

First Quarter Highlights and Financial Results

Fiscal 2023



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”) software and solutions for human resources (“HR”), payroll, benefits and insurance for small- to medium-sized businesses.

- Comprehensive technology-driven HCM software and solutions company
- Leading-edge technology platform backed by HR and compliance expertise
- Leader in comprehensive HR outsourcing solutions
- >730,000 clients⁽¹⁾
- Strong financial position
- Market capitalization of >\$40B⁽²⁾

(1) As of May 31, 2022

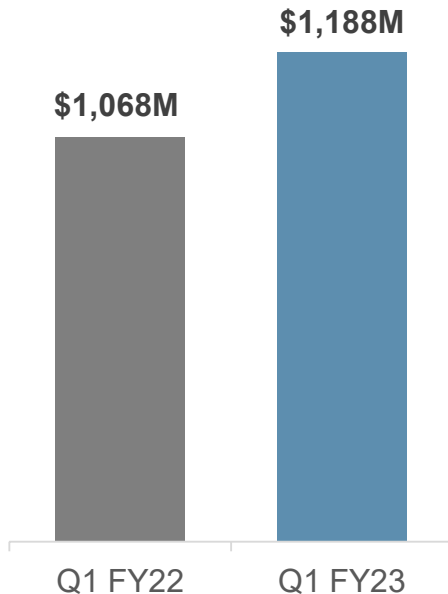
(2) As of September 27, 2022

First Quarter Highlights

First Quarter Financial Highlights

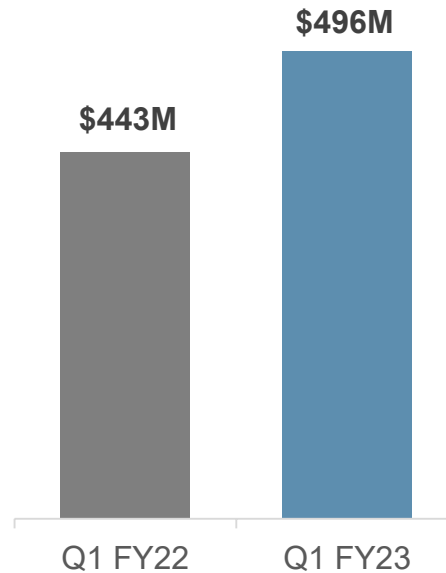
Service Revenues

↑ 11%



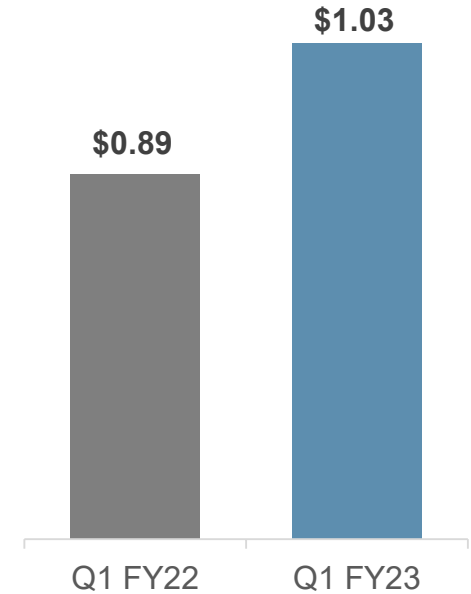
Operating Income

↑ 12%



Adjusted Diluted EPS⁽¹⁾

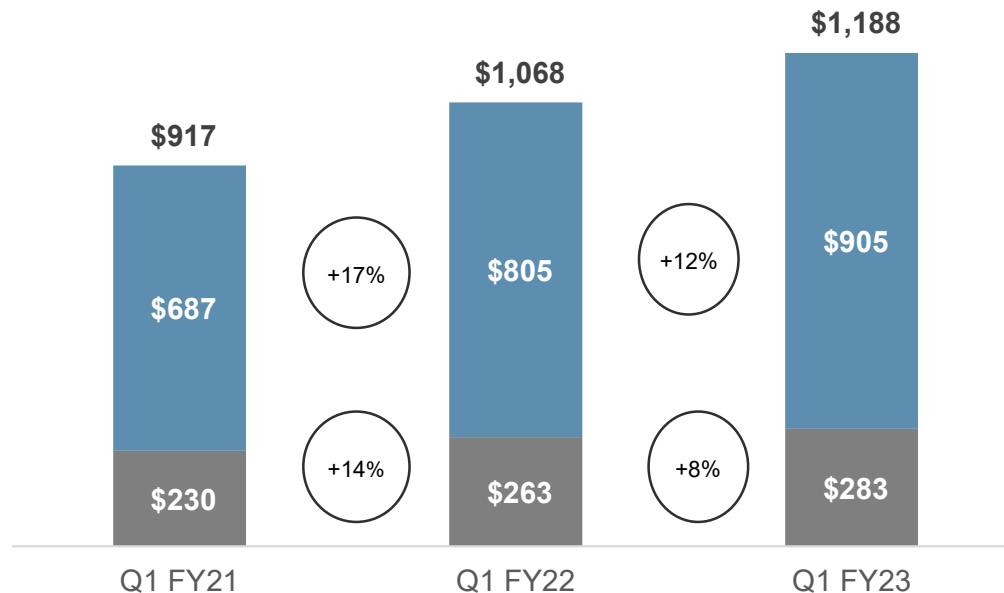
↑ 16%



(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 Service Revenue

(In Millions)



Key Drivers

Management Solutions

- Increase in the number of client employees throughout our HCM solutions suite
- Higher revenue per client due to price realization and increased product penetration
- Expansion of HR ancillary services

PEO⁽¹⁾ & Insurance Solutions

- Increase in average PEO worksite employees
- Increase in PEO health insurance revenues

(1) Professional Employer Organization ("PEO")

First Quarter Business Highlights

Achieved double-digit revenue and earnings growth

- Positive trends continued across the business, though at moderating rates
- Strong internal execution and continued high client employment levels drove growth
- Operating margins expanded 20 basis points to 41.1%, with continued investments in people, product, and marketing

Record Q1 sales performance

- Strong across many lines of business, especially HR outsourcing, retirement, mid-market, and digital sales
- Double-digit growth in total HR Outsourcing worksite employees
- Success in selling more of our suite of solutions, from HCM technology to HR outsourcing, reflected in higher average revenue per unit sold

Positioned for growth in fiscal 2023 and beyond

- Leading SaaS HCM platform with comprehensive, integrated suite of solutions from hire to retire
- Realizing benefits from continued investments in product development, service, sales, and marketing
- Balancing long-term investments with near-term cost discipline to navigate through uncertainty
- Interest rate increases a tailwind for float income

Paid \$285M of dividends to shareholders during the quarter

Product & Technology Horizon

Innovation to meet our customers' evolving business needs

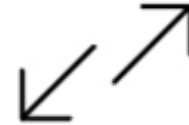


Artificial Intelligence

(including Paychex Flex
Intelligence Engine)



Data Analytics



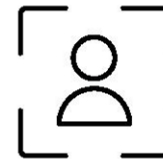
Expanded Integrations (APIs)



Wearable Solutions



Voice Recognition



Personalization

Recent Awards and Recognition

Paychex was honored for its innovative technology and impressive corporate culture



NelsonHall NEAT Leader 2022

Paychex was recognized as a "Leader" in payroll for the 6th consecutive year



Largest 401(k) Recordkeeper by Number of Plans
PAYCHEX

PLANSponsor Magazine Recordkeeping Survey 2022 Largest 401(k) Recordkeeper

Paychex was recognized, for the 12th consecutive year, as the top 401(k) Recordkeeper by number of plans, number of defined contribution plans added in 2021, and number of 401(k) plans with less than \$10M in assets



HR Tech Award from Lighthouse Research & Advisory – Best SMB-focused solution in the Core HR/Workforce category

Paychex was recognized for the 3rd consecutive year



Selling Power 50 Best Companies to Sell For

Paychex has once again been named as one of the 50 best companies to sell for



Ethisphere World's Most Ethical Companies

Paychex recognized for the 14th time, and the 11th consecutive year



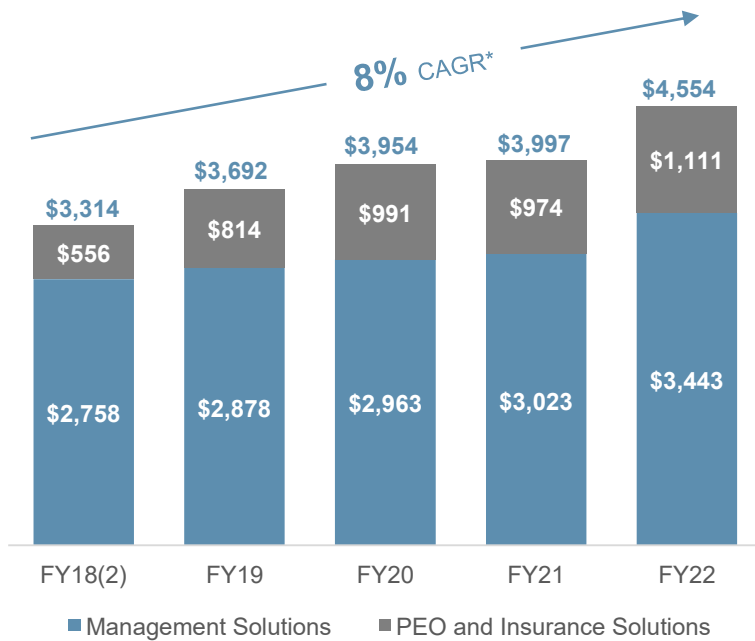
FORTUNE® Magazine 2022 World's Most Admired Companies

Paychex was named to the list of the World's Most Admired Companies recognizing its corporate reputation and outstanding financial performance

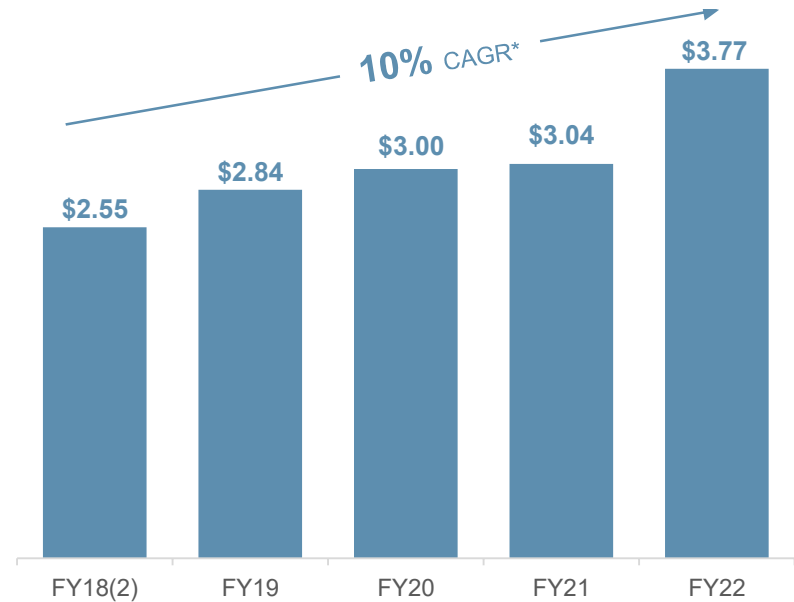
Sustained Financial Performance

(In Millions, Except Per Share Amounts)

Total Service Revenue



Adjusted Diluted EPS⁽¹⁾



* 4-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.
- (2) Accounting Standards Codification Topic 606, "Revenue from Contracts with Customers" was adopted effective June 1, 2018. FY18 results were adjusted to reflect a comparable presentation.

Fiscal 2023 Outlook

Fiscal Year 2023 Outlook

	Current September 28, 2022 Year-over-Year Growth	Previous June 29, 2022 Year-over-Year Growth
Management Solutions Revenue	5% - 7%	5% - 7%
PEO & Insurance Solutions Revenue	8% - 10%	8% - 10%
Total Revenue	7% - 8%	7% - 8%
Adjusted Diluted EPS ⁽¹⁾	11% - 12%	9% - 10%
	Anticipated Result	Anticipated Result
Interest on Funds Held for Clients	\$85M - \$95M	\$85M - \$95M
Operating Income, as a Percent of Total Revenue	40% - 41%	40% - 41%
EBITDA, as a Percent of Total Revenue ⁽¹⁾	~44%	~44%
Other Expense, Net	\$5M - \$10M	\$5M - \$10M
Effective Income Tax Rate	24% - 25%	24% - 25%

(1) Adjusted diluted EPS and EBITDA are non-GAAP measures. Refer to slide 16 for a reconciliation to the corresponding GAAP measures for the first quarter of fiscal 2023.

Financial Results

Financial Results

For the Three Months ended August 31, 2022

(In millions, except per share amounts)	Three Months Ended	%
	<u>August 31, 2022</u>	<u>Change</u>
Management Solutions	\$ 905.5	12%
PEO and Insurance Solutions	282.8	8%
Total Service Revenue	1,188.3	11%
Interest on Funds Held for Clients	17.9	24%
Total Revenue	\$ 1,206.2	11%
Operating Income	\$ 495.6	12%
Net Income	\$ 379.2	14%
Diluted EPS	\$ 1.05	14%
Non-GAAP Measures:⁽¹⁾		
EBITDA	\$ 539.7	8%
Adjusted Net Income	\$ 371.9	15%
Adjusted Diluted EPS	\$ 1.03	16%

(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 46%
- Consistent free cash flow generation supports industry-leading dividend payout ratio

	<u>August 31, 2022</u>	<u>May 31, 2022</u>
Cash, Restricted Cash, & Total Corporate Investments	\$ 1,326.6	\$ 1,304.7
Total Debt, Net of Debt Issuance Costs ⁽¹⁾	\$ 808.1	\$ 806.4
Return on Equity	46%	45%
Fiscal Year-to-Date Period Ended:	<u>August 31, 2022</u>	<u>August 31, 2021</u>
Operating Cash Flow	\$ 364.3	\$ 385.6
Free Cash Flow	\$ 328.1	\$ 353.9
Dividends Paid	\$ 284.6	\$ 238.1
Dividend Coverage Ratio ⁽²⁾	1.2x	1.5x

(1) Does not include operating lease liabilities of \$94.1M and \$99.9M as of August 31, 2022, and May 31, 2022, 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, 2022

(In millions, except per share amounts)

	Three Months Ended		% Change
	2022	2021	
Net Income	\$ 379.2	\$ 333.6	14%
Non-GAAP Adjustments:			
Excess Tax Benefit Related to Employee Stock-Based Compensation Payments ⁽¹⁾	(7.3)	(10.4)	
Adjusted Net Income⁽²⁾	\$ 371.9	\$ 323.2	15%
Diluted EPS	\$ 1.05	\$ 0.92	14%
Non-GAAP Adjustments:			
Excess Tax Benefit Related to Employee Stock-Based Compensation Payments ⁽¹⁾	(0.02)	(0.03)	
Adjusted Diluted EPS⁽²⁾	\$ 1.03	\$ 0.89	16%
Net Income	\$ 379.2	\$ 333.6	14%
Non-GAAP Adjustments:			
Interest Expense, Net	3.7	9.0	
Income Taxes	112.8	110.3	
Depreciation and Amortization Expense	44.0	45.7	
Total Non-GAAP Adjustments	160.5	165.0	
EBITDA⁽²⁾	\$ 539.7	\$ 498.6	8%

(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 Quarterly Report on Form 10-Q for further discussion.

Investment Portfolio Results

(\$ in millions)	Three Months Ended August 31,		% Change
	2022	2021	
Average Investment Balances:			
Funds Held For Clients	\$ 4,118.0	\$ 3,897.5	6%
Corporate Cash Equivalents and Investments	\$ 1,394.6	\$ 1,197.1	16%
Average Rate of Return Earned:			
Funds Held For Clients	1.7%	1.5%	
Corporate Cash Equivalents and Investments	1.5%	0.1%	
Realized Gains, Net	\$ 0.1	\$ 0.1	
<u>End of Period:</u>	<u>August 31, 2022</u>	<u>May 31, 2022</u>	
Unrealized Loss, Net	(\$175.6)	(\$136.3)	

- 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 primarily due to wage inflation and increased employment levels.



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The Power of Simplicity