

First Quarter Highlights and Financial Results

Fiscal 2024



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

A leading provider of integrated human capital management (“HCM”) solutions for human resources (“HR”), payroll, benefits, and insurance for small- to medium-sized businesses.

- Comprehensive technology-driven HCM solutions company
- Leading-edge technology platform backed by HR and compliance expertise
- Leader in comprehensive HR outsourcing solutions with approximately 2.2M worksite employees⁽¹⁾
- ~740,000 clients⁽¹⁾
- Strong financial position

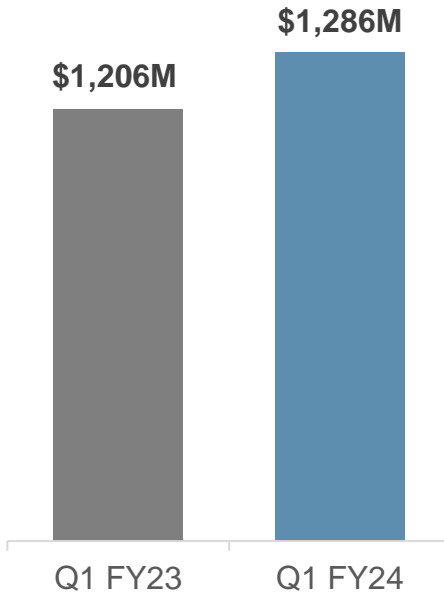
(1) As of May 31, 2023

First Quarter Highlights

First Quarter Financial Highlights

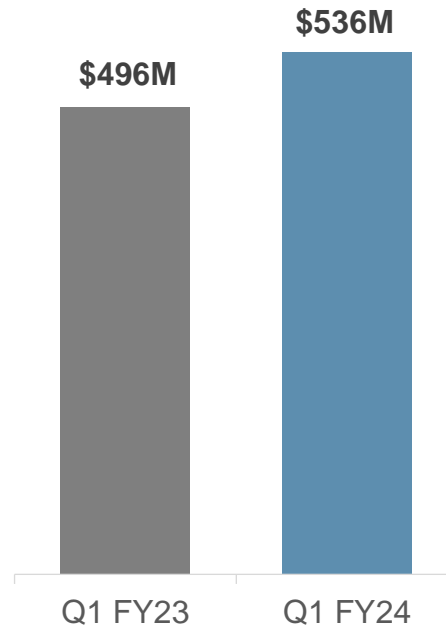
Total Revenue

↑ 7%



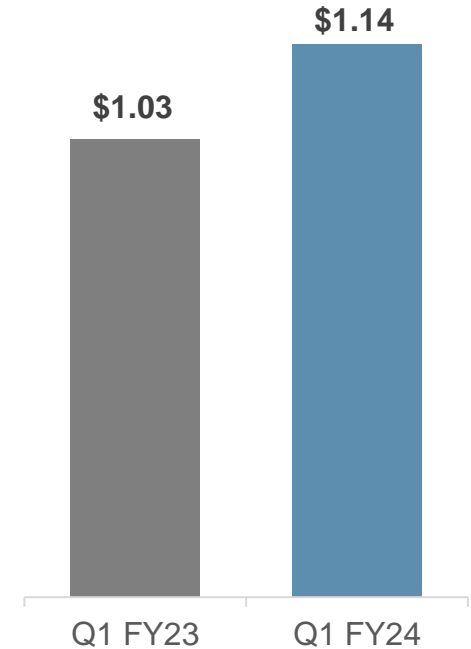
Operating Income

↑ 8%



Adjusted Diluted EPS⁽¹⁾

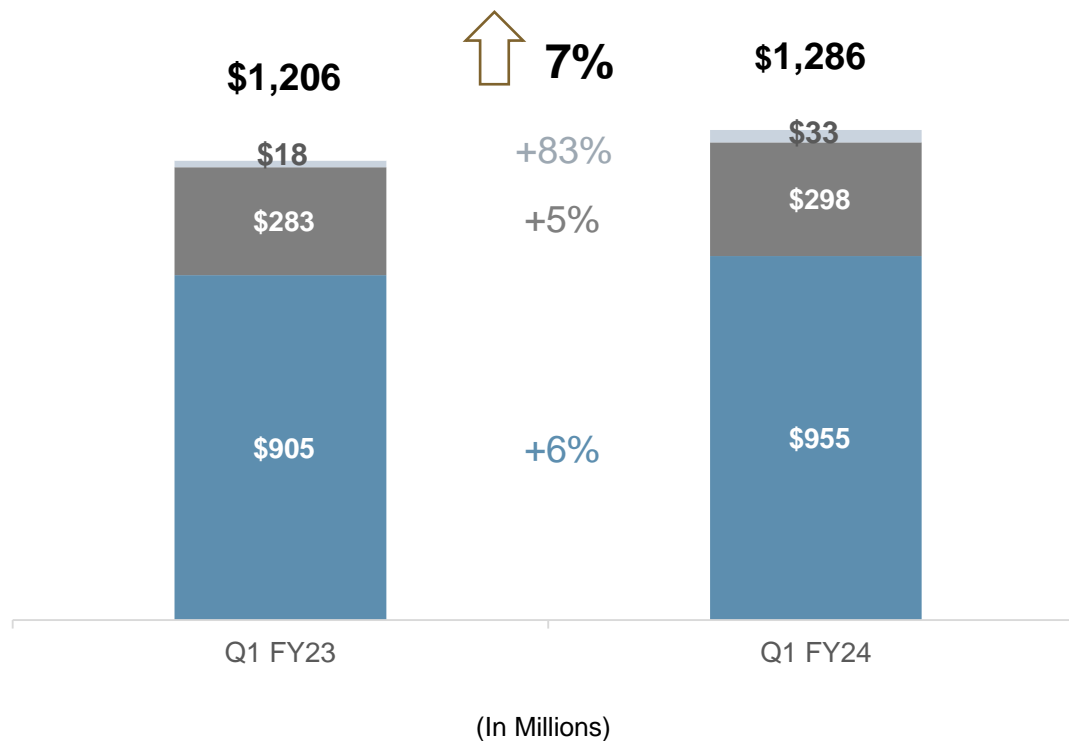
↑ 11%



(1) Adjusted diluted earnings per share ("EPS") is not a U.S. generally accepted accounting principles ("GAAP") measure. Refer to slide 16 for a reconciliation to the corresponding GAAP measure.

First Quarter Revenue

Total Revenue



Key Drivers

Management Solutions

- Growth in the number of clients and client employees served for HCM and worksite employees for HR Solutions
- Higher revenue per client resulting from price realization and product penetration, including sustained demand for HR Solutions, retirement, and time and attendance solutions
- Continuing demand for HCM ancillary services

PEO⁽¹⁾ & Insurance Solutions

- Growth in the number of average PEO worksite employees
- Higher state unemployment insurance revenue
- Growth in ancillary services

Interest on Funds Held for Clients

- Higher average interest rates and average investment balances

(1) Professional Employer Organization ("PEO")

First Quarter Business Highlights

Sustained revenue growth and double digit earnings growth driven by strong execution

- Revenue growth of 7% and adjusted diluted EPS growth of 11% in an uncertain environment for SMBs
- Operating margin expansion of 60 basis points year-over-year to 41.7%
- Market demand for HR technology and HR outsourcing solutions driving strong new sales revenue growth
- Revenue and HR Outsourcing WSE retention remain at or near record levels due to continued success with our higher value clients
- Product penetration continues to increase across all of our key offerings, particularly in HR outsourcing, time and attendance, and retirement

Positioned for growth in fiscal 2024 and beyond

- Increasing market demand for HR advisory, benefits, and HR technology solutions
- 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 trusted analysts
- Investing in the business to drive sustainable, profitable growth with targeted investments in AI, digital, product and technology
- Long standing reputation as a stable place for customers, employees, and investors in uncertain times. Balancing long-term investments with near-term cost discipline to navigate through uncertainty
- Strong free cash flow generation and financial position

Paid \$322M of dividends to shareholders during the quarter

Product & Technology Horizon

Innovation to meet our customers' evolving business needs



Recent Awards and Recognition

Paychex was honored for its innovative technology and corporate culture



PLANSponsor Magazine Recordkeeping Survey 2023 Largest 401(k) Recordkeeper

Paychex was recognized, for the 13th consecutive year, as the top 401(k) Recordkeeper by number of plans



Constellation Research ShortList

Paychex was named to the 2023 Constellation Research Short List for payroll providers for North American SMB customers



NelsonHall NEAT Leader 2023

Paychex was recognized as a "Leader" in Next Generation HCM Technology



Brandon Hall Group 2023 HCM Excellence Award

Paychex earned a silver Brandon Hall Group 2023 HCM Excellence Award for the Best Unique or Innovative learning and Development Program for our HR Business Partner training program



2023 Tech Cares Award from TrustRadius

Paychex was recognized for the 3rd time by TrustRadius for the Company's Corporate Social Responsibility programs and community impact



Selling Power 50 Best Companies to Sell For

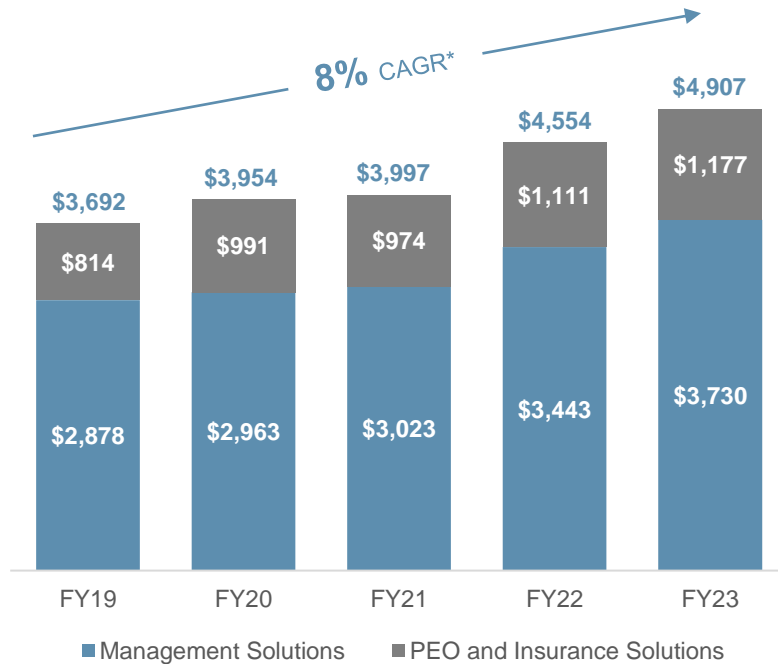
Paychex was named as one of the 50 best companies to sell for the 10th time. Paychex also received an award for DEI in Sales for the company's commitment to fostering a diverse and inclusive workforce

Sustained Financial Performance

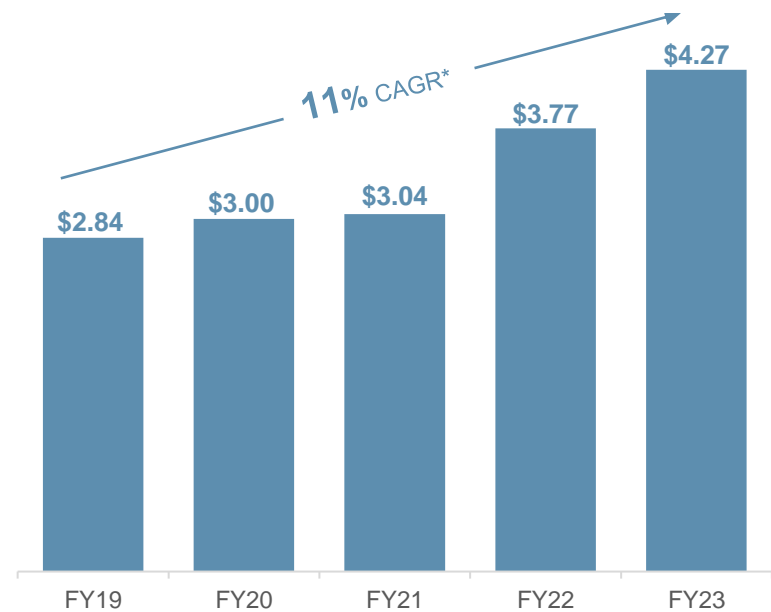
(in uncertain times)

(In Millions, Except Per Share Amounts)

Total Service Revenue



Adjusted Diluted EPS⁽¹⁾



* 5-Year CAGR

(1) Adjusted diluted EPS is a non-GAAP measure, which excludes the impact of certain discrete tax and one-time items. Refer to our Annual Report on Form 10-K for discussion of these measures and a reconciliation to the corresponding GAAP measures.

Fiscal 2024 Outlook

Fiscal Year 2024 Outlook

Management Solutions Revenue
 PEO & Insurance Solutions Revenue
 Total Revenue
 Adjusted Diluted EPS⁽¹⁾

Interest on Funds Held for Clients
 Operating Income, as a Percent of Total Revenue
 Other Income, net
 Effective Income Tax Rate

September 27, 2023 Year-over-Year Growth

5% - 6%
 6% - 9%
 6% - 7%
9% - 11%

Anticipated Result

\$140M - \$150M
 41% - 42%
 \$30M - \$35M
 24% - 25%

June 29, 2023 Year-over-Year Growth

5% - 6%
 6% - 9%
 6% - 7%
9% - 10%

Anticipated Result

\$135M - \$145M
 41% - 42%
 \$30M - \$35M
 24% - 25%

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

Financial Results

Financial Results

For the Three Months ended August 31, 2023

(In millions, except per share amounts)	Three Months Ended	%
	<u>August 31, 2023</u>	<u>Change</u>
Management Solutions	\$ 955.5	6%
PEO and Insurance Solutions	297.8	5%
Total Service Revenue	1,253.3	5%
Interest on Funds Held for Clients	32.7	83%
Total Revenue	\$ 1,286.0	7%
Operating Income	\$ 536.3	8%
Net Income	\$ 419.2	11%
Diluted EPS	\$ 1.16	10%
Non-GAAP Measures:⁽¹⁾		
EBITDA	\$ 578.2	7%
Adjusted Net Income	\$ 415.1	12%
Adjusted Diluted EPS	\$ 1.14	11%

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

Balance Sheets and Cash Flows

(\$ in Millions)

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

(In millions)	<u>August 31, 2023</u>	<u>May 31, 2023</u>
Cash, Restricted Cash, & Total Corporate Investments	\$ 1,743.0	\$ 1,649.0
Total Debt, Net of Debt Issuance Costs ⁽¹⁾	\$ 812.0	\$ 808.4
Return on Equity	47%	48%
Fiscal Year-to-Date Period Ended:	<u>August 31, 2023</u>	<u>August 31, 2022</u>
Operating Cash Flow	\$ 655.8	\$ 364.3
Free Cash Flow	\$ 402.6	\$ 328.1
Dividends Paid	\$ 321.9	\$ 284.6
Dividend Coverage Ratio ⁽²⁾	1.3x	1.2x

(1) Does not include operating lease liabilities of \$78.1M and \$77.6M as of August 31, 2023 and May 31, 2023, respectively

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

Non-GAAP Financial Measures

For the Three Months ended August 31, 2023

(In millions, except per share amounts)

(In millions, except per share amounts)		Three Months Ended		
	August 31,			%
	2023	2022		Change
Net Income	\$ 419.2	\$ 379.2		11%
Non-GAAP Adjustments:				
Excess Tax Benefits Related to Employee Stock-Based Compensation Payments ⁽¹⁾	(4.1)	(7.3)		
Total Non-GAAP Adjustments	(4.1)	(7.3)		
Adjusted Net Income ⁽²⁾	\$ 415.1	\$ 371.9		12%
Diluted EPS	\$ 1.16	\$ 1.05		10%
Non-GAAP Adjustments:				
Excess Tax Benefits Related to Employee Stock-Based Compensation Payments ⁽¹⁾	(0.01)	(0.02)		
Total Non-GAAP Adjustments	(0.01)	(0.02)		
Adjusted Diluted EPS ^(2,3)	\$ 1.14	\$ 1.03		11%
Net Income	\$ 419.2	\$ 379.2		11%
Non-GAAP Adjustments:				
Interest (Income)/Expense, Net	(12.1)	3.7		
Income Taxes	129.9	112.8		
Depreciation and Amortization Expense	41.2	44.0		
Total Non-GAAP Adjustments	159.0	160.5		
EBITDA ⁽²⁾	\$ 578.2	\$ 539.7		7%

- (1) 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.
- (2) Adjusted net income, adjusted diluted EPS, and EBITDA are non-GAAP financial measures. Refer to our first quarter fiscal 2024 press release for further discussion.
- (3) 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 August 31,		% Change
	2023	2022	
Average Investment Balances:			
Funds Held For Clients	\$ 4,156.9	\$ 4,118.0	1%
Corporate Cash Equivalents and Investments	\$ 1,706.9	\$ 1,394.6	22%
Average Rate of Return Earned:			
Funds Held For Clients	3.2%	1.7%	
Corporate Cash Equivalents and Investments	5.0%	1.5%	
Realized Gains, Net	-	\$ 0.1	
<u>End of Period:</u>	<u>August 31, 2023</u>	<u>May 31, 2023</u>	
Unrealized Loss, Net	\$206.9	\$175.6	

- Rising market interest rates caused the unrealized loss on our longer-term investment portfolio to increase.
- Average invested balances for funds held for clients increased for the three-month period primarily due to wage inflation.



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The Power of Simplicity