

Fourth Quarter Highlights and Financial Results

Fiscal 2024

PAYCHEX[®]

HR | Payroll | Benefits | Insurance

Forward Looking Statements

You should be aware that certain written and oral statements made by management may constitute “forward-looking statements” within the meaning of the safe-harbor provisions of the United States (“U.S.”) Private Securities Litigation Reform Act of 1995. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations, and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy, and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict, many of which are outside our control. Our actual results and financial conditions may differ materially from those indicated in the forward-looking statements. Therefore, you should not place undue reliance upon any of these forward-looking statements. The information provided in this document is based upon the facts and circumstances known at this time, and any forward-looking statement made in this document speaks only as of the date on which it was made. Except as required by law, we undertake no obligation to update these forward-looking statements after the date of issuance of this document to reflect events or circumstances after such date, or to reflect the occurrence of unanticipated events.

Paychex Overview

An industry-leading human capital management (“HCM”) company delivering a full suite of technology and advisory services in human resources, employee benefit solutions, insurance and payroll for small- to medium-sized businesses.

- Comprehensive technology-driven HCM solutions company
- Leading-edge technology platform backed by HR and compliance expertise
- Industry leader in comprehensive HR outsourcing solutions with approximately 2.3M worksite employees⁽¹⁾
- >745,000 clients⁽¹⁾
- Strong financial position with net cash and equivalents⁽²⁾ of \$737M
- Market capitalization of >\$45B⁽³⁾

(1) As of May 31, 2024

(2) See slide 15 for additional financial highlights

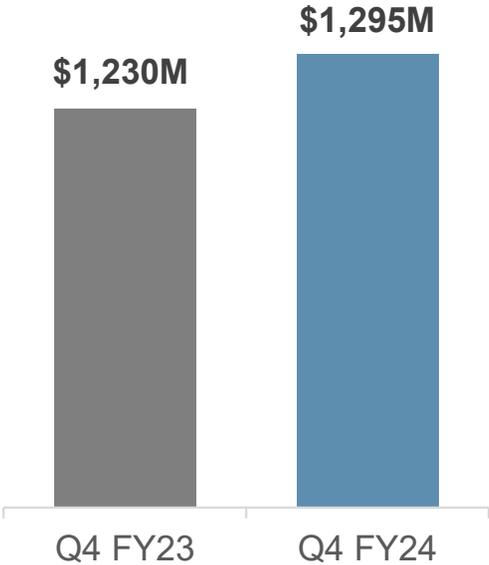
(3) As of June 21, 2024

Fourth Quarter Highlights

Fourth Quarter Financial Highlights

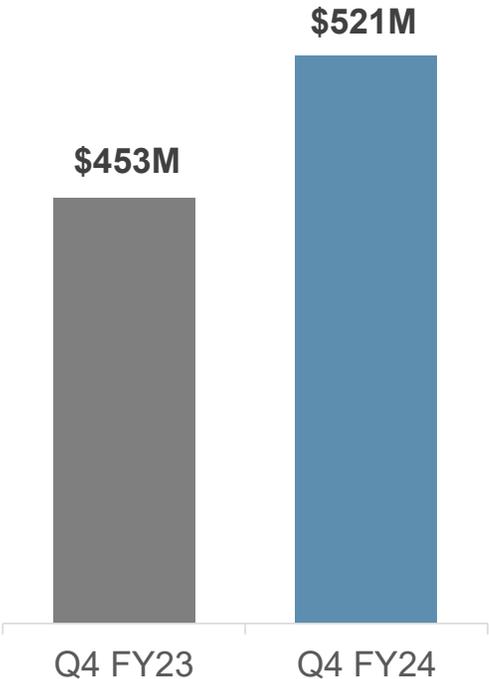
Total Revenue

↑ 5%



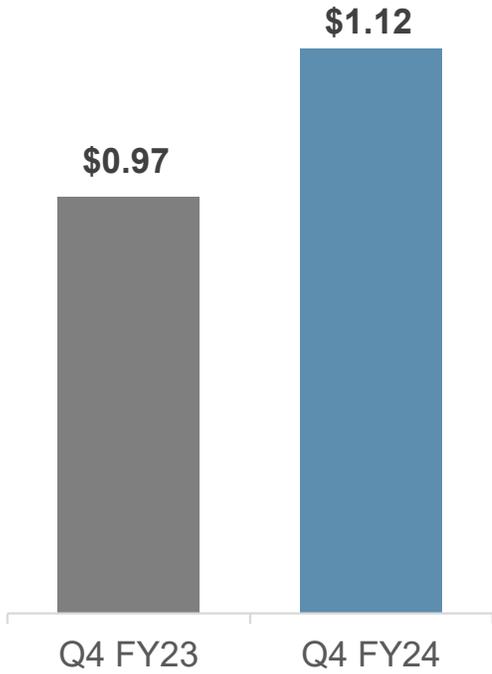
Adjusted Operating Income⁽¹⁾

↑ 15%



Adjusted Diluted EPS⁽¹⁾

↑ 15%

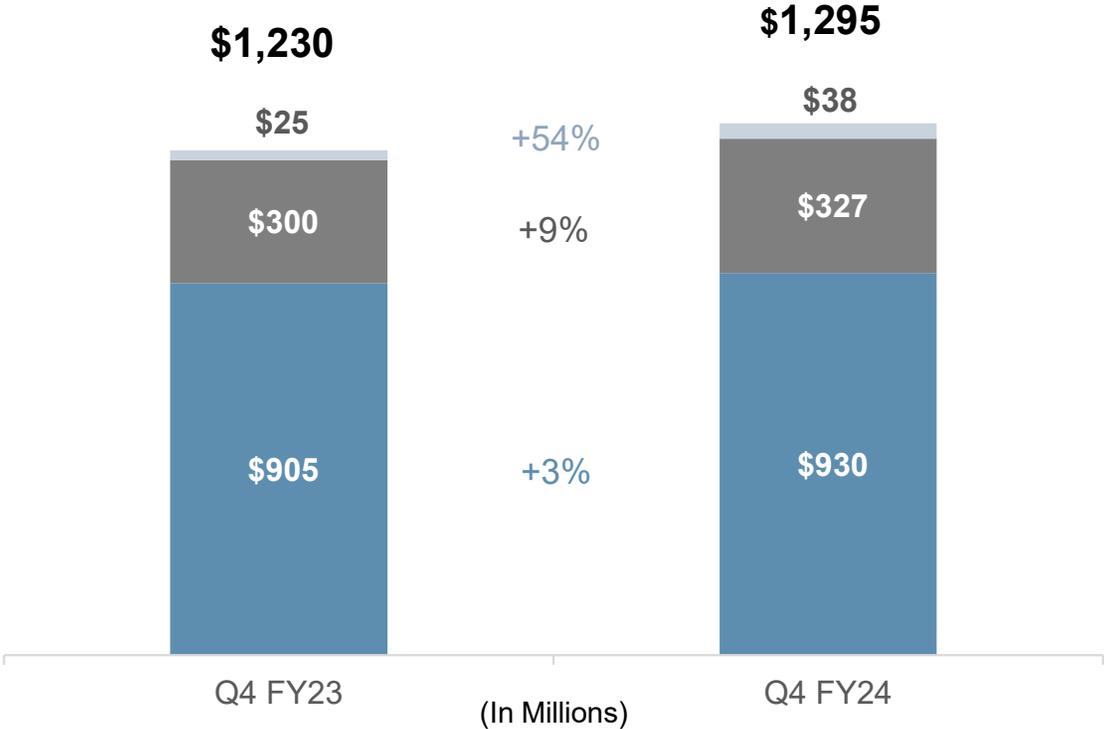


(1) Adjusted operating income and adjusted diluted earnings per share (“EPS”) are not U.S. generally accepted accounting principles (“GAAP”) measures. Refer to slide 16 for a reconciliation to the corresponding GAAP measure.

Fourth Quarter Revenue

Total Revenue

↑ 5%



Key Drivers

Total Revenue: Lower contribution from ERTC service impacted growth by approximately 300bps

Management Solutions

- Growth in the number of clients served across our suite of HCM solutions
- Higher product penetration, including HR Solutions and Retirement Services

PEO⁽¹⁾ & Insurance Solutions

- Growth in the number of average PEO worksite employees
- Increase in PEO insurance revenues

Interest on Funds Held for Clients

- Higher average interest rates and invested balances
- Lower realized losses on investment sales

(1) Professional Employer Organization (“PEO”)

Fourth Quarter Business Highlights

Sustained financial performance

- Revenue growth of 5% and adjusted diluted EPS⁽¹⁾ growth of 15%
- Excluding ERTC, revenue growth accelerated in Q4 to 8%
- Adjusted Operating margin⁽¹⁾ expansion of 330 basis points year-over-year to 40.2% in Q4
- PEO momentum continues with strong results in sales, retention, and enrollment

Solid execution across key operational metrics

- Implemented cost optimization initiatives across the business, including further reductions to our geographic footprint, reprioritization of certain technology investments and headcount optimization; recognized \$39M in one-time costs associated with these initiatives⁽²⁾
- Revenue retention remains above pre-pandemic levels and near record levels
- Upper-single-digit growth in HR outsourcing worksite employees (WSE) and record WSE retention levels
- Product penetration continues to increase across our suite of HCM solutions

Positioned for growth in fiscal 2025 and beyond

- Leading SaaS HCM platform with comprehensive, integrated suite of solutions from hire to retire. Paychex Flex[®] is consistently rated as a leader in the industry by independent analysts
- Investing in the business to drive sustainable, profitable growth with targeted investments in AI, digital, product and technology
- Leveraging vast data assets and accelerating AI investments to improve efficiency, enhance customer experience and provide our clients with insights to help them succeed

Paid \$353M of dividends to shareholders during the quarter

- (1) Adjusted diluted EPS and adjusted operating margin are non-GAAP financial measures. Refer to slide 16 for a reconciliation to the corresponding GAAP measure.
- (2) \$29.5M of the one-time costs related to our cost optimization initiatives were recognized within Selling, General & Administrative Expenses, and \$9.9M were recognized as Cost of Service Revenue on the consolidated income statement during the three months ended May 31, 2024.

Product & Technology Horizon

Innovation to meet our customers' evolving business needs



Recent Awards and Recognition

Paychex was recognized for its innovative technology and market leadership



FORTUNE® Magazine 2024 America's Most Innovative Companies

Paychex was recognized for a second consecutive year for its innovative technology and corporate culture



Ethisphere Worlds' Most Ethical Companies

Paychex recognized for the 16th time, and the 13th consecutive year



2024 G2 Best Software Award

Paychex was recognized for having one of the best HR software products for 2024



HR Tech Award from Lighthouse Research & Advisory – Best Small Business-focused Solution in the Core HR/Workforce Category

Paychex was recognized for the fifth consecutive year



USA Today America's Climate Leaders 2024

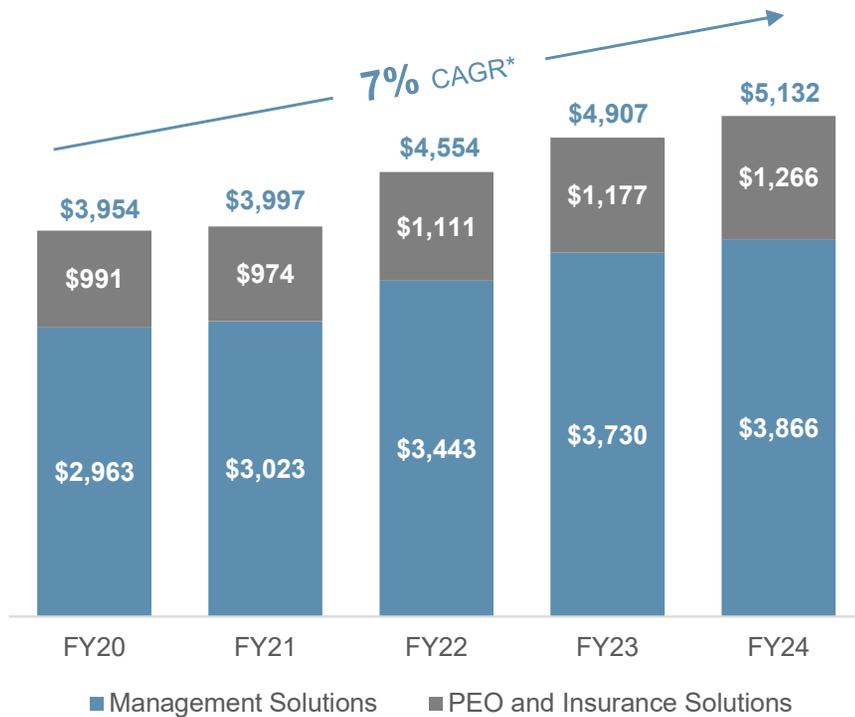
Paychex was recognized for the second consecutive year by USA Today on the 2024 America's Climate Leaders list for the Company's achievement in reducing its core emissions and carbon footprint

Sustained Financial Performance

(in uncertain times)

(In Millions, Except Per Share Amounts)

Total Service Revenue



Adjusted Diluted EPS⁽¹⁾



* 5-Year CAGR

(1) Adjusted diluted earnings per share ("EPS") is not a U.S. generally accepted accounting principles ("GAAP") measure. Refer to our Annual Report on Form 10-K for discussion of these measures and a reconciliation to the corresponding GAAP measures.

Fiscal 2025 Outlook

Fiscal Year 2025 Outlook

	Year-over-Year Growth
Total Revenue	4.0% - 5.5%
Adjusted Diluted EPS ⁽¹⁾	5% - 7%
Management Solutions Revenue	3% - 4%
PEO & Insurance Solutions Revenue	7% - 9%

	Anticipated Result
Interest on Funds Held for Clients	\$150M - \$160M
Operating Income, as a Percent of Total Revenue	42% - 43%
Other Income, net	\$35M - \$40M
Effective Income Tax Rate	24% - 25%

(1) Adjusted diluted EPS is a non-GAAP financial measure. Refer to our discussion of non-GAAP financial measures in our fourth quarter fiscal 2024 earnings press release.

Financial Results

Financial Results

For the Three and Twelve Months ended May 31, 2024

(In millions, except per share amounts)	Three Months Ended <u>May 31, 2024</u>	%	Twelve Months Ended <u>May 31, 2024</u>	%
		<u>Change</u>		<u>Change</u>
Management Solutions	\$ 930.3	3%	\$ 3,866.4	4%
PEO and Insurance Solutions	\$ 326.6	9%	\$ 1,265.6	8%
Total Service Revenue	\$ 1,256.9	4%	\$ 5,132.0	5%
Interest on Funds Held for Clients	\$ 38.2	54%	\$ 146.3	47%
Total Revenue	\$ 1,295.1	5%	\$ 5,278.3	5%
Operating Income	\$ 481.8	6%	\$ 2,174.1	7%
Net Income	\$ 379.9	8%	\$ 1,690.4	9%
Diluted EPS	\$ 1.05	8%	\$ 4.67	9%
Non-GAAP Measures:⁽¹⁾				
Adjusted Operating Income	\$ 521.3	15%	\$ 2,213.6	9%
Adjusted EBITDA	\$ 564.8	13%	\$ 2,388.6	8%
Adjusted Net Income	\$ 404.1	15%	\$ 1,709.1	10%
Adjusted Diluted EPS	\$ 1.12	15%	\$ 4.72	11%

(1) Refer to a reconciliation of non-GAAP financial measures to the related GAAP financial measures on slide 16.

Financial Highlights

(\$ in Millions)

- Strong liquidity position with no net debt
- \$800M of private placement, fixed-rate long-term debt issued in 2019 to fund Oasis acquisition
- Return on equity of 47%
- Consistent free cash flow generation supports industry-leading dividend payout ratio

(In millions)	<u>May 31, 2024</u>	<u>May 31, 2023</u>
Cash, Restricted Cash, & Total Corporate Investments	\$ 1,554.3	\$ 1,649.0
Total Debt, Net of Debt Issuance Costs ⁽¹⁾	\$ 817.3	\$ 808.4
Net Cash Position	\$ 737.0	\$ 840.6
Return on Equity	47%	48%
Fiscal Year-to-Date Period Ended:	<u>May 31, 2024</u>	<u>May 31, 2023</u>
Operating Cash Flow ⁽²⁾	\$ 1,897.7	\$ 1,706.2
Free Cash Flow ⁽²⁾	\$ 1,497.9	\$ 1,550.1
Dividends Paid	\$ 1,315.3	\$ 1,175.0
Dividend Coverage Ratio ⁽³⁾	1.1x	1.3x

(1) Excludes operating lease liabilities of \$68.2M and \$77.6M as of May 31, 2024 and May 31, 2023, respectively.

(2) The consolidated statement of cash flows for the twelve months ended May 31, 2023 includes a revision to previously reported amounts related to the presentation of the cash flows associated with the short-term receivables purchased from the Company's clients under non-recourse arrangements. The revision increased net cash provided by operating activities and decreased net cash provided by investing activities by \$6.8 million each.

(3) Dividend coverage ratio is calculated as free cash flow divided by dividends paid.

Non-GAAP Financial Measures

For the Three and Twelve Months ended May 31, 2024

(In millions, except per share amounts)

	Three Months Ended			Twelve Months Ended		
	May 31,		% Change	May 31,		% Change
	2024	2023		2024	2023	
Operating Income	\$ 481.8	\$ 453.3	6%	\$ 2,174.1	\$ 2,033.1	7%
Non-GAAP Adjustments:						
Cost Optimization Initiatives ⁽¹⁾	39.5	-		39.5	-	
Total Non-GAAP Adjustments	39.5	-		39.5	-	
Adjusted Operating Income⁽²⁾	\$ 521.3	\$ 453.3	15%	\$ 2,213.6	\$ 2,033.1	9%
Adjusted Operating Margin⁽²⁾	40.2%	36.9%		41.9%	40.6%	
Net Income	\$ 379.9	\$ 350.4	8%	\$ 1,690.4	\$ 1,557.3	9%
Non-GAAP Adjustments:						
Excess Tax Benefit Related to Employee Stock-Based Compensation Payments ⁽³⁾	(5.7)	-		(11.2)	(8.9)	
Cost Optimization Initiatives ⁽¹⁾	29.9	-		29.9	-	
Total Non-GAAP Adjustments	24.2	-		18.7	(8.9)	
Adjusted Net Income⁽²⁾	\$ 404.1	\$ 350.4	15%	\$ 1,709.1	\$ 1,548.4	10%
Diluted EPS	\$ 1.05	\$ 0.97	8%	\$ 4.67	\$ 4.30	9%
Non-GAAP Adjustments:						
Excess Tax Benefit Related to Employee Stock-Based Compensation Payments ⁽³⁾	(0.02)	-		(0.03)	(0.02)	
Cost Optimization Initiatives ⁽¹⁾	0.08	-		0.08	-	
Total Non-GAAP Adjustments	0.07	-		0.05	(0.02)	
Adjusted Diluted EPS⁽²⁾	\$ 1.12	\$ 0.97	15%	\$ 4.72	\$ 4.27	11%
Net Income	\$ 379.9	\$ 350.4	8%	\$ 1,690.4	\$ 1,557.3	9%
Non-GAAP Adjustments:						
Interest Income, Net	(12.1)	(9.4)		(45.4)	(12.4)	
Income Taxes	111.9	113.2		527.6	490.9	
Depreciation and Amortization Expense	45.6	44.1		176.5	176.6	
Total Non-GAAP Adjustments	145.4	147.9		658.7	655.1	
EBITDA⁽²⁾	\$ 525.3	\$ 498.3	5%	\$ 2,349.1	\$ 2,212.4	6%
Cost Optimization Initiatives ⁽¹⁾	39.5	-		39.5	-	
Adjusted EBITDA⁽²⁾	\$ 564.8	\$ 498.3	13%	\$ 2,388.6	\$ 2,212.4	8%

- (1) One-time costs and corresponding tax benefits recognized related to our cost optimization initiatives, including further reductions to our geographic footprint, reprioritization of certain technology investments and headcount optimization.
- (2) Adjusted operating income, adjusted operating margin, adjusted net income, adjusted diluted EPS, EBITDA, and adjusted EBITDA are non-GAAP financial measures. Refer to our fourth quarter fiscal 2024 press release for further discussion.
- (3) Net tax windfall benefits related to employee stock-based compensation payments recognized in income taxes. This item is subject to volatility and will vary based on employee decisions on exercising employee stock options and fluctuations in our stock price, neither of which is within the control of management.

Investment Portfolio Results

(\$ in millions)	Three Months Ended May 31,			Twelve Months Ended May 31,		
	2024	2023	% Change	2024	2023	% Change
Average Investment Balances:						
Funds Held For Clients	\$ 4,679.1	\$ 4,504.3	4%	\$ 4,462.0	\$ 4,392.7	2%
Corporate Cash Equivalents and Investments	\$ 1,647.4	\$ 1,649.8	—%	\$ 1,605.3	\$ 1,470.9	9%
Average Rate of Return Earned:						
Funds Held For Clients	3.5%	3.1%		3.3%	2.5%	
Corporate Cash Equivalents and Investments	5.3%	4.6%		5.2%	3.3%	
Realized Loss, Net	\$ (2.6)	\$ (9.9)		\$ (2.6)	\$ (9.8)	
<u>End of Period:</u>	May 31, 2024			May 31, 2023		
Unrealized Loss, Net	\$162.5			\$175.3		

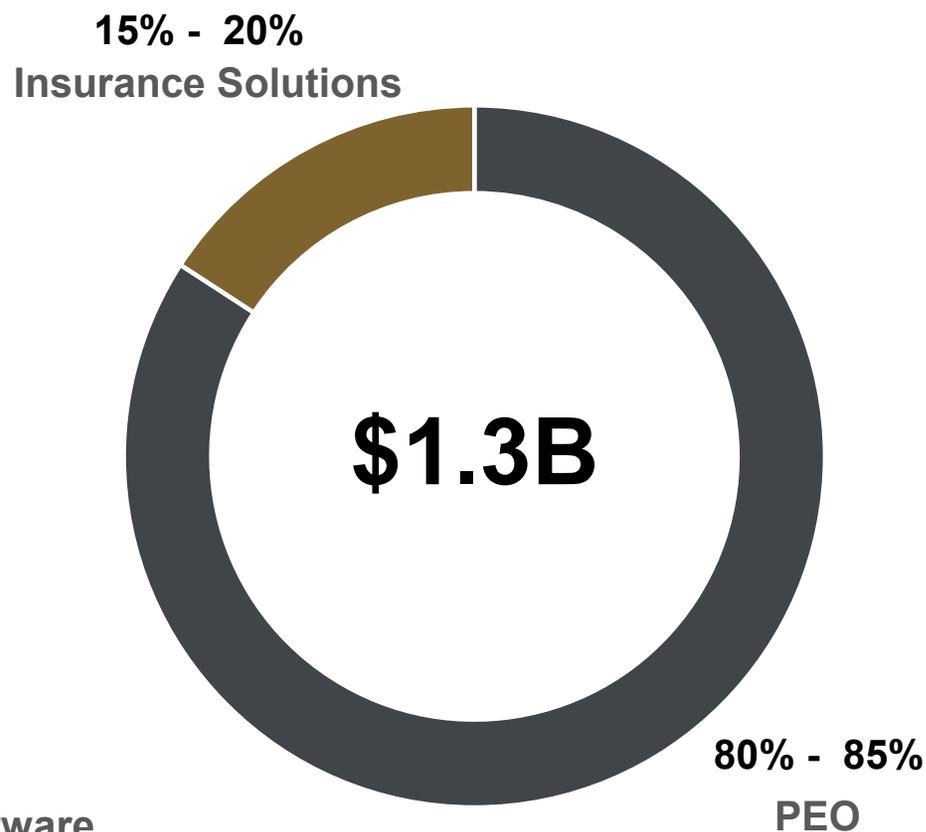
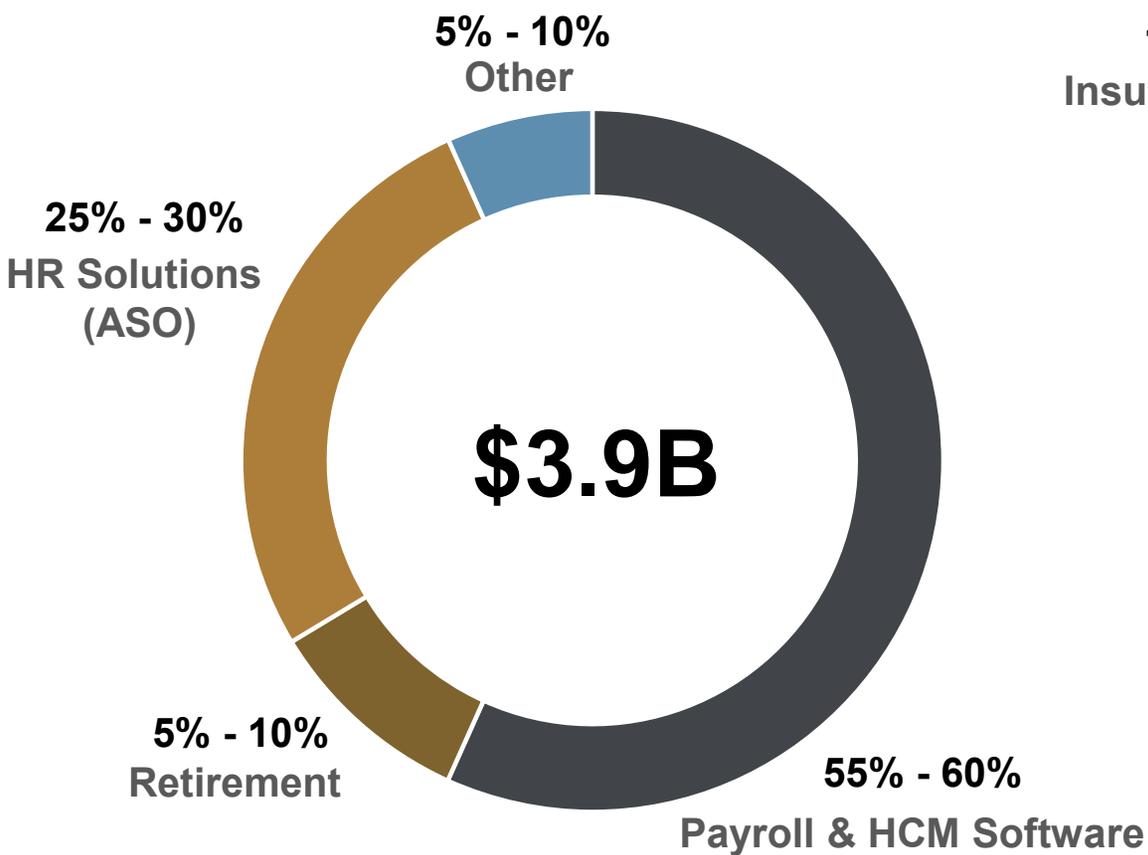
- Average invested balances for funds held for clients increased for the three-month period primarily due to wage inflation.

Supplemental Information

FY24 Revenue Composition

Management Solutions

PEO & Insurance Solutions



PAYCHEX[®]

HR | Payroll | Benefits | Insurance

The Power of Simplicity