
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant To Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report: December 17, 2008
(Date of earliest event reported)

PAYCHEX, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction
of incorporation)

0-11330
(Commission
File Number)

16-1124166
(IRS Employer
Identification Number)

911 PANORAMA TRAIL SOUTH, ROCHESTER, NEW YORK
(Address of principal executive offices)

14625-2396
(Zip Code)

(585) 385-6666
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Paychex, Inc.'s press release dated December 17, 2008, which reports its financial results for the three and six months ended November 30, 2008, is furnished as Exhibit 99.1.

ITEM 9.01 EXHIBITS

The following exhibit relating to Item 2.02 of this Current Report on Form 8-K is furnished herewith:

Exhibit 99.1 Press Release of Paychex, Inc. dated December 17, 2008.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PAYCHEX, INC.

Date: December 17, 2008

/s/ Jonathan J. Judge

Jonathan J. Judge
President and
Chief Executive Officer

Date: December 17, 2008

/s/ John M. Morphy

John M. Morphy
Senior Vice President, Chief
Financial Officer, and
Secretary

PRESS RELEASE OF PAYCHEX, INC. DATED DECEMBER 17, 2008

PAYCHEX, INC. REPORTS SECOND QUARTER RESULTS

December 17, 2008

SECOND QUARTER FISCAL 2009 HIGHLIGHTS

- Total service revenue increased 6% to \$504.4 million.
- Total revenue increased 3% to \$524.2 million.
- Operating income increased 1% to \$211.9 million.
- Operating income, net of certain items, increased 7% to \$192.1 million.
- Diluted earnings per share decreased 3% to \$0.39.

ROCHESTER, NY, December 17, 2008 — Paychex, Inc. (“we,” “our,” or “us”) (NASDAQ:PAYX) today announced net income of \$140.2 million for the three months ended November 30, 2008 (the “second quarter”), a 5% decrease from net income of \$147.1 million for the same period last year. “Our revenue for the second quarter grew to \$524.2 million, a 3% increase over \$507.8 million for the same period last year. Operating income, net of certain items, for the second quarter increased 7%, and we continued to leverage expenses as operating income, net of certain items, as a percentage of service revenue improved well over 50 basis points compared to the same period last year,” commented Jonathan J. Judge, President and Chief Executive Officer of Paychex.

“During the second quarter, the effects of the credit crisis and weakening economic conditions were clearly seen in our financial results. While the credit crisis reduced the returns on our investment portfolios, we managed our investments in a manner that protected principal and ensured we met the liquidity needs of our clients each and every day. The weakening economy was apparent in many of our key financial indicators. Over the past six months, we experienced companies going out of business increasing 12%, new business starts declining 13%, checks per client decreasing 1.5%, and we saw lower levels of new hire reporting.”

Payroll service revenue increased 4% to \$376.1 million for the second quarter from the same period last year. The increase was primarily due to price increases and growth in the utilization of ancillary payroll services.

Human Resource Services revenue increased 11% to \$128.3 million for the second quarter from the same period last year. This growth was generated from the following: comprehensive human resource outsourcing services client employees increased 11% to 445,000 client employees served; workers’ compensation insurance client base increased 11% to 75,000 clients; and retirement services client base increased 10% to 50,000 clients. Human Resource Services revenue growth was adversely affected in the second quarter with the most significant declines occurring within retirement services and workers’ compensation. During the second quarter, retirement services revenue was negatively impacted by \$2.2 million due to the decline in market values, which decreased the asset value of the retirement services client employees’ funds 22% to \$7.2 billion, and clients’ employees moving their retirement portfolios to safer investments. Fluctuations in workers’ compensation claims further reduced revenue growth by \$1.5 million.

For the second quarter, our operating income was \$211.9 million, an increase of 1% over the same period last year. Operating income, net of certain items (see Note 1 on page 3 for further description) increased 7% to \$192.1 million for the second quarter as compared to \$178.8 million for the same period last year.

| \$ in millions | For the three months ended November 30, | | | For the six months ended November 30, | | |
|--|---|----------|----------|---|----------|----------|
| | 2008 | 2007 | % Change | 2008 | 2007 | % Change |
| Operating income | \$ 211.9 | \$ 209.5 | 1% | \$ 433.5 | \$ 420.1 | 3% |
| Excluding interest on funds held for clients | (19.8) | (30.7) | (36%) | (44.0) | (63.0) | (30%) |
| Operating income, net of certain items | \$ 192.1 | \$ 178.8 | 7% | \$ 389.5 | \$ 357.1 | 9% |

We continue to follow our investment strategy of maximizing liquidity and protecting principal. In the current financial markets, this translates to significantly lower yields on high quality instruments, impacting our income earned on funds held for clients and corporate investments. For the second quarter, interest on funds held for clients decreased 36% to \$19.8 million, due primarily to lower average interest rates earned. Investment income decreased 74% to \$1.9 million primarily due to lower average interest rates earned and lower average investment balances, which resulted from the funding of the stock repurchase program completed in December 2007.

Average investment balances and interest rates are summarized below:

| \$ in millions | For the three months ended November 30, | | For the six months ended November 30, | |
|---|--|------------|--|------------|
| | 2008 | 2007 | 2008 | 2007 |
| Average investment balances: | | | | |
| Funds held for clients | \$ 3,088.3 | \$ 3,065.4 | \$ 3,154.2 | \$ 3,080.0 |
| Corporate investments | \$ 510.2 | \$ 753.8 | \$ 497.3 | \$ 990.7 |
| Average interest rates earned (exclusive of net realized gains): | | | | |
| Funds held for clients | 2.5% | 4.0% | 2.7% | 4.1% |
| Corporate investments | 1.6% | 3.9% | 2.1% | 4.0% |
| Net realized gains: | | | | |
| Funds held for clients | \$ 0.4 | \$ 0.4 | \$ 0.7 | \$ 0.5 |
| Corporate investments | \$ — | \$ — | \$ — | \$ — |

Our exposure has been limited in the current investment environment as the result of our policies of investing in primarily high credit quality securities with AAA and AA ratings and short-term securities with A-1/P-1 ratings, and by limiting the amounts that can be invested in any single issuer. All the securities we invest in have active markets.

As of November 30, 2008, we had no exposure to variable rate demand notes or prime money market funds. We sold all of our holdings in these types of investments in September 2008 as a result of turmoil in the related markets. No losses were recognized on these sales. The proceeds from the sale of these investments were reinvested into United States agency discount notes, which is currently our primary short-term investment option. We do not hold any auction rate securities in our investment portfolios. We exited the auction rate market in the early fall of 2007 and never experienced a failed auction. We have no exposure to sub-prime mortgage securities, asset-backed securities or asset-backed commercial paper, collateralized debt obligations, enhanced cash or cash plus mutual funds, or structured investment vehicles (SIVs). We have not and do not utilize derivative financial instruments to manage interest rate risk.

The available-for-sale securities within the funds held for clients and corporate investment portfolios reflected a net unrealized gain of \$32.5 million as of November 30, 2008, compared with a net unrealized gain of \$24.8 million as of May 31, 2008. During the six months ended November 30, 2008, the net unrealized gain/(loss) on our investment portfolios ranged from a net unrealized loss of \$15.2 million to a net unrealized gain of \$39.8 million. The net unrealized gain on our investment portfolios was approximately \$31.6 million as of December 12, 2008.

YEAR-TO-DATE FISCAL 2009 HIGHLIGHTS

The highlights for the six months ended November 30, 2008 are as follows:

- Total revenue increased 4% to \$1.1 billion.
- Payroll service revenue increased 4% to \$754.5 million.
- Human Resource Services revenue increased 14% to \$259.7 million.
- Operating income increased 3% to \$433.5 million, and operating income, net of certain items, increased 9% to \$389.5 million.
- Net income decreased 3% to \$289.0 million.
- Diluted earnings per share increased 1% to \$0.80 per share. The increase was due to a lower number of weighted-average shares outstanding resulting from the stock repurchase program completed in December 2007.
- Cash flow from operations was \$328.4 million.

OUTLOOK

Our outlook for the fiscal year ending May 31, 2009 ("fiscal 2009") has been revised to reflect the impacts of current economic and financial conditions, and assumes the economic weakness we have experienced will continue through the remainder of the fiscal year.

Projected revenue and net income growth for fiscal 2009 are as follows:

| | | | |
|------------------------------------|-------|---|-------|
| Payroll service revenue | 3% | — | 5% |
| Human Resource Services revenue | 12% | — | 15% |
| Total service revenue | 5% | — | 7% |
| Interest on funds held for clients | (45%) | — | (40%) |
| Total revenue | 2% | — | 4% |
| Investment income, net | (75%) | — | (70%) |
| Net income | (7%) | — | (5%) |

Growth in operating income, net of certain items, is expected to approximate 5% to 8% for fiscal 2009. The effective income tax rate is expected to approximate 34% throughout fiscal 2009. The tax rate is higher than the prior year due to lower levels of tax-exempt income from securities held in our investment portfolios.

Note 1: In addition to reporting operating income, a generally accepted accounting principle ("GAAP") measure, we present operating income, net of certain items, which is a non-GAAP measure. We believe operating income, net of certain items, is an appropriate additional measure, as it is an indicator of our core business operations performance period over period. It is also the measure used internally for establishing the following year's targets and measuring management's performance in connection with certain performance-based compensation payments and awards. Operating income, net of certain items, excludes interest on funds held for clients. Interest on funds held for clients is an adjustment to operating income due to the volatility of interest rates which are not within the control of management. Operating income, net of certain items, is not calculated through the application of GAAP and is not the required form of disclosure by the Securities and Exchange Commission ("SEC"). As such, it should not be considered as a substitute for the GAAP measure of operating income and, therefore, should not be used in isolation, but in conjunction with the GAAP measure. The use of any non-GAAP measure may produce results that vary from the GAAP measure and may not be comparable to a similarly defined non-GAAP measure used by other companies.

QUARTERLY REPORT ON FORM 10-Q

Our Quarterly Report on Form 10-Q ("Form 10-Q") is normally filed by the close of business on the same day as this press release is issued, and is available at www.paychex.com. This press release should be read in conjunction with the Form 10-Q and the related Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in that Form 10-Q.

CONFERENCE CALL

Interested parties may access the webcast of our Earnings Release Conference Call, scheduled for December 18, 2008 at 10:30 a.m. Eastern Time, at www.paychex.com on the Investor Relations page. The webcast will also be archived on the Investor Relations page for approximately one month. Our news releases, current financial information, SEC filings, and investor presentation are also accessible at www.paychex.com. For more information, contact:

| | | |
|---------------------|-------------------------------------|--------------|
| Investor Relations: | John Morphy, CFO, or Terri Allen | 585-383-3406 |
| Media Inquiries: | Laura Saxby Lynch | 585-383-3074 |

ABOUT PAYCHEX

Paychex, Inc. is a leading provider of payroll, human resource, and benefits outsourcing solutions for small- to medium-sized businesses. The company offers comprehensive payroll services, including payroll processing, payroll tax administration, and employee pay services, including direct deposit, check signing, and Readychex®. Human Resource Services include 401(k) plan recordkeeping, health insurance, workers' compensation administration, section 125 plans, a professional employer organization, time and attendance solutions, and other administrative services for business. Paychex, Inc. was founded in 1971. With headquarters in Rochester, New York, the company has more than 100 offices and serves approximately 572,000 payroll clients nationwide. For more information about Paychex, Inc. and our products, visit www.paychex.com.

"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain written and oral statements made by us may constitute "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Forward-looking statements are identified by such words and phrases as "we expect," "expected to," "estimates," "estimated," "current outlook," "we look forward to," "would equate to," "projects," "projections," "projected to be," "anticipates," "anticipated," "we believe," "could be," and other similar phrases. All statements addressing operating performance, events, or developments that we expect or anticipate will occur in the future, including statements relating to revenue growth, earnings, earnings-per-share growth, or similar projections, are forward-looking statements within the meaning of the Reform Act. Because they are forward-looking, they should be evaluated in light of important risk factors. These risk factors include, but are not limited to, the following risks, as well as those that are described in our periodic filings with the SEC:

- general market and economic conditions including, among others, changes in United States employment and wage levels, changes in new hiring trends, changes in short- and long-term interest rates, and changes in the fair value and the credit rating of securities held by us;
- changes in demand for our services and products, ability to develop and market new services and products effectively, pricing changes and the impact of competition, and the availability of skilled workers;
- changes in the laws regulating collection and payment of payroll taxes, professional employer organizations, and employee benefits, including retirement plans, workers' compensation, health insurance, state unemployment, and section 125 plans;
- changes in workers' compensation rates and underlying claims trends;
- the possibility of failure to keep pace with technological changes and provide timely enhancements to services and products;
- the possibility of failure of our operating facilities, computer systems, and communication systems during a catastrophic event;
- the possibility of third-party service providers failing to perform their functions;
- the possibility of penalties and losses resulting from errors and omissions in performing services;
- the possible inability of our clients to meet their payroll obligations;
- the possible failure of internal controls or our inability to implement business processing improvements; and
- potentially unfavorable outcomes related to pending legal matters.

Any of these factors could cause our actual results to differ materially from our anticipated results. The information provided in this document is based upon the facts and circumstances known at this time. We undertake no obligation to update these forward-looking statements after the date of issuance of this release to reflect events or circumstances after such date, or to reflect the occurrence of unanticipated events.

PAYCHEX, INC.
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(In thousands, except per share amounts)

| | For the three months ended November 30, | | | For the six months ended November 30, | | |
|--|--|-------------------|-------------|--|-------------------|-------------|
| | 2008 | 2007 | % Change | 2008 | 2007 | % Change |
| Revenue: | | | | | | |
| Payroll service revenue | \$ 376,090 | \$ 361,588 | 4% | \$ 754,548 | \$ 723,074 | 4% |
| Human Resource Services revenue | 128,293 | 115,451 | 11% | 259,702 | 228,780 | 14% |
| Total service revenue | 504,383 | 477,039 | 6% | 1,014,250 | 951,854 | 7% |
| Interest on funds held for clients ⁽¹⁾ | 19,777 | 30,754 | (36%) | 43,995 | 63,069 | (30%) |
| Total revenue | 524,160 | 507,793 | 3% | 1,058,245 | 1,014,923 | 4% |
| Expenses: | | | | | | |
| Operating expenses | 170,675 | 162,452 | 5% | 339,143 | 321,767 | 5% |
| Selling, general and administrative expenses | 141,585 | 135,865 | 4% | 285,617 | 273,092 | 5% |
| Total expenses | 312,260 | 298,317 | 5% | 624,760 | 594,859 | 5% |
| Operating income | 211,900 | 209,476 | 1% | 433,485 | 420,064 | 3% |
| Investment income, net ⁽¹⁾ | 1,932 | 7,503 | (74%) | 4,983 | 19,740 | (75%) |
| Income before income taxes | 213,832 | 216,979 | (1%) | 438,468 | 439,804 | — |
| Income taxes | 73,590 | 69,867 | 5% | 149,517 | 141,617 | 6% |
| Net income | \$ 140,242 | \$ 147,112 | (5%) | \$ 288,951 | \$ 298,187 | (3%) |
| Basic earnings per share | \$ 0.39 | \$ 0.40 | (3%) | \$ 0.80 | \$ 0.79 | 1% |
| Diluted earnings per share | \$ 0.39 | \$ 0.40 | (3%) | \$ 0.80 | \$ 0.79 | 1% |
| Weighted-average common shares outstanding | 360,812 | 369,914 | | 360,710 | 375,299 | |
| Weighted-average common shares outstanding, assuming dilution | 360,977 | 371,404 | | 360,998 | 376,903 | |
| Cash dividends per common share | \$ 0.31 | \$ 0.30 | 3% | \$ 0.62 | \$ 0.60 | 3% |

(1) Further information on interest on funds held for clients and investment income, net, and the short- and long-term effects of changing interest rates can be found in our filings with the SEC, including our Form 10-K and Quarterly Reports on Form 10-Q, as applicable, under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" and subheadings "Results of Operations" and "Market Risk Factors." These filings are accessible at our website www.paychex.com.

PAYCHEX, INC.
CONSOLIDATED BALANCE SHEETS (Unaudited)
(In thousands, except per share amount)

| | November 30, 2008 | May 31, 2008 |
|--|----------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 330,633 | \$ 164,237 |
| Corporate investments | 71,044 | 228,727 |
| Interest receivable | 29,791 | 34,435 |
| Accounts receivable, net of allowance for doubtful accounts | 219,438 | 184,686 |
| Deferred income taxes | — | 7,274 |
| Prepaid income taxes | 4,691 | 11,236 |
| Prepaid expenses and other current assets | 28,275 | 27,231 |
| Current assets before funds held for clients | 683,872 | 657,826 |
| Funds held for clients | 3,536,482 | 3,808,085 |
| Total current assets | 4,220,354 | 4,465,911 |
| Long-term corporate investments | 77,038 | 41,798 |
| Property and equipment, net of accumulated depreciation | 283,029 | 275,297 |
| Intangible assets, net of accumulated amortization | 77,759 | 74,500 |
| Goodwill | 433,316 | 433,316 |
| Deferred income taxes | 15,501 | 13,818 |
| Other long-term assets | 4,863 | 5,151 |
| Total assets | \$ 5,111,860 | \$ 5,309,791 |
| LIABILITIES | | |
| Accounts payable | \$ 38,858 | \$ 40,251 |
| Accrued compensation and related items | 117,920 | 132,589 |
| Deferred revenue | 11,545 | 10,326 |
| Deferred income taxes | 10,301 | — |
| Litigation reserve | 20,736 | 22,968 |
| Other current liabilities | 47,469 | 47,457 |
| Current liabilities before client fund obligations | 246,829 | 253,591 |
| Client fund obligations | 3,504,679 | 3,783,681 |
| Total current liabilities | 3,751,508 | 4,037,272 |
| Accrued income taxes | 21,105 | 17,728 |
| Deferred income taxes | 9,501 | 9,600 |
| Other long-term liabilities | 45,023 | 48,549 |
| Total liabilities | 3,827,137 | 4,113,149 |
| STOCKHOLDERS' EQUITY | | |
| Common stock, \$.01 par value; Authorized: 600,000 shares; Issued and outstanding: 360,819 shares as of November 30, 2008, and 360,500 shares as of May 31, 2008, respectively | 3,608 | 3,605 |
| Additional paid-in capital | 451,245 | 431,639 |
| Retained earnings | 808,875 | 745,351 |
| Accumulated other comprehensive income | 20,995 | 16,047 |
| Total stockholders' equity | 1,284,723 | 1,196,642 |
| Total liabilities and stockholders' equity | \$ 5,111,860 | \$ 5,309,791 |

PAYCHEX, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In thousands)

| | For the six months ended November 30, | |
|--|--|--------------------|
| | 2008 | 2007 |
| OPERATING ACTIVITIES | | |
| Net income | \$ 288,951 | \$ 298,187 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization on property and equipment and intangible assets | 41,678 | 38,796 |
| Amortization of premiums and discounts on available-for-sale securities | 11,940 | 7,900 |
| Stock-based compensation costs | 13,942 | 12,905 |
| Provision for deferred income taxes | 13,089 | 14,632 |
| Provision for allowance for doubtful accounts | 1,084 | 1,362 |
| Net realized gains on sales of available-for-sale securities | (705) | (533) |
| Changes in operating assets and liabilities: | | |
| Interest receivable | 4,644 | 15,060 |
| Accounts receivable | (35,836) | (28,219) |
| Prepaid expenses and other current assets | 5,501 | (5,192) |
| Accounts payable and other current liabilities | (18,712) | 1,038 |
| Net change in other assets and liabilities | 2,809 | 2,308 |
| Net cash provided by operating activities | 328,385 | 358,244 |
| INVESTING ACTIVITIES | | |
| Purchases of available-for-sale securities | (16,284,599) | (59,416,437) |
| Proceeds from sales and maturities of available-for-sale securities | 17,493,183 | 60,617,951 |
| Net change in funds held for clients' money market securities and other cash equivalents | (820,736) | 43,981 |
| Purchases of property and equipment | (39,207) | (39,698) |
| Proceeds from sales of property and equipment | — | 708 |
| Acquisition of businesses, net of cash acquired | — | (32,940) |
| Purchases of other assets | (13,445) | (4,518) |
| Net cash provided by investing activities | 335,196 | 1,169,047 |
| FINANCING ACTIVITIES | | |
| Net change in client fund obligations | (279,002) | (524,463) |
| Repurchases of common stock | — | (865,064) |
| Dividends paid | (223,840) | (225,797) |
| Proceeds from exercise of stock options | 5,409 | 53,266 |
| Excess tax benefit related to exercise of stock options | 248 | 8,340 |
| Net cash used in financing activities | (497,185) | (1,553,718) |
| Increase/(decrease) in cash and cash equivalents | 166,396 | (26,427) |
| Cash and cash equivalents, beginning of period | 164,237 | 79,353 |
| Cash and cash equivalents, end of period | \$ 330,633 | \$ 52,926 |