over the day-to-day operations of our franchises, and our franchisees may not operate their offices in a manner consistent with our philosophy and standards and may not increase the level of revenues generated compared to prior tax seasons. Our growth and revenues may, therefore, be adversely affected. There can be no assurance that the training programs and quality control procedures we have established will be effective in enabling franchisees to run profitable tax preparation businesses or that we will be able to identify problems or take corrective action quickly enough. In addition, failure by a franchisee to provide service at acceptable levels may result in adverse publicity that can materially adversely affect our reputation and ability to compete in the market in which the franchisee is located. Further, franchisees are required to prepare tax returns solely through the use of our authorized software. Franchisees' failure to use the authorized software or conversely, the use of alternative software, prevents us from monitoring tax returns prepared by a franchisee for accuracy and may also prevent us from the opportunity to collect revenue such as royalties.

If our franchisees fail to open offices in new territories or if they are not successful in operating their new offices, our franchise-related revenue and results of operation will be adversely affected.

Each year, we anticipate adding offices to our franchise system, but the opening of these offices depends on the purchase of additional territories by our franchisees and on the opening of offices in territories previously purchased and newly purchased. Many factors go into opening a new office, including obtaining a suitable office location, the availability of sufficient start-up capital, and the ability to recruit tax preparers and other personnel to work in new offices. If a significant number of offices that we expect to be open in a tax season fail to open, are delayed, or open in unsuitable locations or with insufficient personnel, the revenue we expect to receive from royalty payments and the repayment of indebtedness to us by our franchisees will be adversely affected. Because we utilize an almost exclusive franchise business model, we do not have the same flexibility to open new offices as our competitors who make greater use of Company-owned offices. Additionally, our failure to timely comply with our periodic reporting requirements has resulted in the delisting of our Class A common stock, which has affected our ability to sell franchises in our fiscal year ended April 30, 2019.

Our operating results may be adversely affected by the default of our franchisees and ADs on loans made by us or third parties.

We extend financing to certain franchisees for initial franchise fees as cash advances for their working capital needs and for other purposes. The financing is in the form of promissory notes payable to us. There can be no assurance that any franchisee will generate revenue sufficient to repay any amounts due nor is there any assurance that any franchisee will be able to repay any amounts due through other means. We also extend financing to ADs from time-to-time for a portion of their area development fees. Any failure by the franchisees and ADs to pay these amounts, if the amounts are not recoverable by us through other means, could have a material adverse effect on our financial performance.

Moreover, in some cases, we may be liable for office leases or other contractual obligations that have been assumed by purchasers of Company-owned offices and acquired tax practices. If the franchisees default on third-party obligations for which we continue to have liability, our operating results will be adversely affected.

We may be held responsible by third parties, regulators, or courts for the action of, or failure to act, by our franchisees and be exposed to possible fines, other liabilities, and bad publicity.

We grant our franchisees a limited license to use our registered service marks and, accordingly, there is risk that one or more of the franchisees may be identified as being controlled by us. Third parties, regulators, or courts may seek to hold us responsible for the actions or failures to act by our franchisees. The extent to which franchisors should be held responsible for the behavior of their franchisees has become a more significant issue in recent years, with some government agencies taking the position that the extent to which a franchise system establishes requirements for franchisees may justify treating the franchisor as if it “controls” the franchisee’s behavior. Thus, the failure of our franchisees to comply with laws and regulations may expose us to liability and damages that may have an adverse effect on our business.

The Liberty Tax brand could be impaired due to actions taken by our franchisees, their employees or otherwise.

We believe the Liberty Tax brand is one of our most valuable assets in that it provides us with a competitive advantage, particularly over our competitors that do not have a national presence. Our franchisees operate their businesses under our brand. Because our franchisees are independent third parties with their own financial objectives, actions taken by them, including breaches of their contractual obligations, and negative publicity associated with these actions, could adversely affect our reputation and brand more broadly. Any actions as a result of conduct by our franchisees, their employees or otherwise which negatively impacts our reputation and brand may result in fewer customers and lower revenues and profits for us.

Table of Contents

Our tax return preparation compliance program may not be successful in detecting all problems in our franchisee network, and franchisee non-compliance, fraud and other misconduct and related enforcement action may damage our reputation and adversely affect our business.

Although our tax return preparation compliance program seeks to monitor the activities of our franchisees, it is unlikely to detect every problem. While we have implemented a variety of measures to enhance tax return preparation compliance as well as our monitoring of these activities, there can be no assurance that franchisees and tax preparers will follow these procedures. From time to time, the federal and/or state authorities may take adverse action against franchisees or preparers related to tax compliance issues, seeking injunctions, damages or even criminal sanctions with respect to such behavior. Failure to detect and prevent tax return preparation compliance issues could expose us to the risk of government investigation or litigation, result in bad publicity and reputational harm, and could subject us to remedies and loss of customers that could cause our revenues or profitability to decline. See “-Risks Related to Our Business-If we fail to protect or fail to comply with laws and regulations related to our customers' personal information, we may face significant fines, penalties, or damages and our brand and reputation may be harmed.”

In fiscal 2016, the DOJ announced two lawsuits against certain of our former franchisees and two lawsuits against then-existing franchisees, which concluded in fiscal 2017. Allegations involved claims of fraudulent tax preparation. We were not named as a defendant in these suits. Further, in fiscal 2017, the state of Maryland, Office of the Comptroller suspended the processing of electronic and paper returns of one franchisee and two offices in that state. In fiscal 2018, the DOJ filed suit against one former and two then active franchisees in Florida based upon their alleged preparation of fraudulent tax returns. Also during fiscal 2018, the DOJ indicted four Milwaukee tax preparers based upon their alleged filing of fraudulent tax returns. We are cooperating with the applicable governmental authorities in connection with their investigations. We have continued to enhance our Compliance Department tasked with examining and preventing non-compliance, fraud and other misconduct among our franchisees and their employees. Nonetheless, there can be no assurance that our Compliance Department, the tax return preparation compliance program, or other efforts will be effective in eliminating non-compliance, fraud and other misconduct among our franchisees and/or employees. Accordingly, any such non-compliance, fraud or other misconduct may have a material adverse effect on our reputation, financial condition and results of operations.

Disputes with our franchisees may have a material adverse effect on our business.

From time to time, we engage in disputes with some of our franchisees, and some of these disputes result in litigation or arbitration proceedings. Disputes with our franchisees may require us to incur significant legal fees, subject us to damages, and occupy a disproportionate amount of management's time. A material increase in the number of these disputes, or unfavorable outcomes in these disputes, may have a material adverse effect on our business. To the extent we have disputes with our franchisees, our relationships with our franchisees could be negatively impacted, which could hurt our growth prospects or negatively impact our financial performance.

Our operating results depend on the effectiveness of our marketing and advertising programs and franchisee support of these programs.

Our revenues are heavily influenced by brand marketing and advertising. If our marketing and advertising programs are unsuccessful, we may fail to retain existing customers and attract new customers, which could limit the growth of our revenues or profitability or result in a decline in our revenues or profitability. Moreover, because franchisees are required to pay us marketing and advertising fees based on a percentage of their revenues, our marketing fund expenditures are dependent upon sales volumes of our franchisees.

The support of our franchisees is critical for the success of our marketing programs and any new strategic initiatives we seek to undertake. While we can mandate certain strategic initiatives through enforcement of our franchise agreements, we need the active support of our franchisees if the implementation of our marketing programs and strategic initiatives is to be successful. Although certain actions are required of our franchisees under the franchise agreements, there can be no assurance that our franchisees will continue to support our marketing programs and strategic initiatives. The failure of our franchisees to support our marketing programs and strategic initiatives would adversely affect our ability to implement our business strategy and could have a material adverse effect on our business, financial condition, and results of operations.

Our launch of a new franchise brand or other business ventures may be unsuccessful and consume significant management and financial resources.

Table of Contents

During fiscal 2015, we launched a new franchise brand, SiempreTax+, designed to enable our franchisees to better serve Hispanic customers and to assist us in building out our franchise network. Although franchisees opened a significant number of SiempreTax+ offices for the 2018, 2017 and 2016 tax seasons, the launch of a new nationwide brand involves substantial risks and uncertainties, and the interest of prospective franchisees and customers in the new brand may not be sufficient to permit us to grow the brand as rapidly as we hope. We expended significant management time and start-up expenses during the first year of this brand, and if the brand is not successful or falls short of anticipated growth, we may be adversely affected by continued expenses and the diversion of management time to this initiative at the expense of our core Liberty Tax brand. In the future, we may also launch additional business brands or initiatives which could negatively impact our financial performance if unsuccessful or underperforming.

Risks Related to Regulation of Our Industry

Federal and state regulators may impose new regulations on non-loan tax settlement products that would make those products more expensive for us to offer or more difficult for our customers to obtain.

Consumer advocacy organizations and some government officials have asserted that non-loan tax settlement products, such as the refund transfer products we offer, should be treated as loan products or otherwise be more heavily regulated. These groups assert that refund transfer products and similar products are loans because most customers complete the payment for their tax preparation and related fees at the time their refund is disbursed, and therefore, the customer has received an extension of credit because of a purported deferral of the tax preparation fees until the refund is received. We are subject to a judgment in the State of California that treats refund transfer product products that we provide in that state as if they were extensions of credit. In addition, certain litigation discussed below involving us and others in the tax industry include claims that refund transfer products and similar products constitute loans or extensions of credit. If other state or federal courts or agencies successfully require us to treat refund transfer products as if they are loans or extensions of credit, we may be subject to the cost of additional regulation, including disclosure requirements that could reduce the demand for these products by potential customers and may be subject to limitations on our ability to offer these products, which could materially adversely affect our operations. See "Note 15 - Commitments and Contingencies" in the Notes to the Consolidated Financial Statements.

We may be unsuccessful in litigation that characterizes refund transfer products as loans, which could subject us to damages and additional regulation, and which could adversely affect our ability to offer tax settlement products and have a material adverse effect on our operations and financial results.

We were sued in November 2011 in four states, and additional lawsuits have been filed in five other states since the initial filings. These cases have now been consolidated before a single judge in federal court in the Northern District of Illinois. The consolidated complaint alleges violations of state-specific refund anticipation loan and other consumer statutes alleging that a refund transfer product represents a form of refund anticipation loan because the taxpayer is “loaned” the tax preparation fee, and that a refund transfer product is, therefore, subject to federal truth-in-lending disclosure and state law requirements regulating refund anticipation loans. We are aware that virtually identical lawsuits were filed against three of our competitors. In June 2015, we entered into a settlement agreement in this case in order to minimize the expense of litigation and the risk attendant to the litigation. Although this case was resolved through a settlement, the underlying issue may be the subject of additional regulation and litigation. We may also become subject to existing state regulations governing refund anticipation loans (in the states that have such regulations) and the costs of additional regulation, including disclosure requirements, and we may be subject to limitations on our ability to offer these products. These additional disclosure requirements could reduce the demand for these products by potential customers, and the possible application of state lending and other refund anticipation loan-related statutes and regulations might adversely affect our fee income to the extent those statutes or regulations impose limitations on fees that we now charge in connection with refund transfer products. If it becomes more difficult for us and our franchisees to offer these products to taxpayers, or if we are subject to damages in future litigation, it could materially and adversely affect our operations and financial results. See "Item 1-Business-Regulation-Potential regulation of refund transfer products or treatment of refund transfer products as loans or extensions of credit."

The failure by us, our franchisees, the financial institutions, and other lenders that provide tax settlement products to our customers through us and our franchisees, to comply with legal and regulatory requirements, including with respect to tax return preparation or tax settlement products, could result in substantial sanctions against us or require changes to our business practices that could harm our profitability and reputation.

Our tax return preparation business, including our franchise operations and facilitation of tax settlement products, are subject to extensive regulation and oversight in the United States by the IRS, the FTC, and by federal and state regulatory and law enforcement agencies and similar entities in Canada. The profitability of our future operations will, therefore, depend in large part on our continued ability to comply with federal and state franchise regulations, and in Canada, on our continued ability to comply with Canadian and provincial franchise regulations. If governmental agencies with jurisdiction over our operations were to conclude that our business practices, the practices of our franchisees, or those of financial institutions and other lenders with which we conduct our business violate applicable laws, we could become subject to sanctions that could have a material adverse effect on our business, financial condition, and results of operations. These sanctions may include, without limitation:

- civil monetary damages and penalties,
- criminal penalties, and
- injunctions or other restrictions on the manner in which we conduct our business.

In addition, the financial institutions and other providers of tax settlement products to our customers are also subject to significant regulation and oversight by federal and state regulators, including banking regulators. The failure of these providers to comply with the regulatory requirements of federal and state government regulatory bodies, including banking and consumer protection laws, could affect their ability to continue to provide tax settlement products to our customers, which could have a material adverse effect on our business, financial condition, and results of operations.

Our customers' inability to obtain tax settlement products through our tax return preparation offices could cause our revenues or profitability to decline. We also may be required to change business practices, which could alter the way tax settlement products are facilitated and could cause our revenues or profitability to decline.

Federal and state legislators and regulators have taken an active role in regulating tax settlement products and, because our ability to offer these products in future tax seasons may be limited, demand for our services may be reduced, we may be exposed to additional credit risk, and our business may be harmed.

Financial institutions that provide or otherwise facilitate tax settlement products are subject to significant regulation and oversight by federal and state regulators, including banking regulators. Federal and state laws and regulations govern numerous matters relating to the offering of consumer loan products, such as Refund Advances and consumer deposit products such as refund transfers. From time to time, government officials at the federal and state levels may introduce and enact legislation and regulations proposing to further regulate or prevent the facilitation of refund-based loans and other tax settlement products and take other actions that have the effect of restricting the availability of these products. In July 2011, the Consumer Financial Protection Bureau (“CFPB”) was created by the Dodd-Frank Act to administer and enforce consumer protection laws and regulation in the financial sector. Certain proposed legislation, regulations, and activities by CFPB or other regulators could increase costs to us, our franchisees, the financial institutions, and other parties that provide our tax settlement products or could negatively impact or eliminate the ability of financial institutions to provide or facilitate tax settlement products through tax return preparation offices.

Even if we were to develop relationships that allow our customers to obtain refund-related loans through non-bank lenders, the laws and regulations that apply to those financial institutions and us may make these products more expensive to offer or limit their availability to our customers. In addition, many states have statutes regulating through licensing and other requirements the activities of brokering loans and providing credit services to consumers as well as payday loan laws and local usury laws. Some state regulators are interpreting these laws in a manner that could adversely affect the manner in which tax settlement products are facilitated, or permitted, or result in fines or penalties to us or our franchisees. Some states are introducing and enacting legislation that would seek to directly apply such laws to the facilitators of refund-based loans. Additional states may interpret these laws in a manner that is adverse to how we currently conduct our business or how we have conducted our business in the past, and we may be required to change business practices or otherwise comply with these statutes and could be subject to fines, penalties, or other payments related to past conduct.

If our financial product service providers become unable or unwilling to enable us to offer refund transfer products, we may be unable to offer tax settlement products to our customers.

Our ability to offer refund transfer products (as well as other tax settlement products that require the creation of a customer bank account) is dependent on the ability and willingness of our financial product service providers to make available to our customers the bank accounts into which their tax refunds are deposited. If any of the federal or state regulatory authorities with the power to regulate these service providers prevents or makes it more difficult for our service providers to make these bank accounts available to our customers or if the service providers determine that they no longer wish to participate in these transactions, we may be unable to find alternative service providers that will be willing to provide the required number of bank accounts to our customers. If we are unable to make bank accounts available for refund transfer products, we will not be able to enable our customers to utilize these accounts for the direct deposit of their federal and state tax returns, which would materially affect our ability to offer tax settlement products to those customers. In addition, statutes applicable to acceptable refund transfer fees are state specific which may adversely affect how we currently conduct or have conducted our business in the past and may require change to such business practices to otherwise comply with these statutes and could be subject to fines, penalties, or other payments related to past conduct.

Regulatory actions could have an adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

We are subject to additional federal, state, local, and foreign laws and regulations, including, without limitation, in the areas of franchise, labor, immigration, advertising, consumer protection, financial services and products, payment processing, privacy, anti-competition, environmental, health and safety, insurance, and healthcare. There have been significant new regulations and heightened focus by the government in some of these areas, including, for example, healthcare, consumer financial services and products, and labor, including overtime and exemption regulations and state and local laws on minimum wage and other labor-related issues. There may be additional regulatory actions or enforcement priorities, or new interpretations of existing requirements that differ from ours. These developments could impose unanticipated limitations or require changes to our business, which may make elements of our business more expensive, less efficient, or impossible to conduct, and may require us to modify our current or future services or products, which effects may be heightened given the nature, broad geographic scope, and seasonality of our business.

Increased regulation of tax return preparers could make it more difficult to find qualified tax preparers and could harm our business.

From time to time, the federal government and various states consider regulations regarding the education, testing, licensing, certification, and registration of tax return preparers. Although the IRS' effort to implement a new model for tax return preparer regulation has been declared invalid by a federal appeals court, Congressional action authorizing mandatory regulation may be adopted in the future, and various states have begun to fill the void created by the absence of federal tax return preparer regulation by proposing new or enhanced regulatory requirements at the state level. Although we believe that our training for preparers already exceeds the requirements the IRS had proposed and that states have adopted or have proposed, regulation of tax return preparers could impact our ability to find an adequate number of tax return preparers to meet the demands of our customers and impose additional costs on us and our franchisees to train tax return preparers, which could cause our revenues and profitability to decline.

Immigration reform may lead our customers to seek our assistance with matters related to immigration reform and may subject us to additional regulatory risk.

We believe that any material immigration reform, whether implemented by executive action or by Congress, will necessarily involve the use of prior tax returns as a means by which undocumented immigrants may demonstrate their presence in the United States and compliance with federal and state tax laws. We anticipate that any additional customers we might obtain because of this opportunity to prepare additional tax returns may also seek our assistance in their efforts to comply with whatever processes are implemented to enable undocumented immigrants to take advantage of the benefits of any immigration reform initiatives. We and our franchisees may be subject to state restrictions on the unauthorized practice of law, and other federal and state restrictions regarding who may advise individuals with respect to immigration matters, and failure to comply with these regulatory restrictions may subject us and our franchisees to enforcement action and adversely affect our business.

Risks Related to Changes in Tax Laws and Regulations

New or revised tax regulations could have a material effect on our financial results.

The tax environment in which we operate is evolving rapidly with the recent enactment of sweeping corporate tax changes. The President of the United States signed into law tax legislation commonly known as the Tax Cuts and Jobs Act (the “Tax Act”) on December 22, 2017. The Tax Act, among other things, contains significant changes to corporate taxation, including: (1) a reduction of the corporate tax rate from a top marginal rate of 35% to a flat rate of 21%; (2) a limitation of the tax deduction for interest expense to 30% of adjusted earnings (except for certain small businesses); (3) a limitation of the deduction for net operating losses to 80% of current year taxable income and elimination of net operating loss carrybacks; (4) immediate deductions for certain new investments (instead of deductions for depreciation expense over time); (5) limitations of certain executive compensation deductions; and (6) limitations or repeals of many business deductions and credits. In addition to cutting the corporate tax rate, the Tax Act also lowers individual income tax rates and increases the standard deduction, making it easier for many individuals to file their own taxes or use our online, digital “Do It Yourself” tax program.

The effect of the Tax Act on us may also be affected by future regulations and interpretations of the IRS regarding the Tax Act and the long-term effect is difficult to predict. Additionally, we operate in many states and are subject to the tax laws of those states. We are unable to predict how we may be affected by changes, or lack of changes, to state tax laws that may be made in response to the Tax Act by the states in which we operate. Accordingly, the risk exists that the Tax Act, IRS regulations and interpretations of the Tax Act and changes in, or lack of changes in, state tax laws could materially and adversely affect our business cash flows, results of operations and financial condition.

Because demand for our products is related to the complexity of tax return preparation and the frequency of tax law changes, government initiatives that simplify tax return preparation, reduce the need for a third-party tax return preparer, or lower the number of returns required to be filed may decrease demand for our services and financial products.

Many taxpayers seek assistance from paid tax return preparers such as Liberty Tax Service because of the level of complexity involved in tax return preparation and filing and frequent changes in the tax laws. From time to time politicians and government officials propose measures seeking to simplify the preparation and filing of tax returns. The passage of any measures that significantly simplify tax return preparation or reduce the need for third-party tax return preparers may be highly detrimental to our business. In addition, any changes or other initiatives that result in a decrease in the number of tax returns filed or reduce the size of tax refunds could reduce demand for our products and services causing our revenues or profitability to decline.

For example, several members of Congress have proposed legislation that would authorize or require the IRS to allow taxpayers to access web-based tax preparation tools that would include “pre-populated” tax return forms that would presumably include data provided to the IRS from other government agencies, such as the Social Security Administration. If these or similar proposals are enacted, many tax customers might elect those services rather than paid tax preparation or the use of fee-based tax software or online tax preparation.

Initiatives that improve the timing and efficiency of processing tax returns could reduce the attractiveness of the tax settlement products offered to our customers and demand for our services.

Our performance depends on our ability to offer access to tax settlement products that increase the speed and efficiency by which our customers can receive their refunds. The federal government and various state and local municipalities have, from time to time, announced initiatives designed to modernize their operations and improve the timing and efficiency of processing tax returns. For example, during a prior tax season, the U.S. Department of Treasury introduced a prepaid debit card pilot program designed to facilitate the refund process. If tax authorities are able to significantly increase the speed and efficiency with which they process tax returns, the value and attractiveness of the tax settlement products offered to our customers and demand for our services could be reduced.

Delays in the passage of tax laws and the implementation by the federal or state governments could harm our business.

The enactment of tax legislation occurring late in the calendar year could result in the beginning of tax filing season being delayed or make it difficult for us to make necessary changes on a timely basis to the software used by our franchisees to prepare tax returns. Any such delays could impact our revenues and profitability in any given year.

Proposals to make fundamental changes in the way tax refunds are processed or to impose price limitations on tax preparation, if enacted, could result in substantial losses of customers and other risks.

Some regulators have suggested that it would be appropriate to allow taxpayers to "split" their tax refunds, in a manner that would separate the payment of tax preparation fees from the balance of a customer's refund. In describing these proposals, some advocates have called for a cap on tax preparation fees that would adversely affect the ability of tax preparers to charge market prices for tax services and could reduce income to our franchisees, and therefore, to us. Other proposals have been advanced that would attempt to reduce tax refund fraud by significantly postponing the speed with which refunds are processed, or even postponing the processing of refunds until after the April 15 federal tax filing deadline. Such a change would likely have the effect of devaluing services that allow tax customers in the early portion of the tax season to receive their refunds on a more expedited basis that is available when electronic filing is not used and could therefore reduce the demand for the services we and our franchisees provide.

There can be no assurance that these proposals will be enacted at all or in their present form but if enacted, our growth and revenues could be adversely affected.

Table of Contents

Our participation in government programs designed to speed access to tax refunds may result in customer loss when the IRS fails to perform.

The IRS has responded to the increase in electronic filing by developing programs designed to reduce a taxpayer's wait to receive a tax refund. In the past, we participated in some programs offered by the IRS that did not perform as expected, resulting in significant delays in processing refunds for some of our customers. Although we continue to seek to give our customers quicker access to their refunds, doing so involves the risk of customer dissatisfaction and injury to our reputation in the market if the IRS fails to perform, which is outside our control.

Item 1B. Unresolved Staff Comments.
None.

Item 2. Properties.
We own our corporate headquarters, located in four buildings, totaling approximately 96 thousand square feet. Our principal executive office is located at 1716 Corporate Landing Parkway, Virginia Beach, Virginia 23454. We also own additional properties in Ohio, New York, Tennessee, and Virginia, which are used as Company-owned offices or leased to franchisees. The remainder of our Company-owned offices are operated under leases. We believe that our offices are in good condition and sufficient to meet our present and anticipated future needs.

Item 3. Legal Proceedings.
For information regarding legal proceedings, please see "Note 15 - Commitments and Contingencies" in the Notes to the Consolidated Financial Statements, which information is incorporated herein by reference.

Item 4. Mine Safety Disclosures.
Not applicable.

Table of Contents

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.

Market and Stock Information

Effective at the open of business on August 2, 2018, our Class A common stock was suspended from trading on The Nasdaq Global Select Market (“Nasdaq”). Since then, our Class A common stock has been quoted on the OTC Market and is currently traded under the symbol “TAXA.” Prior to the suspension, our Class A common stock had traded on Nasdaq under the symbol "TAX" since July 2, 2012. We traded on the over-the-counter bulletin board from June 14, 2012 until July 1, 2012. Prior to that time, there was no public market for our Class A common stock. The following table sets forth for the periods indicated the high and low sale prices of our Class A common stock on Nasdaq.

	2018		2017	
	Sales Price		Sales Price	
	High	Low	High	Low
First Quarter	$15.00	$10.88	$15.14	$9.95
Second Quarter	14.70	11.75	14.51	11.25
Third Quarter	14.00	9.90	15.52	11.28
Fourth Quarter	10.80	7.75	16.20	13.25

As of April 30, 2018, our stockholders' equity consisted of the following: 12,823,020 shares of Class A common stock, 200,000 shares of Class B common stock, 10 shares of special voting preferred stock and 1,000,000 exchangeable shares which we treat as common stock equivalents. As of April 30, 2018, options to acquire 472,503 shares of Class A common stock were outstanding, 205,070 of which were immediately exercisable. Pursuant to certain transactions which occurred in July 2018, no shares of our Class B common stock, special voting preferred stock, or exchangeable shares remain outstanding.

Holders of Record

As of October 1, 2018, we had approximately 191 registered record holders of our Class A common stock. The reported closing price of our Class A common stock on October 1, 2018 was $11.65, Wells Fargo Shareowner Services is the transfer agent and registrar for our Class A common stock.

Dividends

Until our dividend paid in April 2015, we had never declared or paid a cash dividend on our common stock. Although we have announced a $0.16 per share quarterly cash dividend and may continue to pay cash dividends in the future, the payment of dividends will be at the discretion of our Board of Directors and will depend, among other things, on our earnings, capital requirements, and financial condition. Our ability to pay dividends will also be subject to compliance with financial covenants that are contained in our credit facility and may be restricted by any future indebtedness that we incur or issuances of preferred stock. In addition, applicable law requires our Board of Directors to determine that we have adequate surplus prior to the declaration of dividends. We cannot provide an assurance that we will continue to pay dividends at any specific level or at all.

Share Repurchases

Our Board of Directors has authorized up to $10.0 million for share repurchases. This authorization has no specific expiration date and cash proceeds from stock option exercises increase the amount of the authorization. In addition, the Board of Directors authorized an Area Developer repurchase program which reduces the amount of the share repurchase authorization on a dollar for dollar basis. Shares repurchased from option exercises and RSUs vesting that are net-share settled by us and shares repurchased in privately negotiated transactions are not considered share repurchases under this authorization.

Table of Contents

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Remaining Maximum Value of Shares that may be Purchased Under the Plan (1) (in thousands)
February 1 through February 28, 2018	—	$ ——		$ 5,793
March 1 through March 31, 2018	—	—	—	4,258
April 1 through April 30, 2018	—	—	—	4,258
Total	—		—	

(1) As part of the Area Developer repurchase program, the Company expended $1.5 million during the quarter.

During fiscal 2018, we did not repurchase any shares of our Class A common stock.

Stock Performance Graph

The graph below compares the cumulative total return provided stockholders on the Company's Class A common stock relative to the cumulative total returns of the Russell 2000 index and the S&P Diversified Commercial & Professional Services index. Returns assume an initial investment of $100 at the market close on June 14, 2012, and then for the periods ended April 30, 2013, 2014, 2015, 2016, 2017, and 2018. Dividends, if any, are assumed to have been reinvested.

Table of Contents

Item 6. Selected Financial Data.

The following selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 below and our Consolidated Financial Statements and related notes included in Item 15. We derived the consolidated statements of income data for the years ended April 30, 2018, 2017, and 2016 and the consolidated balance sheet data as of April 30, 2018 and 2017 from our audited consolidated financial statements included in Item 8. The consolidated statements of income data for the years ended April 30, 2015 and 2014 and the consolidated balance sheet data as of April 30, 2016, 2015, and 2014 are derived from our audited consolidated financial statements for such periods, respectively, not included in this annual report. Our historical results are not necessarily indicative of the results that may be expected in the future.

	Fiscal Years Ended and as of April 30,				
	2018	2017	2016	2015	2014
	(amounts in thousands, except per share, franchisees, offices, per franchisee amounts, fee per tax return, and per office amounts)				
Consolidated Statements of Income Data:					
Total revenue	$174,872	$173,985	$173,429	$162,172	$159,696
Total operating expenses	(167,273)	(150,664)	(140,941)	(146,780)	(124,875)
Income from operations	7,599	23,321	32,488	15,392	34,821
Net income	$135	$13,013	$19,420	$8,690	$21,982
Consolidated Balance Sheet Data:					
Amounts due from franchisees and ADs less unrecognized revenue, net of allowances	$72,405	$90,728	$95,226	$86,680	$81,480
Property, equipment, and software, net	38,636	39,789	40,957	36,232	38,343
Total assets	178,003	204,268	193,223	183,994	198,640
Long-term obligations, including current installments	20,383	26,199	23,440	25,245	28,365
Total stockholders' equity	111,502	116,455	111,501	98,862	110,185

Table of Contents

	Fiscal Years Ended and as of April 30,				
	2018	2017	2016	2015	2014
	(amounts in thousands, except per share, franchisees, offices, per franchisee amounts, fee per tax return, and per office amounts)				
Other Financial and Operational Data:					
Adjusted EBITDA(1)	$35,233	$42,404	$43,208	$42,787	$44,734
Permanent	3,282	3,710	3,960	3,764	3,663
Seasonal	24	67	211	262	486
Processing Centers	37	46	54	43	26
Number of U.S. offices	3,343	3,823	4,225	4,069	4,175
Number of Canadian offices	267	254	262	259	263
Number of offices	3,610	4,077	4,487	4,328	4,438
Number of U.S. franchisees	1,582	1,753	1,856	1,907	1,959
Number of Canadian franchisees	138	133	130	125	145
Number of franchisees	1,720	1,886	1,986	2,032	2,104
Average number of offices per U.S. franchisee(2)	1.93	2.00	2.14	2.07	2.04
Average number of offices per Canadian franchisee(2)	1.59	1.58	1.62	1.62	1.57
Average number of offices per franchisee(2)	1.90	1.97	2.10	2.04	2.01
Number of tax returns filed in U.S. offices	1,487	1,657	1,832	1,907	1,890
Number of tax returns filed in Canadian offices	377	359	330	340	311
Number of tax returns filed online(3)	125	138	145	167	187
Number of tax returns filed	1,989	2,154	2,307	2,414	2,388
Systemwide revenue from U.S. offices(4)	$366,900	$386,000	$417,600	$413,200	$397,300
Systemwide revenue from Canadian offices (CN$)(4)	31,000	28,700	27,400	26,400	23,900
Systemwide revenue from Canadian offices (US$)(4)	24,100	21,500	21,200	21,800	21,800
Systemwide revenue per U.S. office(4)(5)	$109,752	$100,968	$98,840	$101,548	$95,162
Systemwide revenue per Canadian office (CN$)(4)(5)	116,105	112,992	104,580	101,931	90,875
Systemwide revenue per Canadian office (US$)(4)(5)	90,262	84,646	80,916	84,170	82,890
Net average fee per U.S. tax return filed(5)	$247	$233	$228	$217	$210
Net average fee per Canadian tax return filed (CN$)(5)	82	80	83	78	77
Net average fee per Canadian tax return filed (US$)(5)	64	60	64	64	70

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(1) Adjusted EBITDA is a non-GAAP financial measure, which we define as net income plus provision for income taxes, interest expense, certain other adjustments, depreciation, amortization, and impairment charges. Please see "Adjusted EBITDA" below for more information and for a reconciliation of Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP.
(2) The calculation of the average number of offices per franchisee excludes Company-owned offices.
(3) Previously reported online return counts for fiscal years prior to 2015 have been restated to reflect accepted e-files only. No changes were made to previously reported returns for office counts.

(4) Our systemwide revenue represents the total tax preparation revenue generated by our franchised and Company-owned offices. It does not represent our revenue because our franchise royalties are derived from the operations of our franchisees. Because we maintain an infrastructure to support systemwide operations, we consider growth in systemwide revenue to be an important measurement.
(5) Systemwide revenue per office and the net average fee per tax return filed reflect amounts for our franchised and Company-owned offices.

Table of Contents

Adjusted EBITDA

To provide additional information regarding our financial results, we have disclosed in the table above and within this annual report Adjusted EBITDA. Adjusted EBITDA represents net income, before income taxes, interest expense, depreciation and amortization, and certain other items specified below. We have provided a reconciliation below of Adjusted EBITDA to net income, the most directly comparable GAAP financial measure.

We have included Adjusted EBITDA in this annual report because we seek to manage our business to achieve higher levels of Adjusted EBITDA and to improve the level of Adjusted EBITDA as a percentage of revenue. In addition, it is a key basis upon which we assess the performance of our operations and management. We also use Adjusted EBITDA for business planning and the evaluation of acquisition opportunities. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA can provide a useful measure for period-to-period comparisons. We believe the presentation of Adjusted EBITDA enhances an overall understanding of the financial performance of and prospects for our business. Adjusted EBITDA is not a recognized financial measure under GAAP and may not be comparable to similarly titled measures used by other companies in our industry. Adjusted EBITDA should not be considered in isolation from or as an alternative to net income, operating income (loss), or any other performance measures derived in accordance with GAAP.

The following table presents a reconciliation of Adjusted EBITDA for each of the periods indicated.

	Fiscal Years Ended April 30,				
	2018	2017	2016	2015	2014
	(dollars in thousands)				
Reconciliation of Net Income to Adjusted EBITDA:					
Net income	$135	$13,013	$19,420	$8,690	$21,982
Interest expense	3,181	2,557	2,039	1,889	1,355
Income tax expense	4,346	7,754	11,058	4,811	13,654
Depreciation, amortization, and impairment charges	14,416	14,356	10,026	9,900	9,277
Impairment of online software and acquired customer lists	—	—	—	8,392	—
Net gain on available-for-sale securities	—	(50)	—	—	(2,183)
CEO Separation and related costs	3,503	—	—	—	—
Executive severance	2,965	877	413	1,488	614
Executive recruitment costs	325	—	—	—	—
Restatement costs	—	—	—	—	907
Restructuring charge	4,952	—	—	—	—
Accrued judgments and settlements, net of estimated recoveries	529	2,700	—	7,617	—
Compliance Task Force and related costs	881	1,197	252	—	—
Stock-based compensation expense (income) related to liability classified awards	—	—	—	—	(872)
Adjusted EBITDA	$35,233	$42,404	$43,208	$42,787	$44,734

Table of Contents

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

We are one of the leading providers of tax preparation services in the United States and Canada. Our tax preparation services and related tax settlement products are offered primarily through franchised locations, although we operate a limited number of Company-owned offices each tax season.

Our revenue primarily consists of the following components:

- Franchise Fees: Our standard franchise fee per territory is $40,000, and we offer our franchisees flexible structures and financing options for franchise fees. Franchise fee revenue is recognized when our obligations to prepare the franchisee for operation are substantially complete and as cash is received.
- AD Fees: Our fees for AD areas vary based on our assessment of the revenue potential of each AD area, and also depend on the performance of any existing franchisees within the AD area being sold. Our ADs generally receive 50% of franchise fees, royalties, and a portion of the interest income derived from territories located in their area. AD fees received are recognized as revenue on a straight-line basis over the initial contract term of each AD agreement, with the cumulative amount of revenue recognized not to exceed the amount of cash received.
- Royalties: Our franchise agreements require franchisees to pay us a base royalty typically equal to 14% of the franchisees' tax preparation revenue, subject to certain specified minimums.
- Advertising Fees: Our franchise agreements require all franchisees to pay us an advertising fee of 5% of the franchisees' tax preparation revenue, which we use primarily to fund collective advertising efforts.
- Financial Products: We offer two types of tax settlement financial products: refund transfer products, which involve providing a means by which a customer may receive his or her refund more quickly and conveniently, and refund-based loans. We earn fees from the arranging of the sale of these financial products.
- Interest Income: We earn interest income from our franchisees and ADs related to both indebtedness for the unpaid portions of their franchise and AD fees, and for other loans we extend to our franchisees related to the operation of their territories. We also earn interest on our accounts receivable.
- Assisted Tax Preparation Fees: We earn tax preparation fees, net of discounts, directly from both the operation of Company-owned offices in the U.S. and Canada.

- Electronic Filing Fee: We earn fees for the electronic filing of federal returns prepared in U.S. franchisee owned offices. Each location determines if they want to charge an electronic filing fee.

For purposes of this section and throughout this annual report, all references to "fiscal 2018," "fiscal 2017," and "fiscal 2016" refer to our fiscal years ended April 30, 2018, 2017, and 2016, respectively. For purposes of this section and throughout this annual report, all references to "year" or "years" are the respective fiscal year or years ended April 30 unless otherwise noted in this annual report, and all references to "tax season" refer to the period between January 1 and April 30 of the referenced year.

In evaluating our performance, management focuses on several metrics that we believe are key to our success:

- Net growth in permanent office locations. The change in permanent office locations from year to year is a function of the opening of new offices, offset by locations that our franchisees or we close. Opening new permanent offices can be accomplished by the sale of new territories or the opening of permanent offices in previously sold territories. As a result of a reduction in new territory sales, the closure of under-performing offices, as well as the termination of the franchise agreements with several large franchisees, the Company and its franchisees operated 428 less permanent locations during the 2018 tax season compared to 2017. In fiscal 2017, on a net basis, the company and our franchisees operated 250 less permanent offices in the U.S. compared to fiscal 2016.

We utilize our AD program to focus on areas with large underdeveloped groups of territories we believe would benefit from the dedicated sales attention that an AD brings to our franchise sales process. Although we intend to grow our franchise network through the sale of new AD areas, opportunities often arise to acquire underperforming AD areas or AD areas in mature markets at favorable terms, offering us better future profitability from the associated franchise locations.

Table of Contents

- Potential growth of SiempreTax+ brand. During fiscal 2015, we successfully launched our second brand, SiempreTax+. Given the demographic trends in the United States and the growing consumer purchasing power of the Hispanic community, we believe serving the Hispanic community through a separate brand that engages with customers in their preferred language and provides ancillary services unique to their needs presents a significant office growth opportunity. For this reason, our ability to grow this brand further should substantially contribute to our future ability to meet our growth goals.
- Number of returns prepared. We strive to provide our franchisees with the resources and training needed to grow their own revenue, which is primarily driven by the number of returns prepared. We and our franchisees prepared a total of approximately 1.5 million returns in our U.S. offices in fiscal 2018, which was a decrease of 10.3% from fiscal 2017 due to fewer offices. Our new retail offices typically experience their most rapid growth during the first five years as they develop customer loyalty, operational experience and a referral base within their community. The seasoning of our U.S. offices shown in the following table highlights the relatively young age of our offices, with 771 of 3,343 offices that were in operation for five or fewer years, including the 2018 tax season.

	Tax Season 2018 Office Age in Years						
	1	2	3	4	5	6+	Total
United States:							
Franchised permanent	66	108	185	156	143	2,330	2,988
Franchised seasonal	2	1	1	1	3	14	22
Total U.S. franchised offices	68	109	186	157	146	2,344	3,010
Company-owned permanent	—	13	34	20	10	217	294
Company-owned seasonal	—	—	1	—	—	1	2
Total U.S. Company-owned offices	—	13	35	20	10	218	296
Processing centers	1	6	11	4	5	10	37
Total U.S. offices	69	128	232	181	161	2,572	3,343
Canada:							
Franchised permanent	38	6	6	19	10	117	196
Franchised seasonal	1	—	1	1	1	19	23
Total Canadian franchised offices	39	6	7	20	11	136	219
Company-owned permanent	3	2	1	1	—	35	42
Company-owned seasonal	—	1	—	—	1	4	6
Total Canadian Company-owned offices	3	3	1	1	1	39	48
Total Canadian offices	42	9	8	21	12	175	267
Total offices	111	137	240	202	173	2,747	3,610

- Growth in systemwide revenue. Systemwide revenue, which is an operating measure not in accordance with GAAP, includes sales by both Company-owned and franchised offices. We believe systemwide revenue data is useful in assessing consumer demand for our services and products, the overall success of the Liberty Tax brand and, ultimately, the performance of the Company. Our royalty revenue is computed as a percentage of sales made by our franchised offices, less certain deductions. Accordingly, sales by our franchisees have a direct effect on the Company's royalty revenue and profitability. In addition, our systemwide revenue reflects the size of the Liberty Tax system, and because the size of our franchise system drives our management and infrastructure needs, systemwide revenue data helps us assess those needs in comparison to other companies in our industry and other franchise operators.

Table of Contents

Our systemwide revenue in the U.S. decreased by 4.9% from fiscal 2017 to 2018 and decreased 7.6% from fiscal 2016 to fiscal 2017. We experienced a 5.9% increase in average net fee per return filed in the U.S. from $233 in fiscal 2017 to $247 in fiscal 2018 and a decrease of 10.3% in number of tax returns filed in the U.S. processed from 1,657,000 in fiscal 2017 to 1,487,000 in fiscal 2018.

- Tax settlement products obtained by U.S. customers. The total percentage of our U.S. customers obtaining a refund transfer product decreased to 46.1% during fiscal 2018 compared to 47.6% during fiscal 2017. As we have demonstrated our ability to offer products through JTH Financial, we have been successful in obtaining more favorable terms from outside vendors. Each year we analyze available tax settlement product solutions to balance risk and maximize profit per product.
- Company-owned stores. We operate Company-owned offices, substantially all of which are held for sale. If these offices remain unsold at the start of a tax season, we will operate them for the tax season with the intent of selling them to qualified franchisees the next year, and, as a result, the number of Company-owned offices will vary from year to year. Going forward the number of Company-owned offices may increase if the Company reacquires more offices from existing franchisees and does not find a suitable buyer to take over the office. During fiscal 2018, the Company closed Company-owned offices as part of its restructuring initiatives. The Company will be evaluating additional Company-owned offices after the tax season which may result in the closing of additional offices. The Company incurred approximately $5.0 million of expenses related to restructuring initiatives in fiscal 2018. The Company expects additional charges in fiscal 2019 primarily associated with property and intangible impairments and exit costs which are estimated to range from $10.0 million to $12.0 million.

Results of Operations

Fiscal year 2018 compared to fiscal year 2017

Revenues. The table below sets forth the components and changes in our revenue for the years ended April 30, 2018 and 2017.

	Fiscal Years Ended April 30,			
			Change	
	2018	2017	$	%
	(dollars in thousands)			
Franchise fees	$1,793	$2,659	$(866)	(33)%
Area Developers fees	2,751	4,177	(1,426)	(34)%
Royalties and advertising fees	68,559	74,291	(5,732)	(8)%
Financial products	47,225	51,829	(4,604)	(9)%
Interest income	9,895	12,955	(3,060)	(24)%
Assisted tax preparation fees, net of discounts	26,645	21,600	5,045	23 %
Electronic Filing Fee	10,772	—	10,772	N/A
Other	7,232	6,474	758	12 %
Total revenue	$174,872	$173,985	$887	1 %

Our total revenue increased by $0.9 million, or 1%, in fiscal 2018 over fiscal 2017. This increase was primarily due to the following:

- a $10.8 million increase in a new optional electronic filing fee related to federal returns prepared in U.S. franchisee owned offices; and
- a $5.0 million increase in assisted tax preparation fees driven by the year-round accounting offices we acquired in late fiscal 2017 as well as an increase in the number of returns prepared in company-owned offices.

These increases were primarily offset by the following:

- a reduction of $5.7 million in royalty and advertising fees and a decrease of $4.6 million in financial products both related to a decrease in the number of tax returns processed by our franchisees;

Table of Contents

- a decline of $3.1 million in interest income related to a reduction in working capital loans to franchisees as well a decrease in the loans due from reacquired ADs and franchisees; and
- a decrease of $1.4 million in AD fees as a result of prior year sales that have now been fully recognized over the life of the original agreements.

Operating expenses. The following table details the amounts and changes in our operating expenses in and from fiscal 2018 and fiscal 2017.

	Fiscal Years Ended April 30,			
			Change	
	2018	2017	$	%
	(dollars in thousands)			
Employee compensation and benefits	$50,003	$44,615	$5,388	12 %
Selling, general, and administrative expenses	69,012	58,159	10,853	19 %
Area Developers expense	16,564	22,461	(5,897)	(26)%
Advertising expense	12,326	11,073	1,253	11 %
Depreciation, amortization, and impairment charges	14,416	14,356	60	— %
Restructuring expense	4,952	—	4,952	N/A
Total operating expenses	$167,273	$150,664	$16,609	11 %

Total operating expenses increased $16.6 million, or 11%, in fiscal 2018 compared to fiscal 2017. The increase was primarily attributable to the following:

- a $10.9 million increase in selling, general and administrative expenses primarily due to incentives to franchisees for electronic filing charges on U.S. federal returns, bad debt expense resulting from franchisee terminations and increased professional fees related to litigation and management turnover costs;
- an increase in employee compensation and benefits of $5.4 million primarily resulting from executive severance as well as an increase in the compensation related to operating our new year-round accounting offices;
- a $5.0 million increase in restructuring expenses primarily related to company-store exit costs and the one-time termination of a service provider contract; and
- a $1.3 million increase in advertising expense primarily related to increased franchise sales marketing costs.

These increases were partially offset by:

- a decrease of $5.9 million in AD expense resulting from acquisitions of area developers and a decrease in the number of tax returns filed.

Income Taxes. The following table sets forth certain information regarding our income taxes for the fiscal years ended April 30, 2018 and 2017.

	Fiscal Years Ended April 30,			
			Change	
	2018	2017	$	%
	(dollars in thousands)			
Income before income taxes	$4,481	$20,767	$(16,286)	(78)%
Income tax expense	4,346	7,754	(3,408)	(44)%
Effective tax rate	97.0 %	37.3 %		

The decrease in our income tax expense in fiscal 2018 compared to fiscal 2017 relates primarily to the decrease in our income before income taxes. The increase in the effective tax rate is driven by the impact of the one-time transition tax and adjustment of deferred tax assets and liabilities from the Tax Cuts and Jobs Act.

Net income. Our net income decreased by 99% in fiscal 2018 over fiscal 2017, due primarily as a result of higher operating expenses and a higher effective tax rate as noted above.

Table of Contents

Fiscal year 2017 compared to fiscal year 2016

Revenues. The table below sets forth the components and changes in our revenue for the years ended April 30, 2017 and 2016.

	Fiscal Years Ended April 30,			
			Change	
	2017	2016	$	%
	(dollars in thousands)			
Franchise fees	$2,659	$5,038	$(2,379)	(47)%
Area Developers fees	4,177	6,008	(1,831)	(30)%
Royalties and advertising fees	74,291	80,274	(5,983)	(7)%
Financial products	51,829	45,327	6,502	14 %
Interest income	12,955	13,578	(623)	(5)%
Assisted tax preparation fees, net of discounts	21,600	15,775	5,825	37 %
Other	6,474	7,429	(955)	(13)%
Total revenue	$173,985	$173,429	$556	— %

Our total revenue increased by $0.6 million, or 0.3%, in fiscal 2017 over fiscal 2016. This increase was primarily due to the following:

- a $6.5 million increase in financial products, due primarily to an increase in the volume and price of refund advance loans originated and increased pricing on our refund transfer product. These increases were partially offset by a decrease in the number of customers who obtained a refund transfer product; and
- a $5.8 million increase in assisted tax preparation fees driven by an increase in the number of Company-owned offices in fiscal 2017 as compared to fiscal 2016 as well as increased pricing. In fiscal 2017 we operated 362 Company-owned offices compared to 310 in fiscal 2016.

These increases were offset by the following:

- a reduction of $6.0 million in royalty and advertising fees related to a decrease in the number of tax returns processed by our franchisees;
- a decline in franchise fees of $2.4 million as a result of fewer new territory sales and lower cash payments on notes from our franchisees in fiscal 2017. Franchise fee revenue is recognized when our obligations to prepare the franchisee for operations are substantially complete and as cash is received;
- a decrease of $1.8 million in AD fees as a result of prior year sales that have now been fully recognized over the life of the original agreements; and
- a decrease in other revenue of $1.0 million due to a reduction in the number of tax returns processed in our online "DIY" business and less transfer fees resulting from fewer sales transactions among franchisees.

Operating expenses. The following table details the amounts and changes in our operating expenses in and from fiscal 2017 and fiscal 2016.

	Fiscal Years Ended April 30,			
			Change	
	2017	2016	$	%
	(dollars in thousands)			
Employee compensation and benefits	$44,615	$42,882	$1,733	4 %
Selling, general, and administrative expenses	58,159	43,927	14,232	32 %
Area Developers expense	22,461	27,686	(5,225)	(19)%
Advertising expense	11,073	16,420	(5,347)	(33)%
Depreciation, amortization, and impairment charges	14,356	10,026	4,330	43 %
Total operating expenses	$150,664	$140,941	$9,723	7 %

Table of Contents

Total operating expenses increased by $9.7 million, or 7%, in fiscal 2017 compared to fiscal 2016. The increase was attributable to:

A $14.2 million increase in selling, general, and administrative expenses in fiscal 2017 compared to fiscal 2016, primarily due to the following:

- a $5.3 million increase in the costs associated with our refund advance product;
- a $3.1 million increase in costs related to an increase in the number of U.S. Company-owned offices operated in fiscal 2017;
- an increase of $2.9 million in bad debt expense; and
- a $2.7 million charge, in fiscal 2017, recorded which relates to an accrued judgment where the Company intends to vigorously defend our position and pursue an appeal.
- an increase in depreciation, amortization, and impairment charges of $4.3 million primarily due to an impairment charge driven by a decrease in the performance of our Company-owned stores; and
- an increase in employee compensation and benefits of $1.7 million resulting from an increase in executive severance of $0.5 million as well as an increase in the compensation related to operating a greater number of Company-owned stores.

These increases were partially offset by the following:

- a $5.3 million decrease in advertising expense related to a reduction in the number of tax returns filed by our franchisees as well as better expense management; and
- a decrease of $5.2 million in AD expense resulting from a decrease in the number of tax returns filed and the associated decline in royalty fees along with the Company's acquisition of several AD rights during fiscal 2017, which lowered the number of offices located within an AD's territory.

Income Taxes. The following table sets forth certain information regarding our income taxes for the fiscal years ended April 30, 2017 and 2016.

Fiscal Years Ended April 30,	Change