

Fourth Quarter Highlights and Financial Results

Fiscal 2022

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

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.

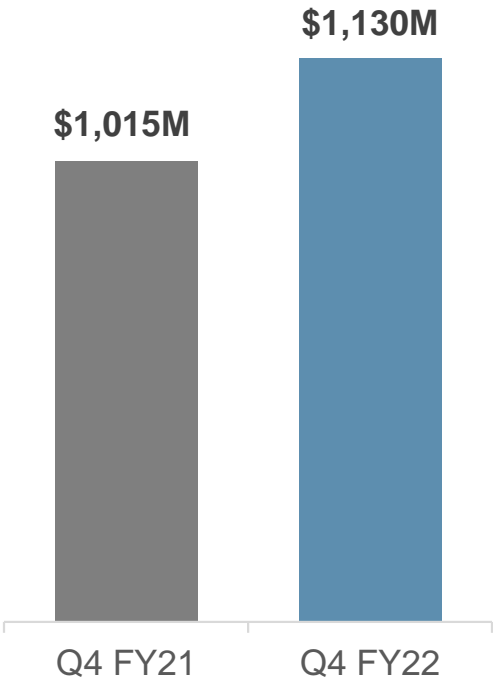
- Comprehensive technology-driven HCM software and solutions company
- Leading-edge technology platform backed by HR and compliance expertise
- Leader in comprehensive HR outsourcing solutions
- >730,000 clients⁽¹⁾
- Strong financial position
- Market capitalization of >\$43B⁽²⁾

Fourth Quarter Highlights

Fourth Quarter Financial Highlights

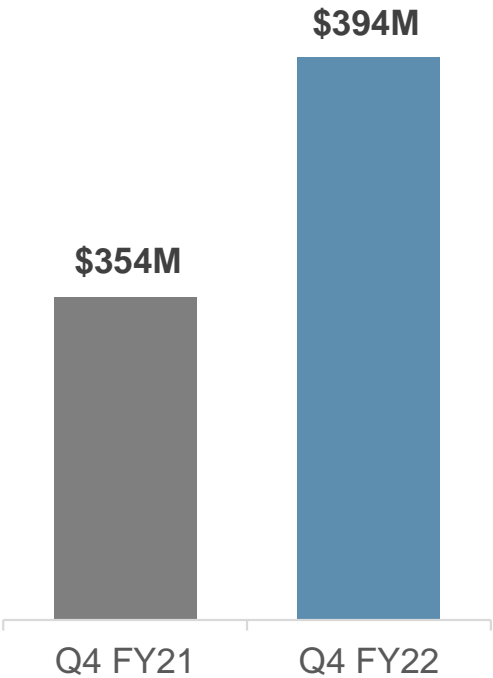
Service Revenues

↑ 11%



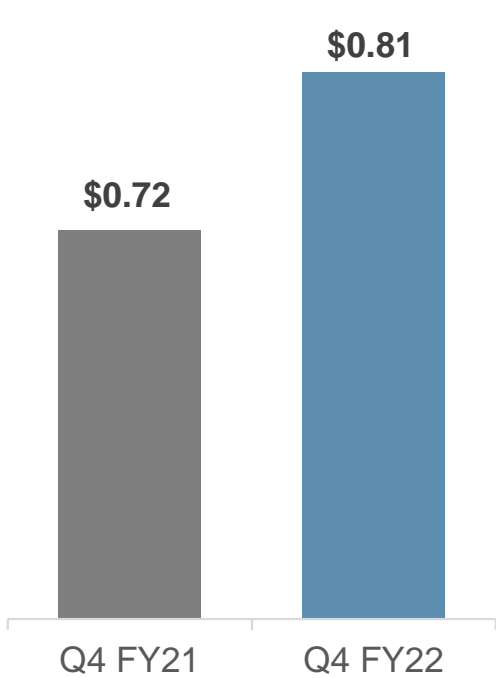
Adjusted Operating Income⁽¹⁾

↑ 11%



Adjusted Diluted EPS⁽¹⁾

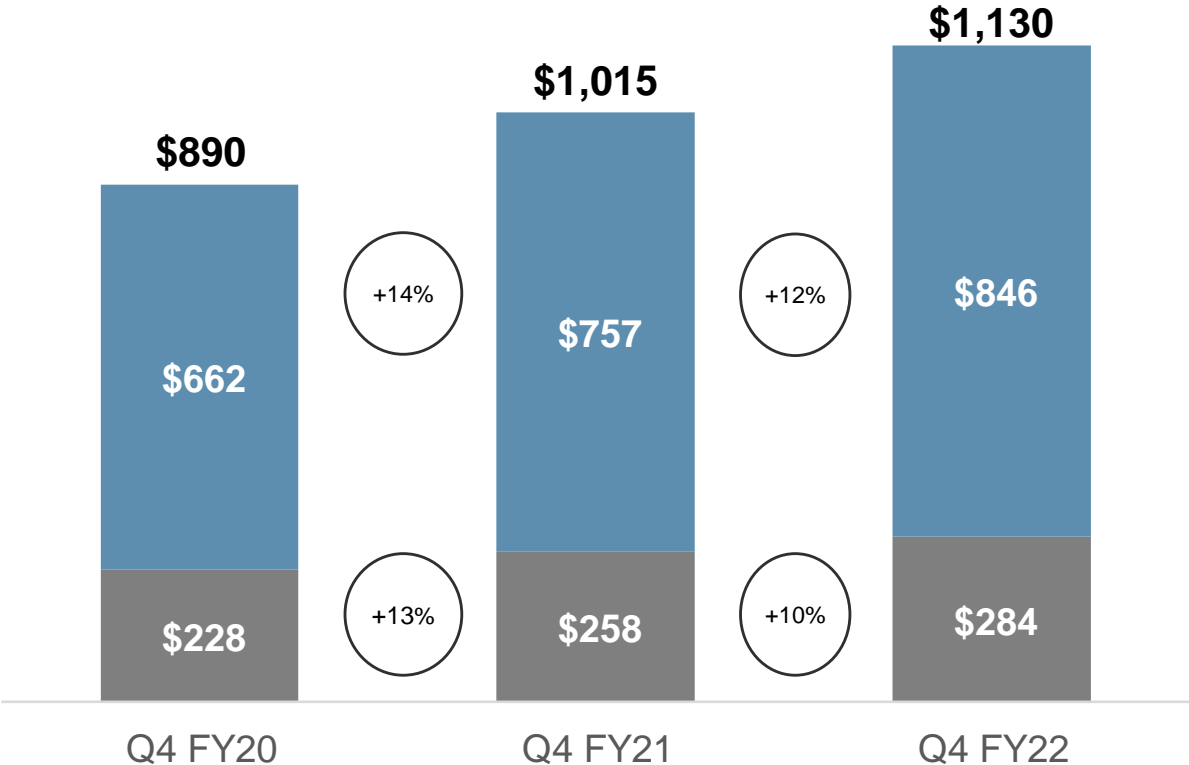
↑ 13%



(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 measures.

Fourth Quarter Service Revenue

(In Millions)



Key Drivers

Management Solutions

- Client base growth driven by strong sales performance and high levels of client retention
- 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
- Higher average wages per worksite employee
- Increase in PEO health insurance revenues

(1) Professional Employer Organization (“PEO”)

Fourth Quarter Business Highlights

Achieved double-digit revenue and earnings growth

- Continued momentum from previous quarters with positive trends across the business
- Strong internal execution driving growth with tailwind of positive macroeconomic trends
- Adjusted operating margins expanded 10 basis points to 34.4%, with continued investments in people, product and marketing

Strong client base growth across all lines of business

- Record Q4 sales performance driven by HR outsourcing, digital sales, mid-market, and retirement
- Client retention remains above pre-pandemic levels; revenue retention near record levels
- Double-digit growth in total HR Outsourcing worksite employees

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
- Recent and anticipated interest rate increases a tailwind for float income

Committed to returning capital to shareholders

- Raised the quarterly dividend 20% to \$0.79 a share
- Repurchased 1.2 million shares of Paychex common stock
- Returned \$430M to shareholders in the form of dividends and share repurchases

Product & Technology Horizon

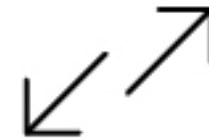
Innovation to meet our customers' evolving business needs



Artificial Intelligence
(including Paychex Flex
Intelligence Engine)



Data Analytics



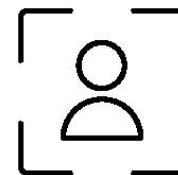
**Expanded
Integrations (APIs)**



**Wearable
Solutions**



**Voice
Recognition**



Personalization

Recent Awards and Recognition

Paychex is being honored for its innovative technology and impressive corporate culture



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

Paychex was recognized for the third consecutive year



FORTUNE® Magazine 2022 Worlds' Most Admired Companies

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



Business Intelligence Group 2022 BIG Innovation Award

Paychex was recognized by the Business Intelligence Group for its Paychex Pre-Check solution



Forbes America's Best Employers for Diversity

Paychex was recognized as one of America's best employers for diversity by Forbes



Ethisphere World's Most Ethical Companies

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



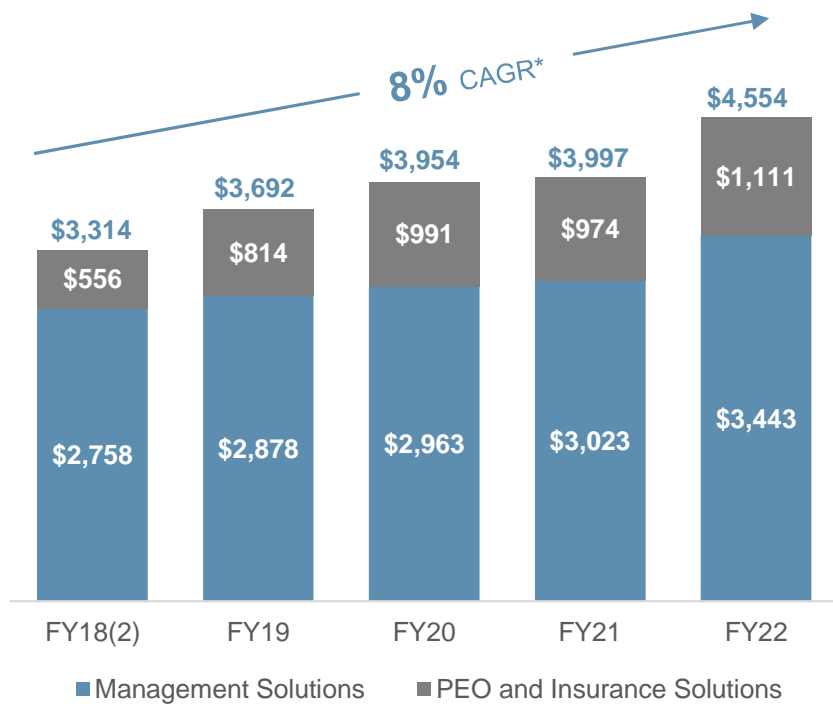
Business Group on Health – Best Employers; Excellence in Health & Well-being

Paychex recognized for the ninth time for offering one of the nation's top health and well-being programs

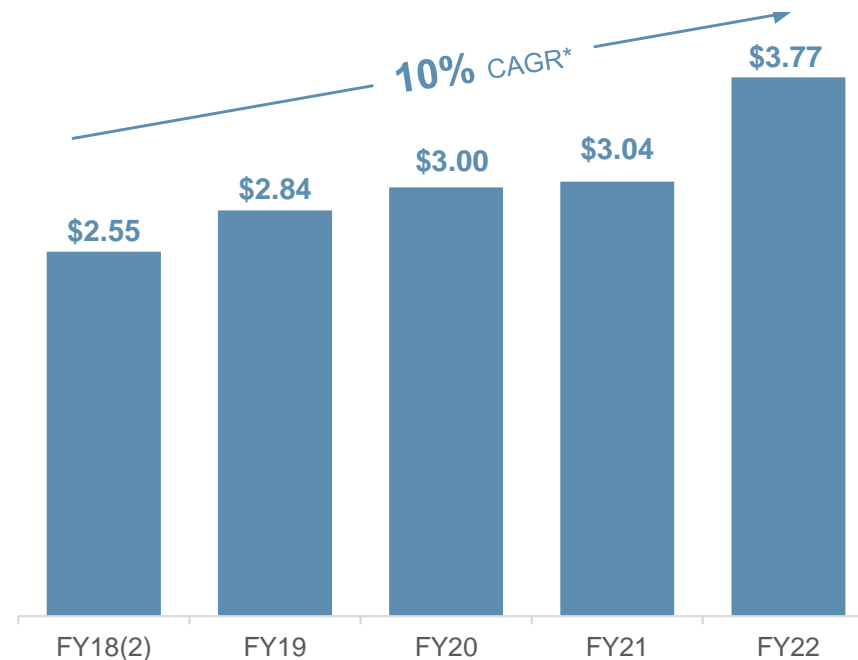
Sustained Financial Performance

(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

Year-over-Year Growth

Management Solutions Revenue	5% - 7%
PEO & Insurance Solutions Revenue	8% - 10%
Total Revenue	7% - 8%
Adjusted Diluted EPS ⁽¹⁾	9% - 10%

Anticipated Result

Interest on Funds Held for Clients	\$85M - \$95M
Adjusted Operating Income ⁽¹⁾ , as a Percent of Total Revenue	40% - 41%
Adjusted EBITDA ⁽¹⁾ , as a Percent of Total Revenue	~44%
Other Expense, net	\$5M - \$10M
Effective Income Tax Rate	24% - 25%

(1) Adjusted diluted EPS, along with adjusted operating income and adjusted EBITDA and related margins, are non-GAAP measures, which exclude the impact of certain discrete tax items and one-time costs. Refer to slide 16 for a reconciliation to the corresponding GAAP measures for the fourth quarter.

Financial Results

Financial Results

For the Three Months and Full Year ended May 31, 2022

(In millions, except per share amounts)	Three Months Ended		Twelve Months Ended	
	May 31, 2022	% Change	May 31, 2022	% Change
Management Solutions	\$ 845.3	12%	\$ 3,442.7	14%
PEO and Insurance Solutions	284.3	10%	1,111.3	14%
Total Service Revenue	1,129.6	11%	4,554.0	14%
Interest on Funds Held for Clients	14.7	2%	57.7	(3%)
Total Revenue	\$ 1,144.3	11%	\$ 4,611.7	14%
Operating Income	\$ 394.0	11%	\$ 1,840.0	26%
Net Income	\$ 296.4	13%	\$ 1,392.8	27%
Diluted EPS	\$ 0.82	12%	\$ 3.84	27%
Non-GAAP Measures:⁽¹⁾				
Adjusted Operating Income	\$ 394.0	11%	\$ 1,840.0	23%
Adjusted EBITDA	\$ 445.2	11%	\$ 2,050.1	21%
Adjusted Net Income	\$ 295.4	13%	\$ 1,367.8	24%
Adjusted Diluted EPS	\$ 0.81	13%	\$ 3.77	24%

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

	<u>May 31, 2022</u>	<u>May 31, 2021</u>
Cash, Restricted Cash, & Total Corporate Investments	\$ 1,304.7	\$ 1,127.3
Total Debt, Net of Debt Issuance Costs ⁽¹⁾	\$ 806.4	\$ 804.7
Return on Equity	45%	38%
Fiscal Year-to-Date Period Ended:	<u>May 31, 2022</u>	<u>May 31, 2021</u>
Operating Cash Flow	\$ 1,505.5	\$ 1,260.3
Free Cash Flow	\$ 1,337.4	\$ 1,117.5
Dividends Paid	\$ 999.6	\$ 908.7
Dividend Coverage Ratio ⁽²⁾	1.3x	1.2x

(1) Does not include operating lease liabilities of \$99.9M and \$121.4M as of May 31, 2022, and May 31, 2021, respectively.

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

Non-GAAP Financial Measures

For the Three Months and Full Year ended May 31, 2022

(In millions, except per share amounts)

	Three Months Ended		% Change	Twelve Months Ended		% Change
	May 31,			May 31,		
	2022	2021		2022	2021	
Operating Income	\$ 394.0	\$ 353.8	11%	\$ 1,840.0	\$ 1,460.7	26%
Non-GAAP Adjustments:						
Cost-Saving Initiatives ⁽¹⁾	-	-		-	32.2	
Total Non-GAAP Adjustments	-	-		-	32.2	
Adjusted Operating Income⁽²⁾	\$ 394.0	\$ 353.8	11%	\$ 1,840.0	\$ 1,492.9	23%
Net Income	\$ 296.4	\$ 263.0	13%	\$ 1,392.8	\$ 1,097.5	27%
Non-GAAP Adjustments:						
Excess Tax Benefit Related to Employee Stock-Based Compensation Payments ⁽³⁾	(1.0)	(2.2)		(18.9)	(19.4)	
Tax Benefit Derived from Research and Development Costs ⁽⁴⁾	-	-		(6.1)	-	
Cost-Saving Initiatives ⁽²⁾	-	-		-	24.3	
Total Non-GAAP Adjustments	(1.0)	(2.2)		(25.0)	4.9	
Adjusted Net Income⁽²⁾	\$ 295.4	\$ 260.8	13%	\$ 1,367.8	\$ 1,102.4	24%
Diluted EPS⁽⁵⁾	\$ 0.82	\$ 0.73	12%	\$ 3.84	\$ 3.03	27%
Non-GAAP Adjustments:						
Excess Tax Benefit Related to Employee Stock-Based Compensation Payments ⁽³⁾	-	(0.01)		(0.05)	(0.05)	
Tax Benefit Derived from Research and Development Costs ⁽⁴⁾	-	-		(0.02)	-	
Cost-Saving Initiatives ⁽¹⁾	-	-		-	0.07	
Total Non-GAAP Adjustments	-	(0.01)		(0.07)	0.01	
Adjusted Diluted EPS⁽²⁾	\$ 0.81	\$ 0.72	13%	\$ 3.77	\$ 3.04	24%
Net Income	\$ 296.4	\$ 263.0	13%	\$ 1,392.8	\$ 1,097.5	27%
Non-GAAP Adjustments:						
Interest Expense, Net	7.3	8.1		33.7	33.5	
Income Taxes	92.4	82.9		431.8	336.7	
Depreciation and Amortization Expense	49.1	47.4		191.8	192.0	
Total Non-GAAP Adjustments	148.8	138.4		657.3	562.2	
EBITDA	445.2	401.4	11%	2,050.1	1,659.7	24%
Cost-Saving Initiatives ⁽¹⁾	-	-		-	32.2	
Adjusted EBITDA⁽²⁾	\$ 445.2	\$ 401.4	11%	\$ 2,050.1	\$ 1,691.9	21%

(1) One-time costs and corresponding tax benefit recognized during fiscal 2021 related to the acceleration of cost-saving initiatives, including the long-term strategy to reduce our geographic footprint and headcount optimization. These events are not expected to recur.

(2) Adjusted operating income, adjusted net income, adjusted diluted EPS, and adjusted EBITDA are non-GAAP financial measures. Refer to our fourth quarter fiscal 2022 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.

(4) Non-recurring tax benefit derived from prior years' research and development costs incurred in the production of customer-facing software.

(5) 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

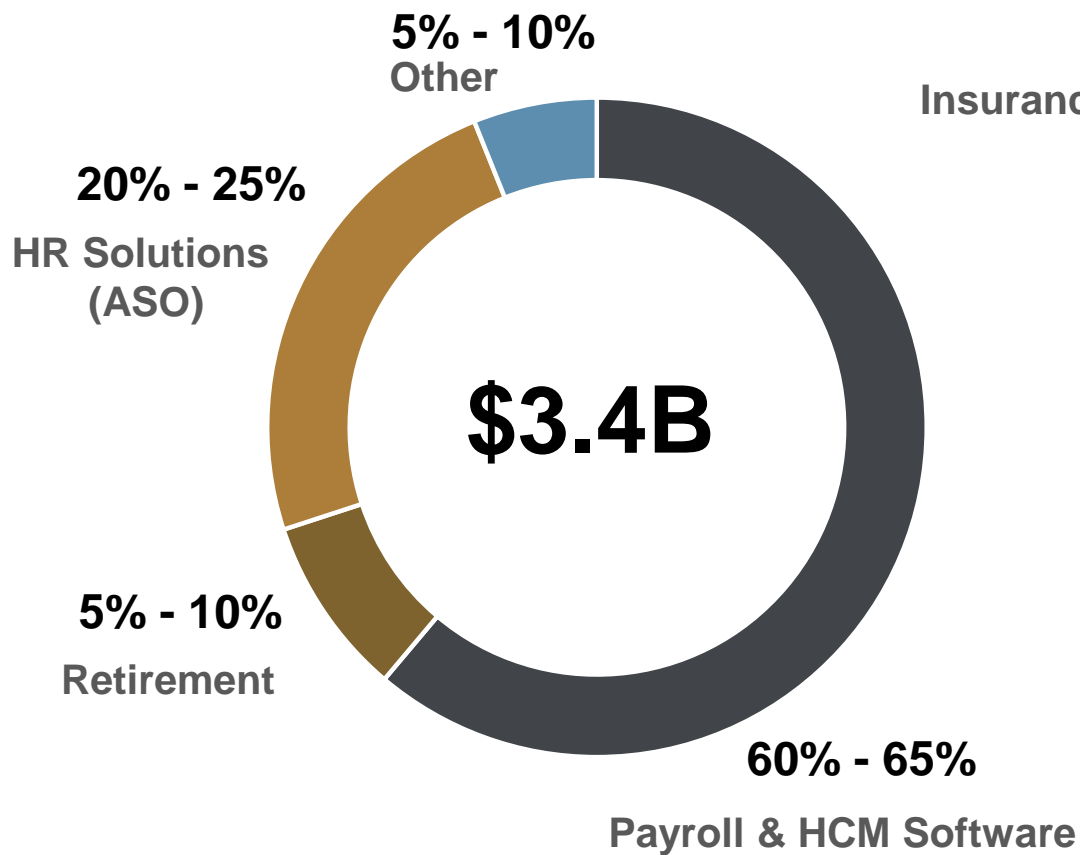
(\$ in millions)	Three Months Ended May 31,		% Change	Twelve Months Ended May 31,		% Change
	2022	2021		2022	2021	
Average Investment Balances:						
Funds Held For Clients	\$ 4,558.2	\$ 4,219.5	8%	\$ 4,354.8	\$ 3,941.9	10%
Corporate Cash Equivalents and Investments	\$ 1,491.7	\$ 1,124.1	33%	\$ 1,303.3	\$ 1,043.3	25%
Average Rate of Return Earned:						
Funds Held For Clients	1.3%	1.4%		1.3%	1.5%	
Corporate Cash Equivalents and Investments	0.5%	0.3%		0.2%	0.2%	
Realized Gains, Net	\$ 0.1	\$ 0.2		\$ 0.2	\$ 1.2	
<u>End of Period:</u>	<u>May 31, 2022</u>			<u>May 31, 2021</u>		
Unrealized (Loss) / Gain, Net	(\$136.3)			\$79.3		

- Rising market interest rates caused our longer-term investment portfolio to switch from a net gain position to a net loss position.
- Average invested balances for funds held for clients increased primarily due to increased employment levels and wage inflation.

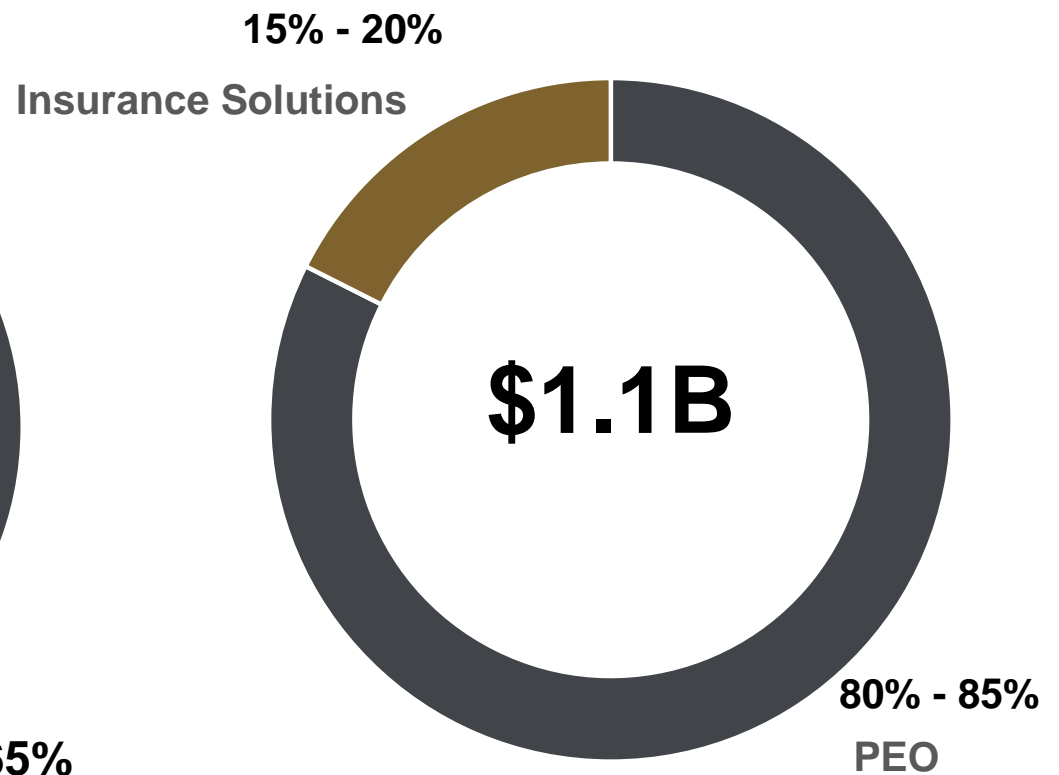
Supplemental Information

FY22 Revenue Composition

Management Solutions



PEO & Insurance Solutions



PAYCHEX[®]

HR | Payroll | Benefits | Insurance

The Power of Simplicity