



The Future of Work is Here

Annual Shareholder Meeting | 2020



Tom Golisano

Chairman of the Board



**Paychex
Board of Directors**

A photograph of a multi-story brick building with large windows. A green tree is in front of the building, and the word "PAYCHEX" is visible in blue letters on the lower part of the facade. The building is set against a clear blue sky.

Annual Meeting Business

Introduction of Independent Auditors:
Sean Hoover, Pricewaterhouse Coopers

Introduction of Inspector of Election:
Todd Card, Paychex Corporate Counsel

Dividend: Quarterly Dividend is \$0.62 per share. In Fiscal Year 2020, \$889 million was paid in dividends, 81% of net income.

Voting and Question Protocols

Record Date: August 17, 2020

Declaration of Quorum

Matters for Shareholder Voting



Proposal 1: Election of Directors

Proposal 2: Advisory Vote to Approve Named Executive Officer Compensation

Proposal 3: Amendment of the Stock Incentive Plan

Proposal 4: Ratification of Auditors

Opening of Polls and Submission of Shareholder Questions/Comments



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Martin Mucci

President and CEO



Paychex Makes it Simple

At Paychex, we're cutting through the clutter to make HR, payroll, benefits, and insurance simple even in the most difficult of times.

A photograph of a modern, multi-story brick building with large windows and a green lawn in the foreground. The Paychex logo is visible on the building's facade.

Executive Team

Mark Bottini

Senior VP, Sales

Teresa Carroll

VP, PEO

Neal Collins

VP, Corp. Development

John Connors

VP, Software Development

Chris DeSalvo

VP, Service Excellence and Operations

Tamara Duncan

VP, Small Business Sales

Frank Fiorille

VP, Risk, Compliance, and Data Analytics

John Gibson

Senior VP, Service

Michael Gioja

Senior VP, IT and Prod. Development

Tom Hammond

VP, Corp. Strategy and Prod. Mgmt.

Mike Jeffrey

VP, Major Market Sales

Ted Jordan

VP, Service

Maureen Lally

VP, Marketing

Efrain Rivera

Senior VP, CFO, and Treasurer

Stephanie Schaeffer

VP, Chief Legal & Ethics Officer and Secretary

Brad Schaufenbuel

VP, Chief Information Security Officer

Robert Schrader

VP and Controller

Terry Sukalski

VP, HRS and Retirement Sales

Jennifer Vossler

VP, HR and Org. Development (interim)

Mick Whittemore

VP, IT, Enterprise Operations



Fiscal **2020** Highlights

Solid financial performance

Despite pandemic impact in the fourth quarter, delivered continued growth in revenue and profits

COVID-19 response

Actions focused on employee safety and client support in unprecedented times

Delivering solutions to our clients

Responsive products to the pandemic & tech solutions for HR & payroll

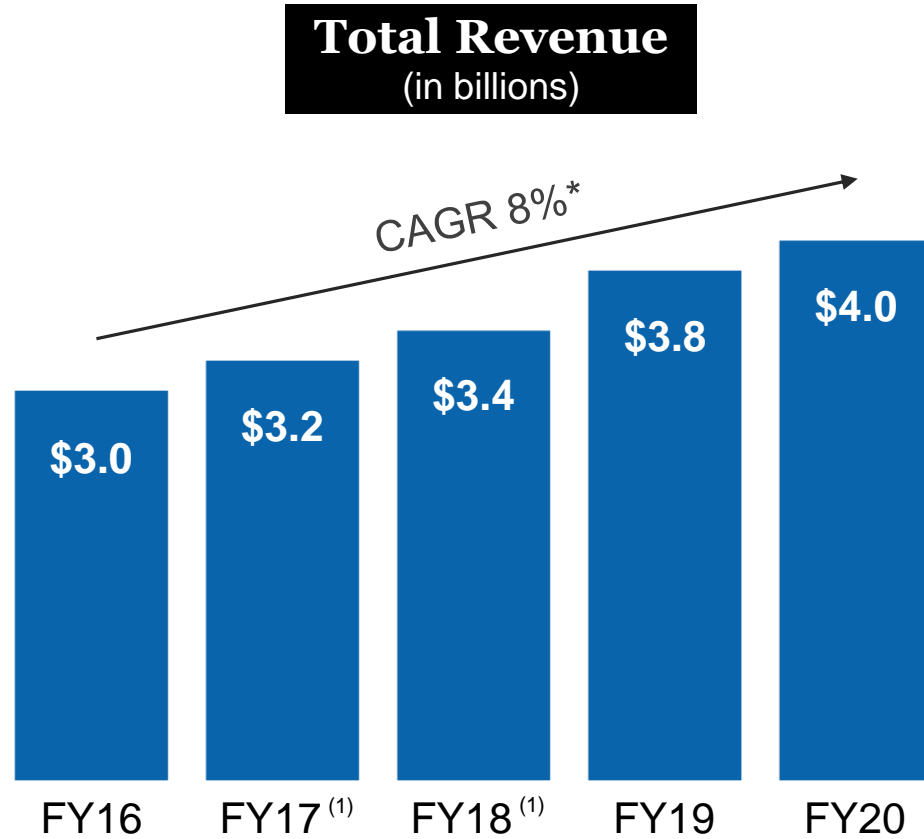
Investing for the future

Continued investment in sales force, technology resources, and product development to support growth in the business

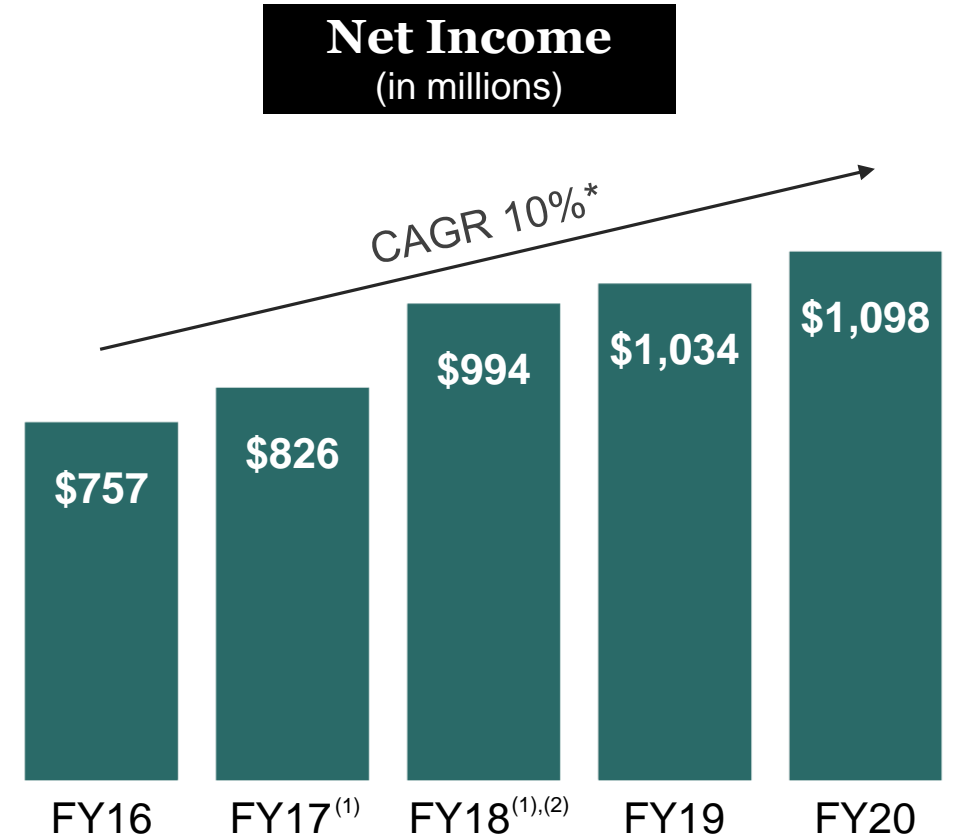
Return to Shareholders

Quarterly dividend maintained; 3%+ yield; market cap exceeded \$25B

Resilient Revenue Growth



Industry-Leading Profitability

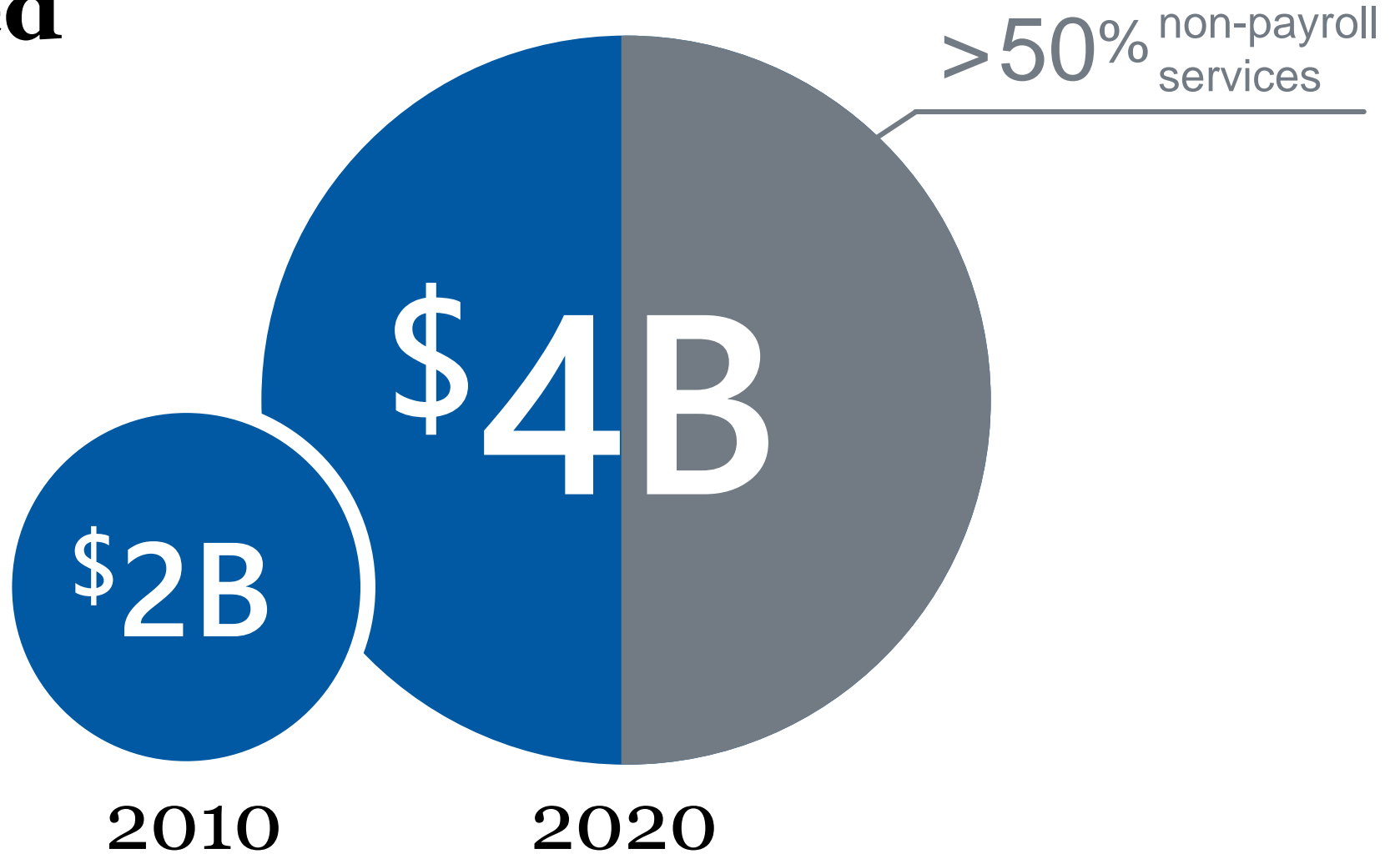


* 5-Year CAGR

(1) Accounting Standards Codification Topic 606, "Revenue from Contracts with Customers" (ASC Topic 606), was adopted for FY19. FY18 and FY17 results were adjusted to reflect a comparable presentation.

(2) Net income was impacted by the Tax Cuts and Jobs Act of 2017 in fiscal 2018.

Doubled Revenues and Expanded Non-payroll Solutions



Paychex Response to COVID-19 Conditions

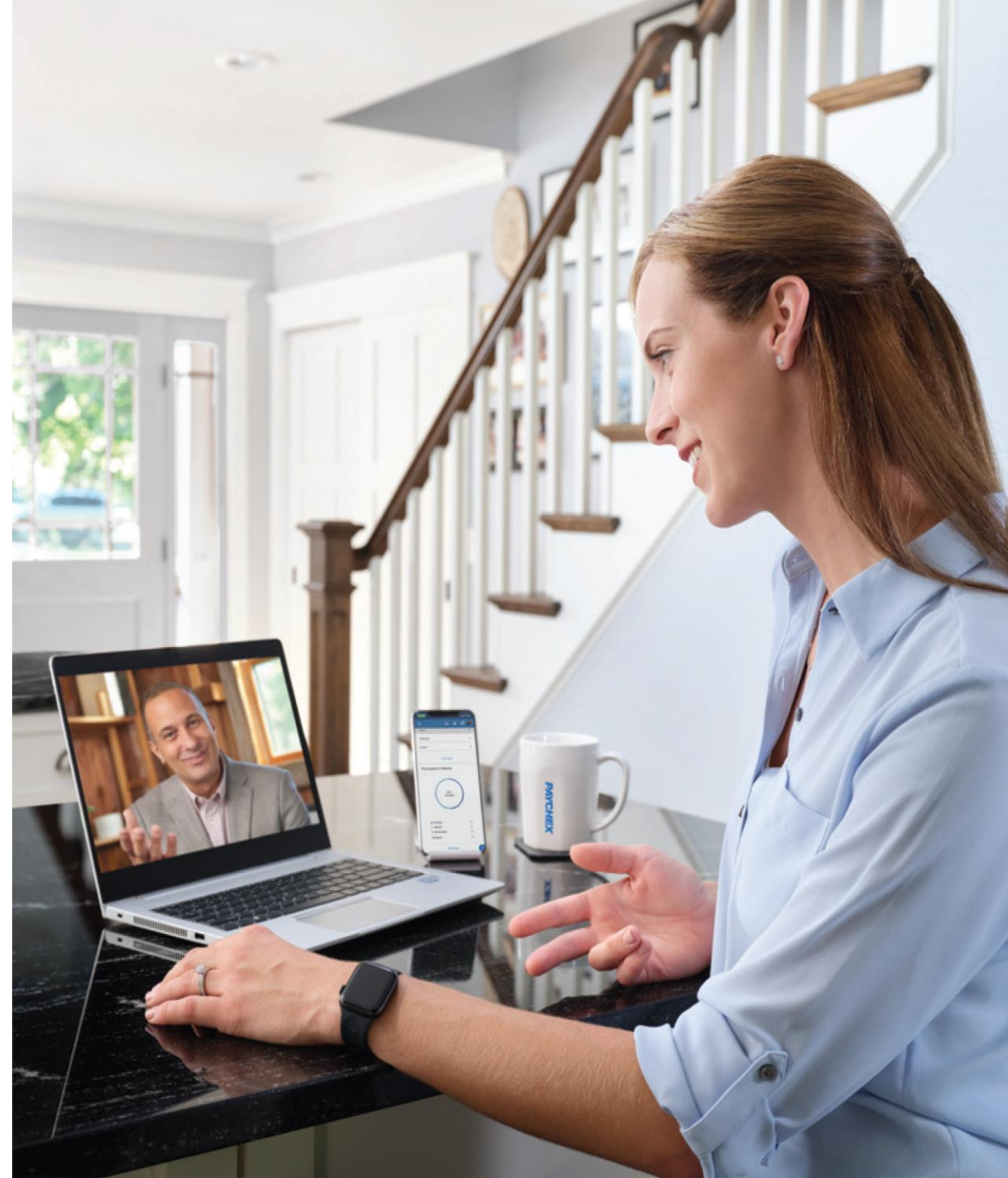
Moved 95% of our workforce, over 14k employees to work from home in 6 days

Created the first payroll report that supported our clients filing for Paycheck Protection Program loans – accessed over 500k times

COVID-19 Help Center – provided online site updated daily with changes in regulations, webinars and other information

Partnered with FinTech companies to provide another option for clients to access PPP loans

Introduced the most comprehensive online PPP loan forgiveness estimator and signature ready application





Driving Revenue Growth Through Product Innovation

Staying Compliant, Keeping Employees Engaged & Optimizing Cashflow

Paid family & sick leave & payroll tax deferrals

600 HR specialists by phone, text, video conference

Paperless onboarding, training and workflow

Learning Management System

Iris scan timeclocks, health attestations and OSHA incident

Pay On Demand & Real Time Payments

Flex Assistant

Service is a Value . . . Not a Department

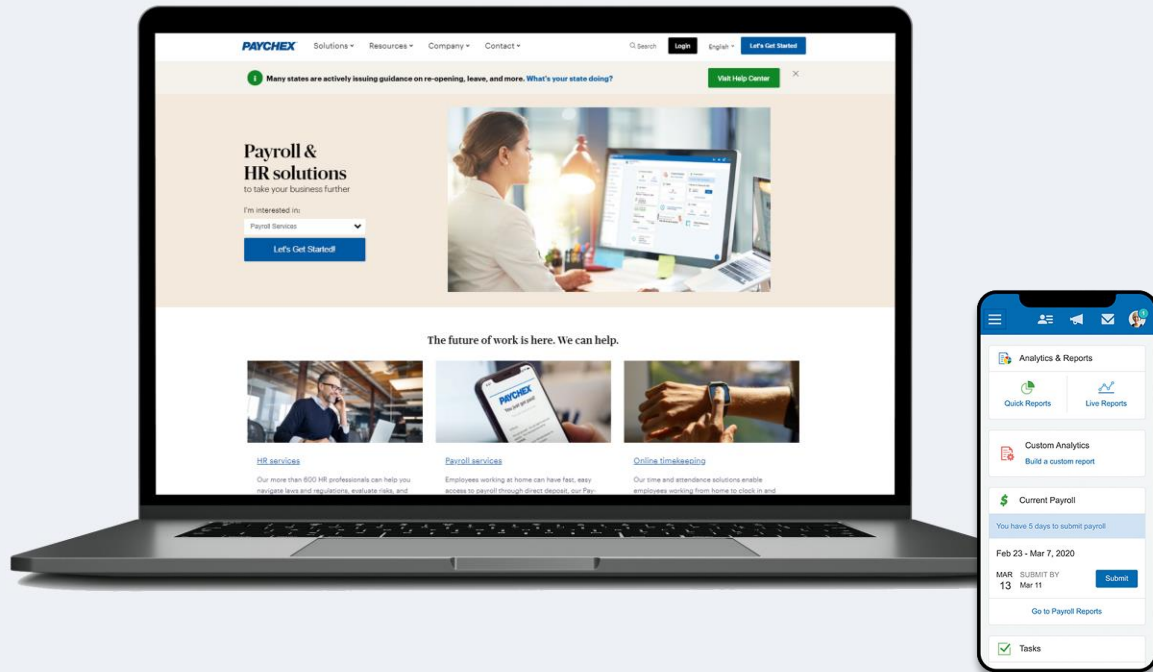
Always open and more ways to communicate

INTEGRATED SERVICE



Leadership

within our markets



All figures as of May 31, 2020

Payroll

#1 Small Business
#2 Mid-Market

~ 12M
Employees Paid

>680,000
Clients

HR Services

Top ASO/PEO
Small Businesses

1.4M
WSEs

55,000+
Clients

Retirement

91,000+
Plans

1M+
Participants

#1
Recordkeeper:
Plans

Insurance

128,000+
Clients

\$2.5B+
in Premiums

Top 22
Agency

Industry Recognition

FORTUNE®
Future 50
Company

Named a **FORTUNE**
Future 50 Company for
Consistent
Performance and
Continued Innovation



Top HR Product Award
Presented by Human
Resource Executive
magazine and the HR
Technology Conference
& Exposition



Ethisphere
2020
World's Most
Ethical Companies



Brandon Hall Group
Gold Medal for
Excellence in
Technology



Training magazine's
Top 125 Training
Companies



PLANSPONSOR
2020 #1 401(k)
recordkeeper
by total number
of plans



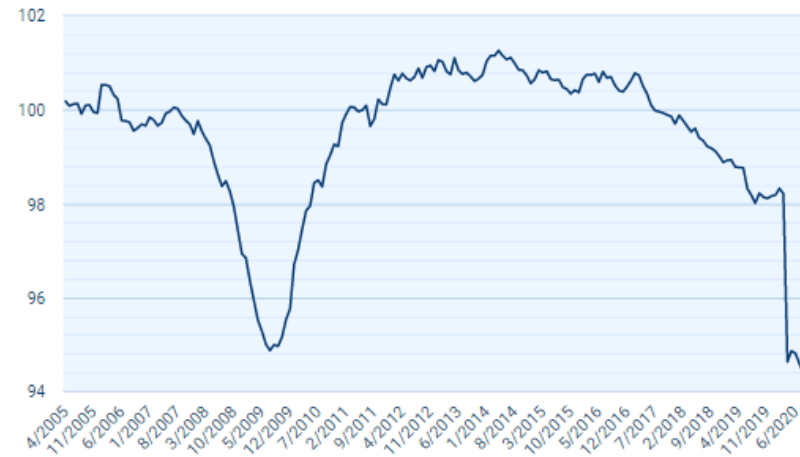
**Business
Insurance**
Top 25 Agency

Economic Trends



As of September 2020

Small Business Jobs Index

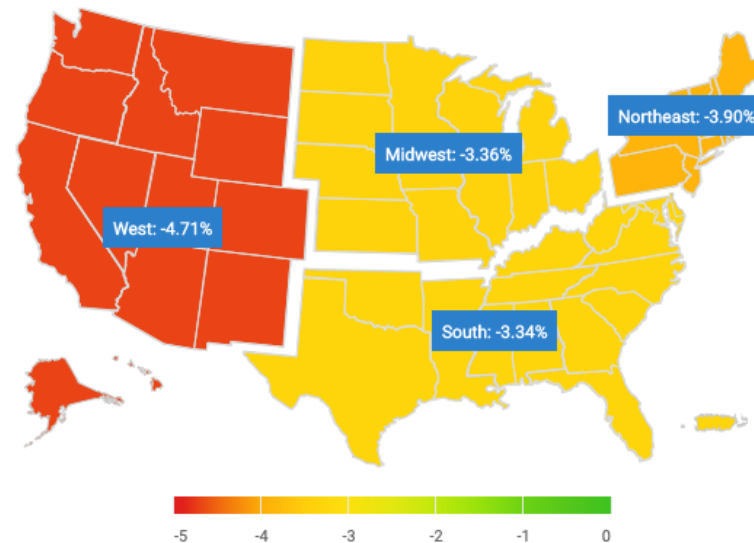


September Jobs Index

Index
94.44

12-Month Change
-3.85%

Small Business Wage Index



September Wage Data

Hourly Earnings
\$28.20

12-Month Growth
+3.14% (+\$0.86)



Industry Trends



Human Resource Management



Workforce Composition



Cloud & Mobile Adoption



Customer Experience



Data Analytics



Regulations and Compliance Complexity

Strategic Investments

We're accelerating the right investments to fuel growth



- ✓ Marketing spend on demand generation
- ✓ Sales expansion & re-distribution
- ✓ Accelerated product innovation
- ✓ Significant acquisitions in our markets



Positioned for **Growth**

Leading market positions in payroll, HR outsourcing, T&A, 401(k), insurance

Accelerated investments in marketing, product innovations & mobility have positioned us well

Integrated HCM product on an industry-leading SaaS platform

Combined with best client satisfaction & exceptional shareholder returns



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Efrain Rivera

Sr. Vice President,
Chief Financial Officer, and Treasurer

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 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.

Revenue Sources

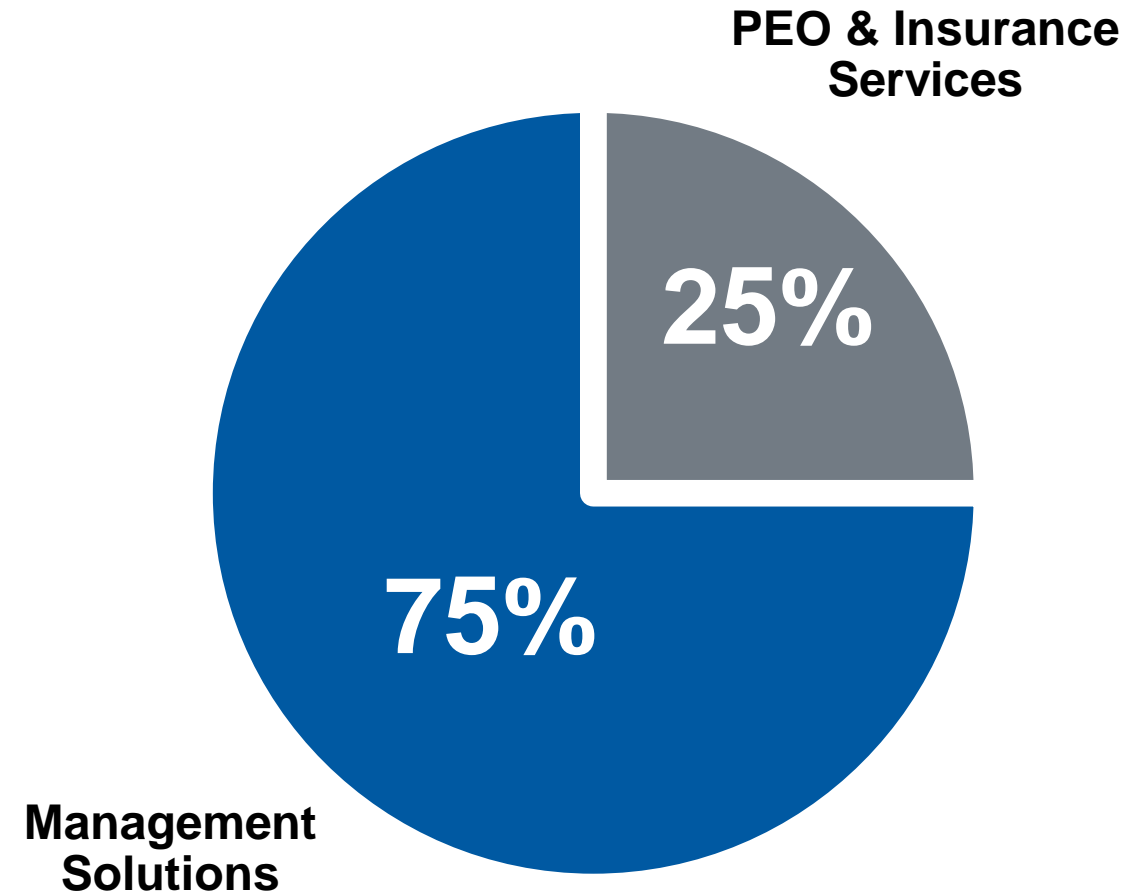
Service Revenue Categories

Management Solutions

- Revenue from payroll and HCM bundled and stand-alone solutions, including HR administration (including our ASO⁽¹⁾), and retirement services

PEO⁽¹⁾ and Insurance Solutions

- PEO revenues, including PBS, HROi and Oasis PEOs, and revenues from provision of property & casualty and health & benefits insurance



(1) ASO is our Administrative Services Organization
PEO is our Professional Employer Organization

Fiscal 2020

Financial Highlights

- ✓ Total service revenue increased 7%
- ✓ Interest on funds held for clients increased 8%
- ✓ Operating income increased 7%, approximately 36% of total revenue
- ✓ Dividends as percent of net income of 81%
- ✓ Cash and total corporate investments of \$1 billion as of May 31, 2020

Fiscal 2020 Financial Results

(in millions, except per share amounts)

	Year Ended May 31, 2020	Change %
Management Solutions Revenue	\$ 2,963.0	3%
PEO & Insurance Solutions Revenue	990.6	22%
Total Service Revenue	3,953.6	7%
Interest on Funds Held for Clients	86.9	8%
Total Revenue	\$ 4,040.5	7%
Operating Income	\$ 1,460.5	7%
Net Income	\$ 1,098.1	6%
Diluted Earnings Per Share	\$ 3.04	6%
Non-GAAP Measures ⁽¹⁾		
Adjusted Operating Income	\$ 1,460.5	7%
Adjusted Net Income	\$ 1,083.2	5%
Adjusted Diluted Earnings Per Share	\$ 3.00	6%

(1) Adjusted operating income, adjusted net income, and adjusted diluted earnings per share are non-GAAP financial measures. Refer to a reconciliation of non-GAAP measures to the most relevant GAAP measures along with further discussion in the Management's Discussion and Analysis section of our Annual Report on Form 10-K.

Balance Sheet and Cash Flows

	May 31, 2020	May 31, 2019
Cash & Investments	\$1,013.7	\$779.9
Long-Term Debt	\$796.8	\$796.4
Return on Equity	41%	42%
Operating Cash Flow	\$1,440.9	\$1,271.5
Dividends Paid	\$889.4	\$826.8
Dividend Coverage Ratio ⁽¹⁾	1.5x	1.1x

(1) Ratio is calculated based on free cash flow of \$1,298.0M and \$946.5M for Fiscal 2020 and 2019 respectively.

Fiscal 2021 First Quarter

(in millions, except per share amounts)

	For the three months ended August 31, 2020	Change %
Management Solutions	\$ 687.4	(5%)
PEO and Insurance Solutions	229.9	(7%)
Total Service Revenue	917.3	(6%)
Interest on Funds Held for Clients	14.9	(28%)
Total Revenue	\$ 932.2	(6%)
Operating Income	\$ 284.0	(19%)
Net Income	\$ 211.6	(20%)
Diluted Earnings Per Share	\$ 0.59	(19%)
Non-GAAP Measures: ⁽¹⁾		
Adjusted Operating Income	\$ 315.2	(10%)
Adjusted Net Income	\$ 228.0	(11%)
Adjusted Diluted Earnings Per Share	\$ 0.63	(11%)

(1) Adjusted operating income, adjusted net income, and adjusted diluted earnings per share are non-GAAP measures. Refer to a reconciliation of these non-GAAP measures to the related GAAP measures along with a discussion of non-GAAP measures in the Management's Discussion and Analysis in our Quarterly Report on Form 10-Q for the quarter ended August 31, 2020.

Fiscal Year 2021 Outlook

Year-over-Year Growth

Management Solutions Revenue	(3%) – (1%)
PEO and Insurance Solutions Revenue	(5%) – (2%)
Total Revenue	(4%) – (2%)
Adjusted Diluted Earnings per Share ⁽²⁾	(8%) – (6%)

Anticipated Result

Interest on Funds Held for Clients	\$50M – \$55M
Adjusted Operating Income, as a Percent of Total Revenue	~ 35%
Adjusted EBITDA ⁽¹⁾ , as a Percent of Total Revenue	~ 40%
Other Expense, Net	\$30M – \$35M
Effective Income Tax Rate	24.0% – 25.0%

(1) Adjusted diluted earnings per share and adjusted operating income are non-GAAP measures, which exclude the impact of certain discrete tax items and one-time costs. No assumptions were made in regards to discrete tax items for the future months of fiscal 2021.

(2) Adjusted EBITDA is a non-GAAP measure calculated as net income + interest expense + income taxes + depreciation + amortization + one-time costs.

Long-Term Capital Strategy

- Cash deployment
 - Investment for organic growth
 - Strategic, accretive acquisitions
 - Return cash to shareholders through dividends and stock repurchase
- \$400M authorization to repurchase Paychex Common stock expiring in May 2022; \$199M remaining
 - 20.8M shares for \$1.1B repurchased to-date since FY14 under this and previously authorized plans

Summary

- ✓ Proven business model
- ✓ Resilient revenue growth with industry-leading operating margin
- ✓ Consistent free cash flow
- ✓ Solid balance sheet
- ✓ Strong dividend yield



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Q&A Period

Shareholders may submit questions
through the online portal

Closing of Polls

Results of Balloting and Report of Inspector of Elections

Meeting Adjournment





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