POWERED BY PERFORMANCE
PAYCHEX
INVESTOR DAY 2015
Agenda

Performance and Future Focus
Market Opportunity
Sales Focus
Product and Technology
Financial Review and Outlook
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 and 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. We undertake no obligation to update these forward-looking statements after the date of issuance of this document to reflect events or circumstances after the date of release of this information, or to reflect the occurrence of unanticipated events.
Uniquely Positioned. Driving Sustained Growth.

- A uniquely positioned company
- Growing markets
- Strong competitive advantages
- Powerful financial model
- Future: Multiple growth drivers
Paychex by the Numbers
# Strength in Numbers

<table>
<thead>
<tr>
<th>#1 in Small Business Payroll Market</th>
<th>36% ROE</th>
<th>590,000</th>
<th>~ 3.5% Dividend Yield</th>
<th>$2.7B Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZERO Debt</td>
<td>8% Net Income Growth</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Resilient Revenue Growth and Industry-Leading Profitability

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Service Revenue ($B)</th>
<th>Operating Income (Net of certain items) ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2011</td>
<td>$2.0</td>
<td>$738</td>
</tr>
<tr>
<td>FY2012</td>
<td>$2.2</td>
<td>$810</td>
</tr>
<tr>
<td>FY2013</td>
<td>$2.3</td>
<td>$864</td>
</tr>
<tr>
<td>FY2014</td>
<td>$2.5</td>
<td>$942</td>
</tr>
<tr>
<td>FY2015</td>
<td>$2.7</td>
<td>$1,012</td>
</tr>
<tr>
<td>Service</td>
<td># of Clients</td>
<td># of WSEs</td>
</tr>
<tr>
<td>------------------</td>
<td>--------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Payroll (Integrated HCM)</td>
<td>590,000</td>
<td>10M</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR Services</td>
<td>31,000</td>
<td>858,000</td>
</tr>
<tr>
<td>Retirement</td>
<td>70,000</td>
<td>&gt;700,000</td>
</tr>
<tr>
<td>Insurance</td>
<td>114,000</td>
<td>142,000</td>
</tr>
</tbody>
</table>
Paychex Recognition

- **FORTUNE** America’s Most Admired Companies
- *Ethisphere’s* 2015 World’s Most Ethical Companies
- *Business Insurance* magazine – #23 on Top 100 Brokers List
- **PLANSPONSOR** – #1 401(k) recordkeeper by total number of plans
- *Training* magazine’s Top 125 list of best training organizations
- **Forbes** World’s Most Innovative Companies
- *ComputerWorld* 100 Best Places to Work in IT
Fiscal 2015 – Financial Highlights

• Highest service revenue and operating income in company history
  – Service revenue – $2.7B, 9% YOY growth
  – Operating Income (net of certain items) – $1.0B, 7% YOY growth

• Industry-leading operating margin of 38% while growing top-line revenue

• EPS growth of 8% to $1.85 per share

• Operating cash flow – $895M; cash & total corporate investments – $936M
Average Revenue Per Client

FY12  | FY13  | FY14  | FY15  
---   | ---   | ---   | ---
6% CAGR
Key Performance Metrics

Growth in Client Base (Annual %)
- FY12: 1%
- FY15: 2%

Technology Consumption (% of base)
- FY12: 64%
- FY15: 82%

Client Retention at Record Levels (%)
- FY12: 80%
- FY15: 82%
Market Forces and Positioning
Industry Trends

- Human capital management
- Workforce composition
- Cloud and mobile adoption
- Customer experience
- Data analytics
- Regulations and compliance complexity
Strategic Investments

Invested in Technology
- Doubled in last 7 years
- 7 technology company acquisitions/investments last 5 years

New Products/Solutions
- Paychex Flex
- Integrated HCM product suite

Sales and Marketing
- Lead generation
- New channel and partner development

Stronger growth and margins
Future Focus
The Best of Both Worlds

Strengths of a Cloud-Based SaaS Provider

• Innovative technology
• Flexible interface
• Mobile

Unique high-touch service/technology model

Strengths of a Customer Service Organization

• Dedicated specialists, not just 800 numbers
• Flexibility and choice
• National footprint
Industry-Leading HCM SaaS Platform

Single Platform

Single cloud-based platform with all Paychex services

Single Sign-On

Single Client & EE Records

Paychex Flex℠

Simple
Inclusive
Flexible
Mobile
Extendable
Innovative
## Service Flexibility and Choice

### Paychex Flex Support
- **Self Service**
  - 24/7
  - Online knowledge base and ticketing system providing basic answers and support, available 24/7.

- **Dedicated Service Center**
  - 24/7
  - Phone, chat, and social media support when clients need it, available 24/7.

### Paychex Flex Plus
- **Service Specialist**
  - 8-5
  - Dedicated specialist in payroll, familiar with a client's business, available during business hours in each time zone.

- **Multi-Product Service Center**
  - 8-5
  - Dedicated service team for larger, multi-product clients, available during business hours in each time zone.

- **Relationship Manager**
  - 8-5
  - Dedicated, senior-level rep who consults and visits with clients, available during business hours in each time zone.

### Availability Options
- Paychex Flex & Paychex Flex Mobile
- Phone
- Email
- Chat/Social
- Self Service
- Dedicated Service Center
- Multi-Product Service Center
FLEXIBILITY OF CHOICE SERVICE MODELS:

- Self Service
- Dedicated Service Center
- Service Specialist
- Multi-Product Service Center
- Relationship Manager
## Strong Competitive Advantages

<table>
<thead>
<tr>
<th>Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leading market positions</td>
</tr>
<tr>
<td>Integrated HCM product suite</td>
</tr>
<tr>
<td>Industry-leading SaaS platform</td>
</tr>
<tr>
<td>Technology-enabled service</td>
</tr>
<tr>
<td>Industry-leading financial profile</td>
</tr>
</tbody>
</table>

Uniquely Positioned
<table>
<thead>
<tr>
<th></th>
<th>Past</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Growth</td>
<td>Mid Single Digit</td>
<td>Upper Single Digit</td>
</tr>
<tr>
<td>Products</td>
<td>Payroll and Ancillary</td>
<td>Integrated Solutions</td>
</tr>
<tr>
<td>Technology</td>
<td>Competitive</td>
<td>Best-In-Class</td>
</tr>
<tr>
<td>Sales</td>
<td>Product Focus</td>
<td>Client Focus</td>
</tr>
<tr>
<td>Marketing</td>
<td>Sales Enablement</td>
<td>Multi-channel Marketing</td>
</tr>
<tr>
<td>Service</td>
<td>Simple</td>
<td>Flexibility/Choice</td>
</tr>
<tr>
<td>Capital Allocation</td>
<td>Disciplined</td>
<td>Disciplined</td>
</tr>
</tbody>
</table>
Positioned to Capitalize

• Attractive dynamics/trends in the markets we serve
• Unique blend of robust technology and service solutions providing a differentiated client experience
• Significant developments in product and technology, producing a best-in-class integrated HCM product suite
• Sales and marketing investments to drive growth
THANK YOU
Market Share

% Addressable Market

1–19
5%

20–99
16%

100–999
14%

Addressable Market
10M

Market Penetration
6%

Source: D&B Market Insights and Internal Paychex Data
# Human Capital Management

A $38 Billion Opportunity…

## Software

- HRIS
- Workforce management (T&A)
- Benefits administration
- Recruiting and applicant tracking
- Onboarding
- Expense management
- Talent management

## Services

- Payroll and payroll ancillaries
- 401(k) recordkeeping
- HR services (ASO/PEO)
- Health and benefits
- ACA compliance
- Pre-employment screening
- Training
HCM Adoption and Interest

<table>
<thead>
<tr>
<th>Service</th>
<th>Currently Use</th>
<th>Future Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>401(k) Recordkeeping</td>
<td>73%</td>
<td>14%</td>
</tr>
<tr>
<td>Benefits Administration</td>
<td>45%</td>
<td>27%</td>
</tr>
<tr>
<td>HRIS</td>
<td>41%</td>
<td>24%</td>
</tr>
<tr>
<td>Workforce Management (T&amp;A)</td>
<td>28%</td>
<td>19%</td>
</tr>
<tr>
<td>Expense Management</td>
<td>21%</td>
<td>28%</td>
</tr>
<tr>
<td>Recruiting &amp; Applicant Tracking</td>
<td>20%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Source: Internal Paychex Data

Note: Data Represents 50–499 EE Segments
HCM Market Opportunity

Current Opportunity
$38B
PAYCHEX SHARE
8%
Future Opportunity
$47B

Source: Internal Paychex Data
Product Penetration Opportunity

- Workers' Compensation: 18%
- 401(k) Recordkeeping: 13%
- HR Services (ASO/PEO): 6%
- Time & Attendance: 5%
- Health Insurance: 3%
Market Research and Insights
Recent Market Research Insights

• Buying Behavior
  – Over 70% of software and service users choose their method at start-up
  – Trusted advisors (CPA, business colleague) continue to be the greatest influence

• Small Business Hiring
  – 25% of small businesses expect to add employees over the next year with only 2% anticipating a decline
  – Businesses with more than four employees expect to hire at a rate almost 2x higher than businesses with four or fewer employees

• Small Business Technology
  – 90% of small businesses are consuming mobile technology with over 65% utilizing it to complete transactions (up from 80% and 50% respectively in 2012)
Payroll Market Segmentation

Payroll Method
- Manual: 47%
- Outsourced: 31%
- Software: 22%

Method by EE Size

- 1–4 EE:
  - Manual: 48%
  - Outsourced: 21%
  - Software: 29%
- 5–19 EE:
  - Manual: 31%
  - Outsourced: 50%
  - Software: 21%
- 20–50 EE:
  - Manual: 14%
  - Outsourced: 55%
  - Software: 31%

- Secular trend from manual to paid solutions
- Increased adoption of hybrid solutions is blurring lines between software and outsourced methods
- Outsourcing is the dominant payroll method for SMBs with more than four employees
Winning in the market requires an offering with a balance of **TECHNOLOGY** and **SERVICE**

**Most Important Technology Attributes:**
- Simple UX/UI
- Ability to integrate with other systems

**Most Important Service Attributes:**
- Responsiveness
- Proactive education (compliance/regulation)

Source: Internal Paychex Data
Market Trends and Growth Strategies
Integrated HCM (Including Payroll)

**Market Trends**
- Convergence of SaaS payroll and outsourcing
- HCM applications moving down-market
- Integration of systems and support

**Total Market Opportunity ~$17B**
*Growth Rate: Mid-High Single Digit %*

**Strategies to Capture**
- FLEX HCM platform
- Customer experience
  - UX/UI
  - Integration
- Service model innovation
- Channel revitalization

Source: Internal Paychex Data
HR Services (ASO/PEO)

Market Trends

- Regulatory/compliance complexities driving interest
- SMBs looking to outsourcing to gain efficiencies
- PEO solutions gaining momentum
- Focus on labor law enforcement increasing

Total Market Opportunity ~$5B
Growth Rate: Low Double Digit %

Strategies to Capture

- Robust HR product options
- Solution selling with sales partners
- Sales acceleration
- Marketing education and awareness campaigns

Source: Internal Paychex Data
Note: Market opportunity excludes integrated HCM (including payroll)
Retirement

Market Trends

- Complexity and confusion surrounding fiduciary responsibilities
- Automated fiduciary investment allocation tools
- Growth of fee-based advisors

Total Market Opportunity ~$6B
Growth Rate: Mid Single Digit %

Strategies to Capture

- New plan formations
- Additional Sales and Marketing focus on fee-based advisors and conversion plans
- Innovative investment options and resources
- Participant engagement

Source: Internal Paychex Data
Insurance (H&B)

Market Trends

- ACA impacting compliance burden of SMBs
- Healthcare costs continue to rise, forcing businesses to lower-cost solutions
- Uncertainty around defined contribution plans

Total Market Opportunity ~$10B
Growth Rate: Low-Mid Single Digit %

Paychex Share

Strategies to Capture

- New health care reform solutions
- Sales force segmentation and team selling
- FLEX platform integration
- Carrier and partner relationships

Source: Internal Paychex Data
Conclusions

• Operate in large, growing markets driven by increased adoption of HCM applications and HR services

• Leverage expertise, market research and client feedback to monitor trends and gather insights

• Apply learnings to drive product roadmaps and develop targeted go-to-market strategies
THANK YOU
MIKE GIOJA

SENIOR VICE PRESIDENT
IT, PRODUCT MANAGEMENT & DEVELOPMENT
Today’s Agenda
Agenda

Investor 2012 Recap

Online Growth Stats

Technology Trends

Competitive Comparison

Summary
Investor 2012 Recap
Private Cloud Strategy with Opportunistic Use of the Public Cloud

“Enabling users to do what they want, where they want, when they want, and how they want.”

Simple  Inclusive  Flexible  Mobile  Extendable  Innovative

PRODUCTS TO SERVICES  CONSUMER-FOCUSED OFFERINGS

TECHNOLOGY-ENABLED SERVICE
Accomplishments

- Built a single SaaS platform from the ground up to serve all clients, regardless of complexity and size
- Completed mobility, company, people, payroll and reporting SaaS applications
- Enhanced client retention while migrating more than 400,000 clients to the platform and new SaaS applications
- Now operating in a full SaaS delivery model
- Well positioned to address technology trends
Online Growth Stats
Strong Growth in Our FLEX Activity in 2014

35% Year-over-year daily active usage growth

281% Year-over-year daily active usage growth
Approximately 82% of Paychex Clients are Directly Using Our Technology

- Over 550 Reports accessed weekly via smartphone
- Over 500k Mobile app downloads
- Over 350k FLEX clients are using online reports and employee access
- 1 Million W2s and YE report downloads in a single day
- Over 2 Million YE downloads for 2014
- Over 50 Million Online sessions in 2014
Mobile App Usage

Unique mobile offering for both employees and employers

- 61%: Tax Documents
- 17%: Profile
- 9%: Check Stubs
- 5%: Retirement
- 4%: FSA
- 3%: Time Off
- 1%: H&B

Powered by PAYCHEX
Mobile App Usage

Unique mobile offering for both employees and employers

**Employer**
- **Payroll Reports**: 27%
- **Contacts**: 19%
- **Check Stubs**: 18%
- **Payroll Processing**: 4%
- **Retirement**: 4%
- **Tax Documents**: 3%
- **Time Off**: 1%
- **FSA**: 4%
High Engagement with Self-service: Mobile Features

**PAYROLL**
- 82% of mobile admin users conduct a portion of the process on the smartphone
- 35% process their entire payroll on the smartphone

**RETIREMENT FOR EMPLOYEES**
- 96% of mobile employee users check their retirement balance on their smartphone
- 27% research funds
- 6% edit future contribution amounts or investments

**HIGHER ENGAGEMENT**
- 19% more sessions per employee when employers have multiple products with us
- Client ROI increases as more products are utilized
Technology Trends
Trend: Human Capital Management Application Platforms

Features and functions continue to move down market. Business owners demand ease of use, integration and a unified experience.

• **Full-Suite:** Full employee life-cycle and business partner interaction in the cloud.

• **Unified:** Consistent and feature-rich user experience across devices.

• **Flexible:** Full solution available, plus API capabilities to leverage existing solutions.

• **Service:** Technology-enabled service models that offer flexibility and choice to meet needs.
Paychex Strategy

**BUILD**
Develop new SaaS applications / features

**Paychex FLEX:**
- Company
- People
- Payroll
- Reporting

**Mobility**

**ACQUIRE**
Acquire SaaS applications

myStaffingPro
BeneTrac
stratustime
ExpenseWire

**PARTNER**
Integrate real-time via APIs, import / export & secure transmissions

Partner integrations
Client integrations
Finance and accounting systems
Consumer-driven health
Build

- Single SaaS HCM platform constructed from the ground up
- Single client and employee record as the master of all transactions
- Serves small, mid-market, ASO, and PEO businesses
- All clients benefit from SaaS deployments
- Enables Paychex operational efficiencies
Acquire

Smart acquisitions expanding our HCM suite:

- Recruiting and applicant tracking
- Time and attendance
- Expense management
- Benefits administration

Assimilate products into FLEX:

- Single sign-on multi-factor authentication
- Real-time enterprise services
- Cohesive user experience
• Designed for easy consumption by the development community
• Clients can leverage existing technologies with real-time integration
• Paychex can pursue strategic partnerships with real-time integration
FLEXIBILITY OF CHOICE SERVICE MODELS:

- Self Service
- Dedicated Service Center
- Service Specialist
- Multi-Product Service Center
- Relationship Manager
Recruiting and Applicant Tracking

- Custom internal and external career site
- Create and post job openings
- Filter, screen and rank candidates
- Qualify job applicants
- Extend an offer
- Fully assimilated in Spring 2015
Onboarding

- Customizable, tailor-made welcome message
- Seamless and paperless experience
- E-signature ready forms
- Customizable alerts and notifications
- Powerful and professional first impression
- Fully assimilated in Spring 2015
Performance Management

- 360-degree view of the employee (self, peer and manager review process)
- Track compliance information (I-9, OSHA, etc.)
- Manage all documents electronically
- Create custom employee notifications and alerts
- Fully assimilated in Spring 2013
Time and Attendance

• Real-time analytics
• Customizable dashboards
• Flexible methods to collect time
• Robust exception and absence management
• Drag-and-drop scheduling
• Fully assimilated in Fall 2015
Expense Management

- Enforce company policies
- Credit card integration
- Paperless expense processing
- Fully mobile enabled
Payroll

- Intuitive and responsive user interface
- Maximum flexibility during the payroll cycle
- Limitless access to payroll data
- Advanced multi-user capability
- Immediate access to reports
Benefits Administration

- Fully integrated shopping experience
- Covers both open enrollment and life events
- Full integration between carrier and payroll
- Ongoing access to benefits information
- ACA compliance with ongoing analysis and monitoring
- Fully assimilated in Fall 2015
Retirement

• One of the nation’s largest 401(k) recordkeepers

• Proven partner with the financial advisor community

• Flexibility of:
  – Investments
  – Plan design
  – Billing

• Fully assimilated with original platform
Lines between business and personal applications are blurring. Users expect to have an integrated, consumer-based user experience.

- **Interaction**: A user experience that fits varying levels of complexity.
- **Device Independence**: Available where and when users want with a familiar experience.
- **Flexible**: Full solution available, plus API capabilities to leverage existing solutions.
- **Social**: The ability to have “social interaction” that allows for collaboration and sharing.
Interaction

• Multi-factor single-sign-on authentication for all products

• FLEX offers user experiences that span a wide variety of needs and complexities

• Uniquely positioned to service all users—big or small, simple or complex

• New products or service options added through configuration instead of upgrade
Device Independence

- Responsive and adaptive design delivers consistent experience regardless of device.
- Users can start on one device and pick up exactly where they left off on another.
- All while exploiting native mobile capabilities and App Store visibility.
Social

- Utilizing social collaboration through:
  - Messages
  - Onboarding
  - Self-service
  - Push-notifications and help

- Onboarding enhances the employee journey to increase engagement, retention and productivity
Users expect the application to easily assist them by providing data to verify and validate their actions and patterns when needed.

- **Analysis**: Immediate access to the relevant information and ability to select the applicable data.
- **Report**: Robust reporting options provide statistics and metrics for instant analysis.
- **Share**: Tools that allow for the information to be shared throughout the organization.
Analyze and Report

• Quick Answers provides key report data from top reports at a glance

• Standard reports available online immediately after payroll processed

• Prebuilt or custom data extracts

• Ability to pull data and transform it into statistics and metrics to make timely, fact-based decisions
• Admins can enable CPAs, brokers, and partners in the cloud to access data to aid in decision making

• Reports are highly secured with access rights performed before each execution

• Solutions to meet regulatory reporting requirements, such as healthcare reform monitoring and analysis
Trend: Digital Disruption

Technology is enabling low-cost entries into the market, driving increased competition and innovating how businesses interact with software.

• **Low Barriers to Entry:** IaaS, PaaS and open-source contributors significantly reduce start-up costs and need for building infrastructure.

• **User Interactions:** Consumers are expecting personalization and real-time interaction.

• **Pace of Innovation:** Disruptions can now occur at increasingly shorter intervals.
Pace of Innovation

- Completely transformed product development in 2014 to pure Agile
- Repeatable innovation is a fundamental part of our values
- User analytics to gain usage insights
- Leveraging FLEX single-platform, IaaS, PaaS and open source, improving productivity
- Incorporating continuous delivery model for small, frequent releases to production
<table>
<thead>
<tr>
<th>Feature</th>
<th>Paychex</th>
<th>Competitor A</th>
<th>Competitor B</th>
<th>Competitor C</th>
<th>Competitor D</th>
<th>Competitor E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-employee record</td>
<td>✔️</td>
<td>✗</td>
<td>✗</td>
<td>✔️</td>
<td>✔️</td>
<td>✗</td>
</tr>
<tr>
<td>Single-sign-on access</td>
<td>✔️</td>
<td>✔️</td>
<td>✗</td>
<td>✔️</td>
<td>✔️</td>
<td>✗</td>
</tr>
<tr>
<td>Immediate availability in reporting</td>
<td>✔️</td>
<td>✔️</td>
<td>✗</td>
<td>✔️</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td>Employer and employee shared interface</td>
<td>✔️</td>
<td>✔️</td>
<td>✗</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Native mobile experience</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✗</td>
<td>✔️</td>
</tr>
<tr>
<td>Partner API</td>
<td>✔️</td>
<td>✔️</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td>Full proprietary SaaS suite*</td>
<td>✔️</td>
<td>✗</td>
<td>✔️</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
</tr>
</tbody>
</table>

*HR recruit and applicant tracking, onboarding, performance management, time and attendance, expense management, payroll, benefits, learning management and retirement
## COMPETITIVE COMPARISON: HCM SUITE

<table>
<thead>
<tr>
<th>Feature</th>
<th>Competitor A</th>
<th>Competitor B</th>
<th>Competitor C</th>
<th>Competitor D</th>
<th>Competitor E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruiting and applicant tracking</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>Onboarding</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>Time and attendance</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>Expense management</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>Payroll</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>Benefits administration</td>
<td>○</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>Performance management</td>
<td>○</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>HR</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>★</td>
</tr>
<tr>
<td>Retirement</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
</tr>
</tbody>
</table>

FLEX is superior: ★
Comparable feature set: ○
Competitor strength: □
We Built It Differently

Owning an open single platform:

• Allows us to build the best integration

• Empowers clients to leverage existing technologies

• Enables us to pursue strategic partnerships with real-time integration

• Provides the best customer support experience based on choice
We Designed It Differently

Our platform design differentiates us:

• Simultaneous changes by payroll, HR and employees without limitations
• Robust effective dating—enter future dated changes whenever you want
• Admin users can toggle between personal and admin tasks at any time
• Mobile applications provide capabilities for both admins and employees

“Enabling users to do what they want, where they want, when they want, and how they want.”
Our key features work independently:

- Time-off accrual with or without time and attendance
- Onboarding with or without applicant tracking
- Employer shared responsibility with or without benefits administration or time and attendance
- Open enrollment with or without HR
Paychex FLEX

“Enabling users to do what they want, where they want, when they want, and how they want.”

- Cloud-based SaaS platform for clients, employees, CPAs, brokers and partners
- HCM products fully assimilated into FLEX by Fall of 2015
- Single: platform, sign-on, client and employee records
- Supports simple to complex needs regardless of market segment
- Open platform for real-time integration and strategic partnerships
INNOVATION LEADER

- Strong adoption of FLEX across all devices
- Increased client retention through simple and intuitive user experience
- Product and feature upgrades to meet changing business needs without platform upgrades
- Innovation as a fundamental part of our values
- Focus on minimum viable product (MVP) allows us to deliver quick and incremental changes
- Overall approach allows us to adapt to legislative, technology and marketplace changes
FLEXIBILITY OF CHOICE SERVICE MODELS:

- Self Service
- Dedicated Service Center
- Service Specialist
- Multi-Product Service Center
- Relationship Manager
THANK YOU
MARK BOTTINI
SENIOR VICE PRESIDENT, SALES
Agenda

- Ignited Growth
- Building Momentum
- Vision — FY16 and Beyond
- Closing Comments
Ignited Growth
Market Segmentation

- Segmented payroll and retirement sales force
- Improved client experience
- Delivered revenue growth in all segments
Channel Management

• Created business development team
• Grew banks and national franchise referrals
• CPA channel continues to be largest referral source
  – Developed enhanced coverage and support model
• Clients
  – Improved referral process to leverage growing client base
Increased Sales Rep Productivity

- Increased revenue per client
  - Product enhancements
  - Utilization of technology and state-of-the-art sales tools
  - Integrated selling approach
    - HR outsourcing / PEO growth
  - Enhanced training (centralized and field-based)
Expanded Sales Presence

• Increased sales force by more than 10% over past 3 years:
  – Expansion in all sales divisions
  – Under-indexed markets, traditional field and virtual sales
  – Growth in client base and market share
Improved Field Execution

- Field-based sales leadership
- Improved sales cadence
- Well-defined responsibilities due to segmentation
- Stronger talent acquisition, onboarding, training, and retention process
Building Momentum
Building Momentum

3-Year CAGR: Double-digit growth
Momentum Getting Notice

*Selling Power Magazine*

2013 = Ranked 13
2014 = Ranked 12

• Ranked higher than TriNet, Google, EMC, Oracle, Xerox and Microsoft
Vision — FY16 and Beyond: Accelerating Growth
FY16 & Beyond

- Go-to-Market Evolution
- Channel Revitalization
- Flex
- Coverage Expansion
- Productivity Enhancement
Go-to-Market Evolution

- Integrated team selling
  - Model delivers Paychex total value proposition and product portfolio
  - Supported by enhanced service model
- Added value and higher revenue per client
- Solutions oriented
- Improves our position to win
- Robust marketing support and impactful campaigns
# Channel Revitalization

<table>
<thead>
<tr>
<th>CPA</th>
<th>Bank</th>
<th>National Franchises</th>
<th>Clients</th>
<th>Financial Advisors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhancing relationships with referral source</td>
<td>Leveraging successes and investments</td>
<td>Expanding relationships with Subway, Yum! Brands, Farmers</td>
<td>Launching a client advocacy program</td>
<td>Leveraging wholesale team to build relationships and gain access to retirement plans</td>
</tr>
<tr>
<td>Creating CPA-centric sales assignments</td>
<td>Capitalizing on new relationships</td>
<td>Developing new offerings to forge new partnerships</td>
<td>Leveraging high customer satisfaction to increase referrals</td>
<td>Merrill Lynch, Edward Jones, Morgan Stanley</td>
</tr>
<tr>
<td>Expanding coverage in upmarket space</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Product Expansion

Development of new products/solutions

- Strategic investment in integrated HCM product suite/FLEX
  - Recruitment to retirement
  - FLEX Enterprise comprised of ESR, myStaffingPro, ExpenseWire, stratus time, BeneTrac
- Delivers differentiation vs. competition
- Leverages employer shared responsibility
- Several selling options
  - Fully integrated or stand-alone
  - Both position us to win
Coverage Expansion

• Expansion in every division
• PEO, CPA, bank, and multicultural specialization
• Field-based training
• Investment in business development opportunities
Productivity Enhancement

- Service enhancements
- Technology enhancements
  - Greater use of data analytics
- Enhanced training support
  - Reinforcement and retention
- National Sales Support
  - Increased lead volume, closing ratio
FY16 & Beyond

= Accelerating Growth

- Go-to-market Evolution
- Channel Revitalization
- Flex Product Expansion
- Coverage Expansion
- Productivity Enhancement
Summary

• Executed on initiatives to capture growth
• Built momentum
• Game-changing technology, enhanced service model, improved go-to-market strategy, world-class sales organization
• Growing market share, client base, and share of wallet in FY16 and beyond
EFRAIN RIVERA

SENIOR VICE PRESIDENT, CFO & TREASURER
Fiscal 2015 Recap
### Fiscal 2015 Performance

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>3-Year CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>$675M</td>
<td>7%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$1B</td>
<td>8%</td>
</tr>
<tr>
<td>HRS Revenue</td>
<td>$1B</td>
<td>15%</td>
</tr>
</tbody>
</table>

- **Net Income**: $675M, 3-Year CAGR—7%
- **Operating Income**: $1B, 3-Year CAGR—8%, Strong operating margins
- **HRS Revenue**: $1B, 3-Year CAGR—15%, Achieved milestone of $1B in FY15
Fiscal 2015 Recap

- 9% Service Revenue
- 8% Net Income

Revenue Per Client
Payroll New Business Revenue Growth
HRS New Business Revenue Growth
Client Base Growth
PEO Growth

Continued momentum
Strong Financial Position

Approximately $936M in cash and total corporate investments

No debt

Operating cash flow of $895M

$552M returned to shareholders through dividends
Resilient Revenue Growth and Industry-Leading Profitability

Service Revenue ($M)

- FY2013: $746
- FY2014: $879 (8.0% growth)
- FY2015: $1,041 (9.0% growth)

Operating Income (Net of certain items) ($M)

- FY2013: $864
- FY2014: $942 (9.0% growth)
- FY2015: $1,012 (7.0% growth)
Components of HRS Revenue

**HR Online Services**
- SaaS products for online benefits administration, talent acquisition and onboarding, time and attendance reporting, and expense reporting
- 10%–15%
- ~10%

**Insurance Services**
- Health and benefit insurance, property and casualty insurance, and health care reform analysis, monitoring, and reporting
- 10%–15%
- ~20%

**HR Outsourcing Services**
- Comprehensive human resource outsourcing solutions including ASO and PEO
- ~50%

**Other HR Services**
- Unemployment services, cafeteria plans, etc.
- ~50%

**Retirement Services**
- 401(k), IRA, etc.
- 10%–15%
- ~10%–15%
## Comparison to Long-Term Expectations in July 2012

<table>
<thead>
<tr>
<th></th>
<th>July 2012 Expectations</th>
<th>Actual Achievement FY13–FY15</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic Client Base</td>
<td>1–3%</td>
<td>1–2%</td>
<td>In range</td>
</tr>
<tr>
<td>Pricing</td>
<td>2–4%</td>
<td>2–4%</td>
<td>As anticipated</td>
</tr>
<tr>
<td>Checks</td>
<td>0–1%</td>
<td>0–2%</td>
<td>Checks per payroll stronger than anticipated in FY13 and FY14</td>
</tr>
<tr>
<td>HRS Growth</td>
<td>9–12%</td>
<td>10–12%*</td>
<td>As anticipated</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>0–1%</td>
<td>0–1%</td>
<td>As anticipated</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>Continued leverage</td>
<td>Continued leverage</td>
<td>Improvement of 50 to 100 basis points in margin</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>~36%</td>
<td>~36%</td>
<td>As anticipated</td>
</tr>
</tbody>
</table>

*Excludes impact of PEO minimum premium plan in FY14 and FY15.
Outlook: 2016 and Beyond
Thought Process 2016–2018

- Organic client base growth: 1–3%
- Pricing: 2–4%
- Checks per payroll: Flat
- HRS growth: 10–13%
- Acquisitions: 0–1%
- Operating margin leverage
- Tax rate: Approximately 36%
<table>
<thead>
<tr>
<th>Category</th>
<th>Growth Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Service Revenue</td>
<td>4%–5%</td>
</tr>
<tr>
<td>Human Resource Services Revenue</td>
<td>10%–13%</td>
</tr>
<tr>
<td>Total Service Revenue</td>
<td>7%–8%</td>
</tr>
<tr>
<td>Net Income</td>
<td>8%–9%</td>
</tr>
<tr>
<td>Operating Income, Net of Certain Items, as a Percent of Service Revenue</td>
<td>~38%</td>
</tr>
</tbody>
</table>
## Mid-Term Expectations

<table>
<thead>
<tr>
<th></th>
<th>FY12</th>
<th>FY15</th>
<th>Mid-term Expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Revenue</td>
<td>68%</td>
<td>60%</td>
<td>Mid single-digit growth</td>
</tr>
<tr>
<td>HRS Revenue</td>
<td>30%</td>
<td>38%</td>
<td>Low double-digit growth</td>
</tr>
<tr>
<td>IFHC</td>
<td>2%</td>
<td>2%</td>
<td>Growth dependent on interest rate improvement</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>30%</td>
<td>29%</td>
<td>Lower than sales growth</td>
</tr>
<tr>
<td>SG&amp;A Expenses</td>
<td>32%</td>
<td>32%</td>
<td>At or below sales growth rate</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>37%</td>
<td>38%</td>
<td>Continuing leverage</td>
</tr>
<tr>
<td>Net Income</td>
<td>25%</td>
<td>25%</td>
<td>Tax rate approximately 36%</td>
</tr>
</tbody>
</table>
## Our Focus Going Forward

<table>
<thead>
<tr>
<th></th>
<th>Past</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Growth</td>
<td>Mid Single Digit</td>
<td>Upper Single Digit</td>
</tr>
<tr>
<td>Products</td>
<td>Payroll and Ancillary</td>
<td>Integrated Solutions</td>
</tr>
<tr>
<td>Technology</td>
<td>Competitive</td>
<td>Best-In-Class</td>
</tr>
<tr>
<td>Sales</td>
<td>Product Focus</td>
<td>Client Focus</td>
</tr>
<tr>
<td>Marketing</td>
<td>Sales Enablement</td>
<td>Multi-channel Marketing</td>
</tr>
<tr>
<td>Service</td>
<td>Simple</td>
<td>Flexibility/Choice</td>
</tr>
<tr>
<td>Capital Allocation</td>
<td>Disciplined</td>
<td>Disciplined</td>
</tr>
</tbody>
</table>
Interest on Funds Held for Clients

**Short-Term Portfolio**
Positive impact anticipated as rates begin to rise

**Long-Term Portfolio**
Impact from rising rates will be seen over time as investments mature and our funds are reinvested at higher rates

**FY15 Actual 3% growth**
First positive growth since 2008

**Beyond FY15**
- Impact of 100 bp change in rates on whole portfolio — ~$16M–$18M.
Multiple Revenue Drivers Going Forward

Continued operating income expansion

- **New clients**
  - Economic tailwind

- **Cross-sell**
  - Integrated offering
  - Team selling

- **Fast-growing HR**
  - Growing demand
  - PEO solutions

- **Pricing**
  - Increasing value proposition
  - Best-in-class service

- **M&A**
  - “Tuck in” acquisitions
  - New products
  - International

FY15

Upper single-digit annual growth
Capital Deployment
Long-Term Capital Strategy

• Cash deployment
  – Investment for organic growth
  – Strategic, smaller, accretive acquisitions
  – Return cash to shareholders
    ✓ Dividends
    ✓ Stock repurchase

• Capital expenditures expected to approximate $100 million
Powerful Cash Flow → Significant Returns to Shareholders Last 3 Years

$2.5B Operating Cash Flow last 3 years

Dividends
- Paid $1.5B dividends
- 82% of net income
- 6% 3-Year CAGR
- Quarterly dividend increased 11% to $0.42 per share in July 2015

Share Repurchase
- Repurchased total of 10M shares for $432M in FY14 and FY15, approximately 3% of shares outstanding

Growth
- Invested >$300M in acquisitions and capex
- Ensured strong balance sheet
Dividend History

FY14
- $511
- $1.40
- 81%

FY15
- $552
- $1.52
- 82%

FY16 (est.)
- ~$610
- $1.68
- 84%

XX% of EPS  $1.00 Annual Dividend/Share  $100 million Dividends Paid
### The Paychex Advantage

<table>
<thead>
<tr>
<th>1</th>
<th>A repositioned company</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Markets with growth opportunities</td>
</tr>
<tr>
<td>3</td>
<td>Strong competitive advantages</td>
</tr>
<tr>
<td>4</td>
<td>Powerful cash flow &gt; growth, dividends, share buybacks</td>
</tr>
<tr>
<td>5</td>
<td>Multiple growth and profit drivers</td>
</tr>
</tbody>
</table>

**FY 2016-2018**

**Upper single-digit revenue growth**
Summary

- Industry-leading margins
  - Resilient revenue growth
  - Investing in business while leveraging
- Strong balance sheet
- Committed to returning capital to shareholders
  - Strong free cash flow supports dividend payout
- Investing in innovation and service
- Positioned to capitalize
THANK YOU
Q&A