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Third Quarter Highlights and Financial Results

Fiscal 2025

Forward Looking Statements

Certain written statements in this presentation may contain, and members of management may from time to time make or discuss statements which constitute, "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, all matters that are not historical facts. Forward-looking statements are not 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 known and unknown uncertainties, risks, changes in circumstances, and other factors that are difficult to predict, many of which are outside our control. Our actual performance and outcomes, including without limitation, our actual results and financial condition, may differ materially from those indicated in or suggested by the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. More information regarding these risks and uncertainties and other important factors that could cause actual results to differ materially from those indicated in or suggested by the forward-looking statements is set forth in the Company's earnings release and filings with the Securities and Exchange Commission. The information provided in this presentation is based upon the facts and circumstances known as of the date of this presentation, and any forward-looking statements made by us in this document speak only as of the date on which they are made. Except as required by law, we undertake no obligation to update these forward-looking statements after the date of issuance of this presentation 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 benefits, insurance and payroll for small- to medium-sized businesses.

- Digitally-driven HCM solutions company
- Leading-edge technology platform backed by decades of 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 \$834M
- Market capitalization of >\$54B⁽³⁾

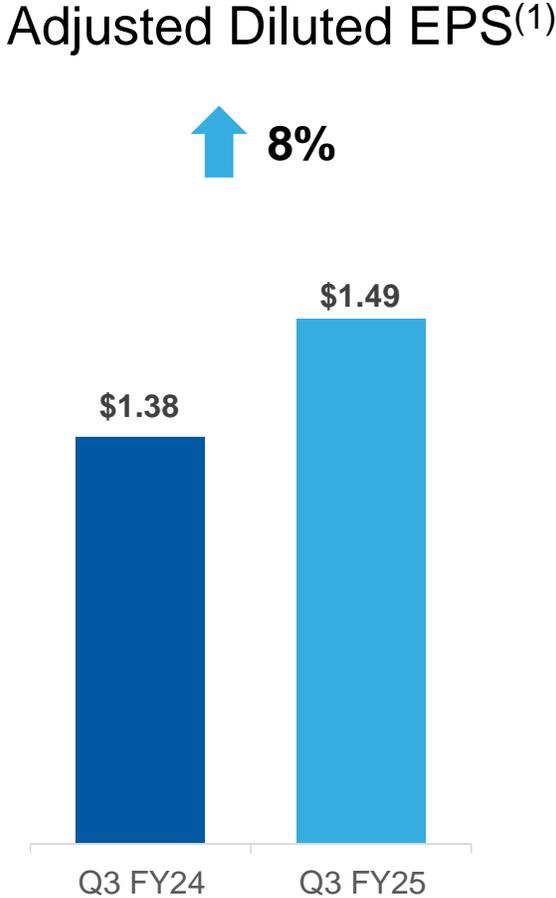
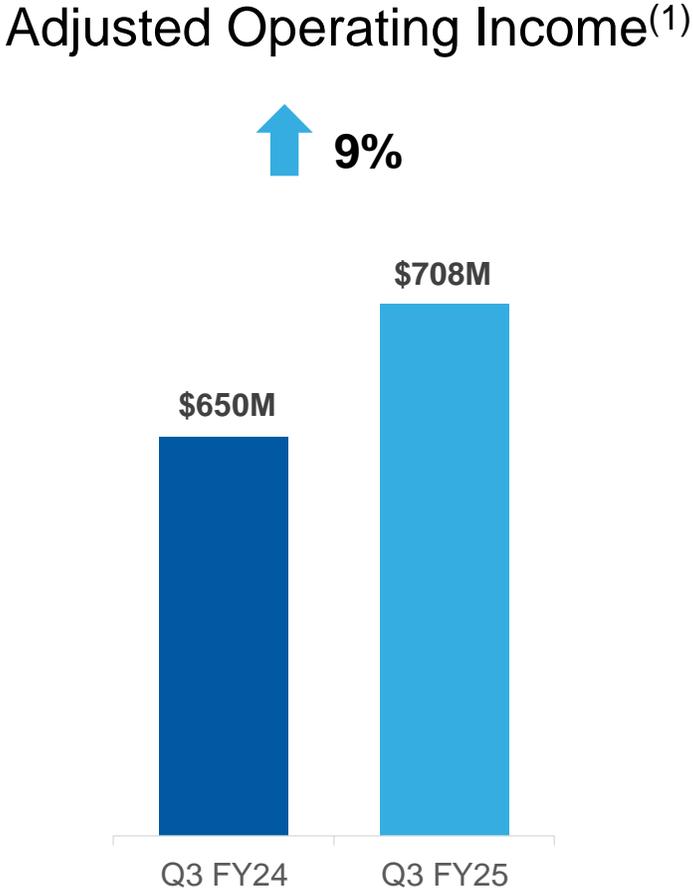
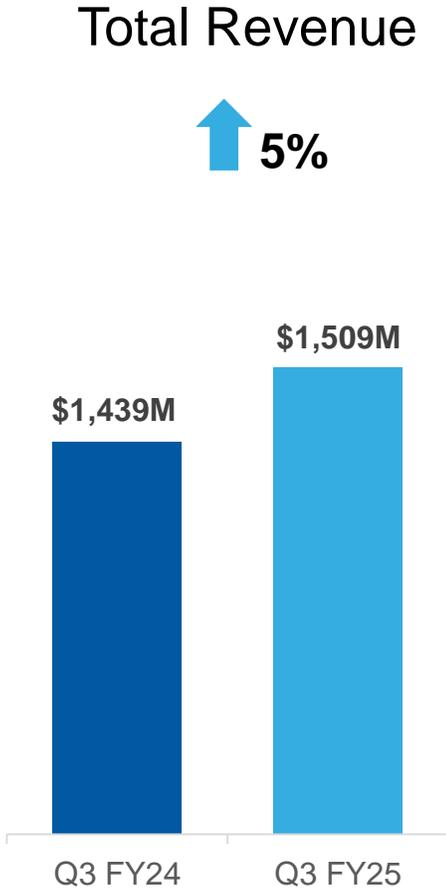
(1) As of May 31, 2024

(2) See slide 17 for additional financial highlights

(3) As of February 28, 2025

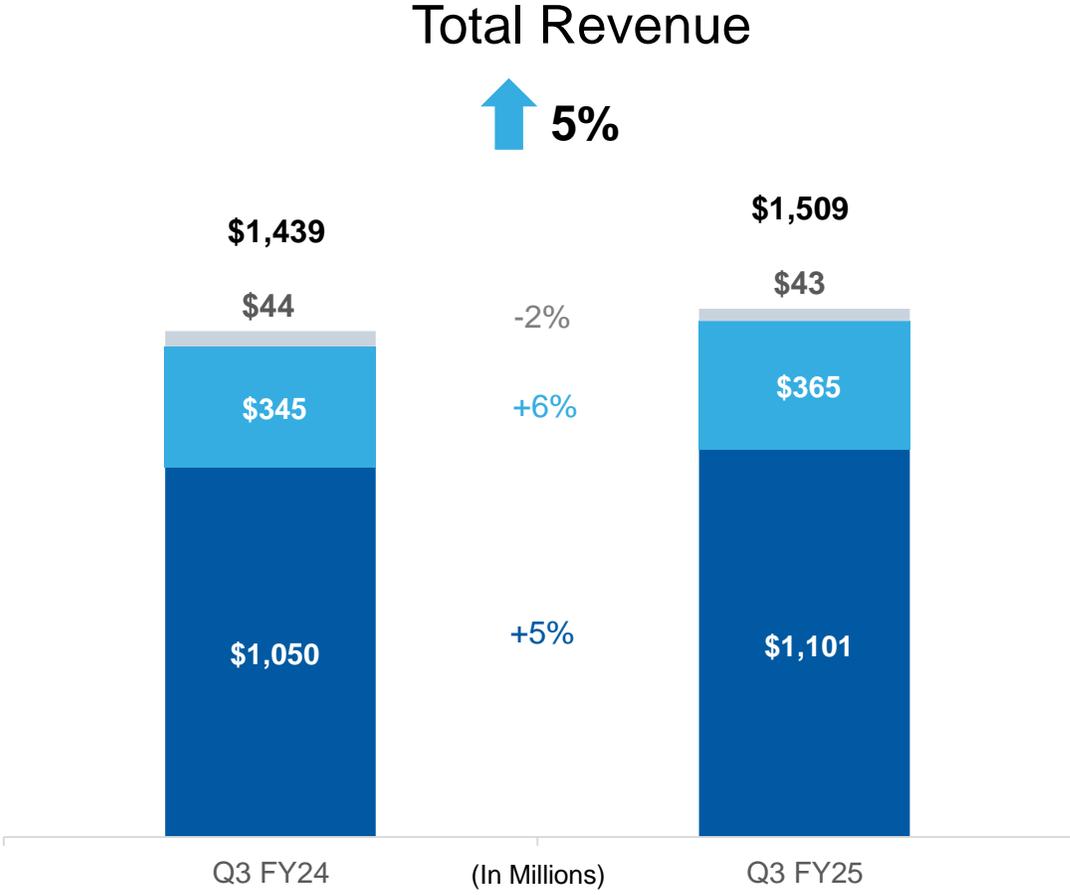
Third Quarter Highlights

Third Quarter Financial Highlights



(1) Adjusted operating income and adjusted diluted earnings per share ("EPS") are not U.S. generally accepted accounting principles ("GAAP") measures. Refer to slides 18 and 19 for a reconciliation to the corresponding GAAP measure.

Third Quarter Revenue



Key Drivers

Total Revenue: +6% excluding ERTC

- Management Solutions**
 - Continued growth in the number of clients served across our suite of HCM solutions and client worksite employees for HR Solutions
 - Higher revenue per client resulting from price realization and product penetration, including HR Solutions and Retirement
 - Lower revenue from ancillary services, primarily due to the expiration of our ERTC program
- PEO⁽¹⁾ & Insurance Solutions**
 - Growth in the number of average PEO worksite employees
 - Increase in PEO insurance revenues
- Interest on Funds Held for Clients**
 - Lower average interest rates

(1) Professional Employer Organization (“PEO”)

Third Quarter Business Highlights

Sustained growth in revenue and earnings

- Solid revenue growth of 5% (6% ex-ERTC) and adjusted diluted EPS⁽¹⁾ growth of 8%
- Adjusted operating margin⁽¹⁾ expanded 180 basis points year-over-year, driven by investments in automation and technology
- Strong performance in HR Solutions, Retirement and Funding Solutions

Solid execution across key operational metrics

- Client retention improved from last year and remains near record levels with higher client retention observed across all employee size segments
- Revenue retention improved from last year and remains near record levels
- Product penetration continues to increase across our suite of HCM solutions

Positioned to strengthen our leadership position with acquisition of Paycor

- Unifies two leading SaaS HCM platforms that are highly complementary, each purpose-built for customers of different sizes
- Our nearly 800,000 customers will benefit from having access to the most comprehensive, flexible, and innovative HCM solutions in the industry
- Offers significant cross-sell opportunities and provides new distribution channels for sustained long-term growth
- Expands our salesforce and accelerates investments in go-to-market, product innovation and technology to drive sustainable growth
- Extends our vast proprietary data assets and enhances our AI capabilities to improve efficiency, enhance the customer experience and provide our clients with actionable insights to help them succeed

Returned \$1,163M to shareholders year-to-date

- Paid \$1,059M of dividends
- Returned \$104M through share repurchases

(1) Adjusted diluted EPS and adjusted operating margin are non-GAAP financial measures. Refer to slides 18 and 19 for a reconciliation to the corresponding GAAP measures.

Pending Acquisition of Paycor

Transaction Overview

Announced signing of definitive agreement to acquire 100% of Paycor (Nasdaq: PYCR) for \$22.50 per share on January 7, 2025, reflecting approximately \$4.1 billion of enterprise value

Adam Ante (Paycor CFO) expected to join Paychex as SVP of Paycor business

Ryan Bergstrom (Paycor Chief Product and Technology Officer) expected to serve as Chief Product Officer of Paychex

Paycor will remain headquartered in Cincinnati, and Cincinnati will become a strategic corporate location for Paychex

Financial Impact

Expected annual **cost synergies of more than \$80 million** in first fiscal year after closing and **substantial revenue synergies** over the next several years

Transaction expected to be **accretive** to adjusted diluted EPS⁽¹⁾ in fiscal 2026

Including Paycor, we expect **revenue growth of 10% to 12%** in fiscal 4Q25 and the impact to **adjusted diluted EPS⁽¹⁾ to be neutral**

Financing & Capital Return

Obtained committed financing from J.P. Morgan to support the transaction

Paychex plans to **issue public debt prior to closing** to finance the acquisition

Committed to maintaining our dividend policy and strong balance sheet post-closing

Timing & Approvals

The acquisition is **expected to close in April 2025**, subject to customary closing conditions

The waiting period with respect to the consummation of the acquisition under the Hart-Scott-Rodino (HSR) Antitrust Improvements Act of 1976, as amended, expired on February 21, 2025

Paycor's majority stockholder has approved the transaction by written consent

(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 this measure and slides 18 and 19 for a reconciliation to the corresponding GAAP measure.

Paycor At a Glance

Paycor is a Leading HR, Payroll, and Talent Platform, Purpose-Built for Larger Organizations



Nasdaq: PYCR

IPO in 2021

\$655M

FY24 revenue

Cincinnati, OH

Headquarters

92%

FY24 recurring revenue

49,400

Clients⁽¹⁾

19%

FY24 revenue growth

2.7M

Active employees
on the platform

50%+

Win rates

Note: Paycor metrics as of June 30, 2024 (Fiscal 2024 Year-End)

(1) 49,400 clients from over 30,000 parent customers

Product & Technology Horizon

Innovation to meet our customers' evolving business needs



Recent Awards and Recognition

Paychex was recognized for its innovative technology, market leadership, and corporate culture



Fortune® 2025 America's Most Innovative Companies

Paychex has been recognized for a third consecutive year for its innovative technology and corporate culture



World's Most Ethical Companies

Paychex was recognized once again by Ethisphere and is one of only three companies to receive this honor 17 times



Brandon Hall Group 2024 Technology Excellence Award

Paychex won a silver Brandon Hall Group Excellence in Technology award, marking the 11th year that Paychex has been recognized

Additional Awards:

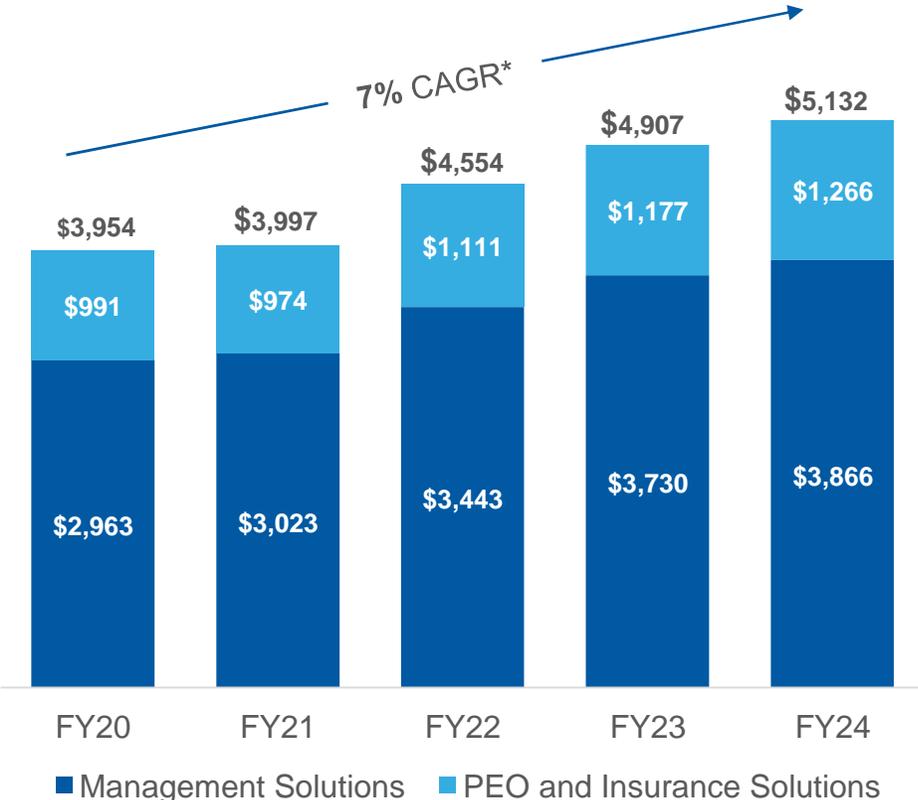


Sustained Financial Performance

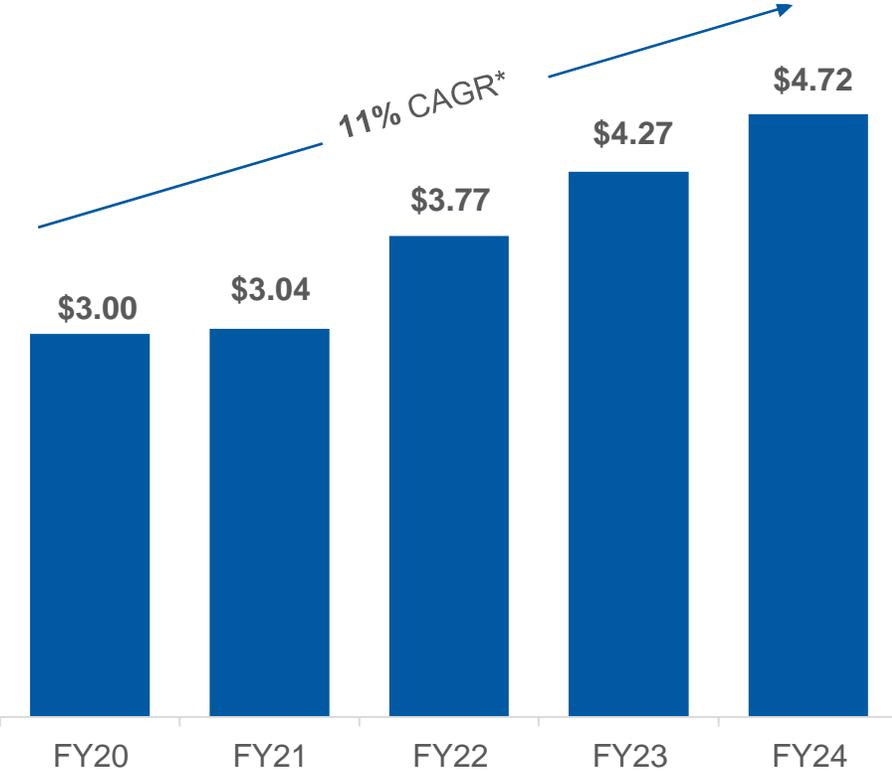
(in uncertain times)

(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 a discussion of these measures and a reconciliation to the corresponding GAAP measures.

Fiscal 2025 Outlook

Fiscal Year 2025 Outlook

Excluding Paycor

	March 26, 2025 Year-over-Year Growth	December 19, 2024 Year-over-Year Growth	October 1, 2024 Year-over-Year Growth	June 26, 2024 Year-over-Year Growth
Total Revenue	4.0% - 5.5%	4.0% - 5.5%	4.0% - 5.5%	4.0% - 5.5%
Adjusted Diluted EPS ⁽¹⁾	5% - 7%	5% - 7%	5% - 7%	5% - 7%
Management Solutions Revenue	3% - 4%	3% - 4%	3% - 4%	3% - 4%
PEO & Insurance Solutions Revenue	6.0% - 6.5%	7% - 9%	7% - 9%	7% - 9%
	Anticipated Result	Anticipated Result	Anticipated Result	Anticipated Result
Interest on Funds Held for Clients	\$145M - \$155M	\$145M - \$155M	\$145M - \$155M	\$150M - \$160M
Adjusted Operating Income, as a Percent of Total Revenue ⁽¹⁾	~43%	42% - 43%	42% - 43%	42% - 43%
Adjusted Other Income, net ⁽¹⁾	\$30M - \$35M	\$30M - \$35M	\$30M - \$35M	\$35M - \$40M
Effective Income Tax Rate	24% - 25%	24% - 25%	24% - 25%	24% - 25%

The Outlook ranges above exclude the impact of Paycor. Including Paycor, we expect revenue growth of 10% to 12% in fiscal 4Q25 and the impact to adjusted diluted EPS⁽¹⁾ to be neutral.

(1) Adjusted operating income, adjusted operating income margin, adjusted other income, net, and adjusted diluted EPS are non-GAAP financial measures. Refer to our discussion of non-GAAP financial measures in our third quarter fiscal 2025 earnings press release.

Financial Results

Financial Results

For the Three Months and Nine Months ended February 28, 2025

(In millions, except per share amounts)	Three Months Ended <u>February 28, 2025</u>	%	Nine Months Ended <u>February 28, 2025</u>	%
		<u>Change</u>		<u>Change</u>
Management Solutions	\$ 1,100.7	5%	\$ 3,025.3	3%
PEO and Insurance Solutions	\$ 365.4	6%	\$ 1,002.6	7%
Total Service Revenue	\$ 1,466.1	5%	\$ 4,027.9	4%
Interest on Funds Held for Clients	\$ 42.9	(2%)	\$ 116.5	8%
Total Revenue	\$ 1,509.0	5%	\$ 4,144.4	4%
Operating Income	\$ 691.8	6%	\$ 1,776.6	5%
Net Income	\$ 519.3	4%	\$ 1,360.1	4%
Diluted EPS	\$ 1.43	4%	\$ 3.76	4%
Non-GAAP Measures:⁽¹⁾				
Adjusted Operating Income	\$ 708.5	9%	\$ 1,793.3	6%
Adjusted EBITDA	\$ 751.6	8%	\$ 1,916.5	5%
Adjusted Net Income	\$ 541.1	9%	\$ 1,373.3	5%
Adjusted Diluted EPS	\$ 1.49	8%	\$ 3.79	5%

(1) Refer to a reconciliation of non-GAAP financial measures to the related GAAP financial measures on slides 18 and 19.

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 45%
- Consistent free cash flow generation supports industry-leading dividend payout ratio

(In millions)	<u>February 28, 2025</u>	<u>May 31, 2024</u>
Cash, Restricted Cash, & Total Corporate Investments	\$ 1,650.1	\$ 1,554.3
Total Debt, Net of Debt Issuance Costs ⁽¹⁾	\$ 816.6	\$ 817.3
Net Cash Position	\$ 833.5	\$ 737.0
Return on Equity	45%	47%
Fiscal Year-to-Date Period Ended:	<u>February 28, 2025</u>	<u>February 29, 2024</u>
Operating Cash Flow	\$ 1,557.1	\$ 1,676.0
Free Cash Flow ⁽²⁾	\$ 1,425.8	\$ 1,555.9
Dividends Paid	\$ 1,059.2	\$ 962.5
Dividend Coverage Ratio ⁽³⁾	1.3x	1.6x

(1) Excludes operating lease liabilities of \$64.4M and \$68.2M as of February 28, 2025 and May 31, 2024, respectively.

(2) In fiscal 2025, the definition of free cash flow was revised to conform more closely to peers. The current definition is net cash provided by operating activities less purchases of property and equipment (which includes internally developed software costs). Historical periods have been revised accordingly.

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

Non-GAAP Financial Measures

For the Three Months and Nine Months ended February 28, 2025

(In millions, except per share amounts)

	Three Months Ended			Nine Months Ended		
	February 28,	February 29,	% Change	February 28,	February, 29	% Change
	2025	2024		2025	2024	
Operating Income	\$ 691.8	\$ 649.8	6%	\$ 1,776.6	\$ 1,692.3	5%
Non-GAAP Adjustments:						
Acquisition-related costs ⁽¹⁾	16.7	-		16.7	-	
Adjusted Operating Income⁽²⁾	<u>\$ 708.5</u>	<u>\$ 649.8</u>	9%	<u>\$ 1,793.3</u>	<u>\$ 1,692.3</u>	6%
Adjusted Operating Margin⁽²⁾	<u>46.9%</u>	<u>45.1%</u>		<u>43.3%</u>	<u>42.5%</u>	
Other (expense)/income, net	\$ (6.0)	\$ 9.4	n/m	\$ 10.0	\$ 33.9	n/m
Non-GAAP Adjustments:						
Acquisition-related costs ⁽¹⁾	13.2	-		13.2	-	
Adjusted other income, net⁽²⁾	<u>\$ 7.2</u>	<u>\$ 9.4</u>	(23%)	<u>\$ 23.2</u>	<u>\$ 33.9</u>	(31%)
Net Income	\$ 519.3	\$ 498.6	4%	\$ 1,360.1	\$ 1,310.5	4%
Non-GAAP Adjustments:						
Acquisition-related costs ⁽¹⁾	29.9	-		29.9	-	
Income tax (benefit)/provision for acquisition-related costs	(7.3)	-		(7.3)	-	
Excess Tax Benefit Related to Employee Stock-Based Compensation Payments ⁽³⁾	(0.8)	(0.3)		(9.4)	(5.5)	
Adjusted Net Income⁽²⁾	<u>\$ 541.1</u>	<u>\$ 498.3</u>	9%	<u>\$ 1,373.3</u>	<u>\$ 1,305.0</u>	5%

(1) Acquisition-related costs recognized related to the pending Paycor acquisition, including (i) \$16.7 million for the third quarter and nine months primarily reflecting third-party professional service fees included in Selling, general, and administrative expenses and (ii) \$13.2 million for the third quarter and nine months reflecting the amortization of financing fees related to debt instruments associated with the financing of the pending Paycor acquisition and the excluded component of the initial fair value of the interest rate swaption contracts that are included in Other (expense)/income, net in the Company's Consolidated Statements of Income.

(2) Adjusted operating income, adjusted operating margin, adjusted other income, net, adjusted net income, adjusted diluted EPS, EBITDA, and adjusted EBITDA are non-GAAP financial measures. Refer to our third quarter fiscal 2025 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.

n/m — not meaningful

Non-GAAP Financial Measures

For the Three Months and Nine Months ended February 28, 2025

(In millions, except per share amounts)

	Three Months Ended			Nine Months Ended		
	February 28,	February 29,	%	February 28,	February, 29	%
	2025	2024	Change	2025	2024	Change
Diluted EPS⁽⁴⁾	\$ 1.43	\$ 1.38	4%	\$ 3.76	\$ 3.62	4%
Non-GAAP Adjustments:						
Acquisition-related costs ⁽¹⁾	0.08	-		0.08	-	
Income tax (benefit)/provision for acquisition-related costs	(0.02)	-		(0.02)	-	
Excess Tax Benefit Related to Employee Stock-Based Compensation Payments ⁽³⁾	-	-		(0.03)	(0.02)	
Adjusted Diluted EPS⁽²⁾	\$ 1.49	\$ 1.38	8%	\$ 3.79	\$ 3.60	5%
Net Income	\$ 519.3	\$ 498.6	4%	\$ 1,360.1	\$ 1,310.5	4%
Non-GAAP Adjustments:						
Interest Income, Net	6.0	(9.4)		(10.6)	(33.3)	
Income Taxes	166.5	160.6		426.5	415.7	
Depreciation and Amortization Expense	43.1	44.8		123.8	130.9	
EBITDA⁽²⁾	\$ 734.9	\$ 694.6	6%	\$ 1,899.8	\$ 1,823.8	4%
Non-GAAP Adjustments:						
Acquisition-related costs ⁽¹⁾	16.7	-		16.7	-	
Adjusted EBITDA⁽²⁾	\$ 751.6	\$ 694.6	8%	\$ 1,916.5	\$ 1,823.8	5%

(1) Acquisition-related costs recognized related to the pending Paycor acquisition, including (i) \$16.7 million for the third quarter and nine months primarily reflecting third-party professional service fees included in Selling, general, and administrative expenses and (ii) \$13.2 million for the third quarter and nine months reflecting the amortization of financing fees related to debt instruments associated with the financing of the pending Paycor acquisition and the excluded component of the initial fair value of the interest rate swaption contracts that are included in Other (expense)/income, net in the Company's Consolidated Statements of Income.

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(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.

(4) The calculation of the impact of non-GAAP adjustments on diluted earnings per share is performed on each line independently. The table may not add down by +/- \$0.01 due to rounding.

Investment Portfolio Results

(\$ in millions)	Three Months Ended			Nine Months Ended		
	February 28, 2025	February 29, 2024	% Change	February 28, 2025	February 29, 2024	% Change
Average Investment Balances:						
Funds Held For Clients	\$ 5,116.8	\$ 4,975.7	3%	\$ 4,551.7	\$ 4,389.6	4%
Corporate Cash Equivalents and Investments	\$ 1,541.4	\$ 1,526.8	1%	\$ 1,544.3	\$ 1,591.3	-3%
Total	\$ 6,658.2	\$ 6,502.5	2%	\$ 6,096.0	\$ 5,980.9	2%
Average Rate of Return Earned:						
Funds Held For Clients	3.4%	3.5%		3.4%	3.3%	
Corporate Cash Equivalents and Investments	4.3%	5.1%		4.5%	5.1%	
Combined	3.6%	3.9%		3.7%	3.8%	
Realized Gain/(Loss), Net	\$ (0.4)	\$ 0.0		\$ (0.4)	\$ (0.0)	
End of Period:	February 28, 2025			May 31, 2024		
Unrealized Loss, Net	\$67.9			\$162.5		

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