

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended February 28, 2026

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____

Commission file number 0-11330

Paychex, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

911 Panorama Trail South

Rochester, NY

(Address of principal executive offices)

16-1124166

(I.R.S. Employer Identification No.)

14625-2396

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|--------------------------------|-------------------|---|
| Common Stock, \$0.01 par value | PAYX | Nasdaq Global Select Market |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of February 28, 2026, 358,290,881 shares of the registrant's common stock, \$.01 par value, were outstanding.

PAYCHEX, INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PAYCHEX, INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

In millions, except per share amounts

| | For the three months ended | | For the nine months ended | |
|--|----------------------------|----------------------|---------------------------|----------------------|
| | 2026 | February 28, 2025 | 2026 | February 28, 2025 |
| Revenue: | | | | |
| Management Solutions | \$ 1,354.6 | \$ 1,100.7 | \$ 3,684.3 | \$ 3,025.3 |
| PEO and Insurance Solutions | 397.5 | 365.4 | 1,063.5 | 1,002.6 |
| Total service revenue | 1,752.1 | 1,466.1 | 4,747.8 | 4,027.9 |
| Interest on funds held for clients | 56.8 | 42.9 | 158.7 | 116.5 |
| Total revenue | 1,808.9 | 1,509.0 | 4,906.5 | 4,144.4 |
| Expenses: | | | | |
| Cost of service revenue | 431.2 | 387.4 | 1,257.2 | 1,146.5 |
| Selling, general and administrative expenses | 585.7 | 429.8 | 1,743.5 | 1,221.3 |
| Total expenses | 1,016.9 | 817.2 | 3,000.7 | 2,367.8 |
| Operating income | 792.0 | 691.8 | 1,905.8 | 1,776.6 |
| Interest expense | (68.1) | (22.6) | (204.8) | (41.7) |
| Other income, net | 15.1 | 16.6 | 55.7 | 51.7 |
| Income before income taxes | 739.0 | 685.8 | 1,756.7 | 1,786.6 |
| Income taxes | 178.7 | 166.5 | 417.2 | 426.5 |
| Net income | \$ 560.3 | \$ 519.3 | \$ 1,339.5 | \$ 1,360.1 |
| Other comprehensive income, net of tax | 14.9 | 2.3 | 51.0 | 55.5 |
| Comprehensive income | \$ 575.2 | \$ 521.6 | \$ 1,390.5 | \$ 1,415.6 |
| Basic earnings per share | \$ 1.56 | \$ 1.44 | \$ 3.73 | \$ 3.78 |
| Diluted earnings per share | \$ 1.56 | \$ 1.43 | \$ 3.71 | \$ 3.76 |
| Weighted-average common shares outstanding | 358.7 | 360.1 | 359.4 | 360.1 |
| Weighted-average common shares outstanding, assuming dilution | 359.5 | 362.0 | 360.6 | 361.9 |

See Notes to Consolidated Financial Statements.

PAYCHEX, INC.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
In millions, except per share amounts

| | February 28, 2026 | May 31, 2025 |
|---|----------------------|--------------------|
| Assets | | |
| Cash and cash equivalents | \$ 1,742.5 | \$ 1,628.6 |
| Restricted cash | 49.8 | 47.9 |
| Corporate investments | 38.1 | 34.5 |
| Interest receivable | 37.0 | 27.9 |
| Accounts receivable, net of allowance for credit losses | 1,435.0 | 1,330.5 |
| PEO unbilled receivables, net of advance collections | 598.8 | 616.6 |
| Prepaid income taxes | 37.7 | 38.9 |
| Prepaid expenses and other current assets | 378.2 | 378.3 |
| Current assets before funds held for clients | 4,317.1 | 4,103.2 |
| Funds held for clients | 5,610.9 | 4,813.3 |
| Total current assets | 9,928.0 | 8,916.5 |
| Property and equipment, net of accumulated depreciation | 569.2 | 511.5 |
| Operating lease right-of-use assets, net of accumulated amortization | 69.8 | 63.8 |
| Intangible assets, net of accumulated amortization | 1,748.2 | 1,947.3 |
| Goodwill | 4,526.6 | 4,514.1 |
| Long-term deferred costs | 530.0 | 482.4 |
| Other long-term assets | 139.6 | 128.5 |
| Total assets | \$ 17,511.4 | \$ 16,564.1 |
| Liabilities | | |
| Accounts payable | \$ 132.4 | \$ 129.8 |
| Accrued corporate compensation and related items | 176.7 | 183.9 |
| Accrued worksite employee compensation and related items | 824.6 | 735.8 |
| Short-term borrowings | — | 18.6 |
| Accrued income taxes | 62.5 | — |
| Long-term debt, net, current portion | 400.0 | 399.8 |
| Deferred revenue | 70.3 | 69.4 |
| Other current liabilities | 609.0 | 552.0 |
| Current liabilities before client fund obligations | 2,275.5 | 2,089.3 |
| Client fund obligations | 5,603.6 | 4,867.0 |
| Total current liabilities | 7,879.1 | 6,956.3 |
| Accrued income taxes | 136.6 | 119.0 |
| Deferred income taxes | 553.5 | 444.7 |
| Long-term borrowings, net of debt issuance costs | 4,554.1 | 4,548.4 |
| Operating lease liabilities | 59.3 | 55.5 |
| Other long-term liabilities | 315.2 | 312.2 |
| Total liabilities | 13,497.8 | 12,436.1 |
| Commitments and contingencies — Note I | | |
| Stockholders' equity | | |
| Common stock, \$0.01 par value; Authorized: 600.0 shares; Issued and outstanding: 358.3 shares as of February 28, 2026 and 360.5 shares as of May 31, 2025 | 3.6 | 3.6 |
| Additional paid-in capital | 1,965.4 | 1,901.1 |
| Retained earnings | 2,047.3 | 2,277.0 |
| Accumulated other comprehensive loss | (2.7) | (53.7) |
| Total stockholders' equity | 4,013.6 | 4,128.0 |
| Total liabilities and stockholders' equity | \$ 17,511.4 | \$ 16,564.1 |

See Notes to Consolidated Financial Statements.

PAYCHEX, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
In millions, except per share amounts

| | For the nine months ended February 28, 2026 | | | | | | | | | | |
|--|---|---------------|-------------------|--------------------------------------|-------------------|--|------------------|------------------------------|--------------------------------------|--|-------|
| | Common stock | | | Accumulated other comprehensive loss | | | | | | | Total |
| | Shares | Amount | | Additional paid-in capital | Retained earnings | Net unrealized (loss)/gain on AFS securities | Cash flow hedges | Foreign currency translation | Total accumulated comprehensive loss | | |
| Balance as of May 31, 2025 | 360.5 | \$ 3.6 | \$ 1,901.1 | \$ 2,277.0 | \$ (38.5) | \$ — | \$ (15.2) | \$ (53.7) | \$ 4,128.0 | | |
| Net income | — | — | — | 1,339.5 | — | — | — | — | 1,339.5 | | |
| Unrealized gains on securities, net of \$17.3 million in tax expense | — | — | — | — | 51.0 | — | — | 51.0 | 51.0 | | |
| Reclassification adjustment for realized gains on securities, net of \$1.9 million in tax expense ⁽¹⁾ | — | — | — | — | (5.5) | — | — | (5.5) | (5.5) | | |
| Cash dividends declared (\$3.24 per share) | — | — | — | (1,165.0) | — | — | — | — | (1,165.0) | | |
| Repurchases of common shares ⁽²⁾ | (2.9) | (0.0) | (13.9) | (347.7) | — | — | — | — | (361.6) | | |
| Stock-based compensation costs | — | — | 75.4 | — | — | — | — | — | 75.4 | | |
| Foreign currency translation adjustment | — | — | — | — | — | — | 5.5 | 5.5 | 5.5 | | |
| Activity related to equity-based plans | 0.7 | 0.0 | 2.8 | (56.5) | — | — | — | — | (53.7) | | |
| Balance as of February 28, 2026 | <u>358.3</u> | <u>\$ 3.6</u> | <u>\$ 1,965.4</u> | <u>\$ 2,047.3</u> | <u>\$ 7.0</u> | <u>\$ —</u> | <u>\$ (9.7)</u> | <u>\$ (2.7)</u> | <u>\$ 4,013.6</u> | | |

| | For the three months ended February 28, 2026 | | | | | | | | | | |
|--|--|---------------|-------------------|--------------------------------------|-------------------|--|------------------|------------------------------|--------------------------------------|--|-------|
| | Common stock | | | Accumulated other comprehensive loss | | | | | | | Total |
| | Shares | Amount | | Additional paid-in capital | Retained earnings | Net unrealized (loss)/gain on AFS securities | Cash flow hedges | Foreign currency translation | Total accumulated comprehensive loss | | |
| Balance as of November 30, 2025 | 359.0 | \$ 3.6 | \$ 1,944.1 | \$ 1,950.0 | \$ (5.3) | \$ — | \$ (12.3) | \$ (17.6) | \$ 3,880.1 | | |
| Net income | — | — | — | 560.3 | — | — | — | — | 560.3 | | |
| Unrealized gains on securities, net of \$4.1 million in tax expense | — | — | — | — | 12.5 | — | — | 12.5 | 12.5 | | |
| Reclassification adjustment for realized gains on securities, net of \$0.1 million in tax expense ⁽¹⁾ | — | — | — | — | (0.2) | — | — | (0.2) | (0.2) | | |
| Cash dividends declared (\$1.08 per share) | — | — | — | (388.0) | — | — | — | — | (388.0) | | |
| Repurchases of common shares ⁽²⁾ | (0.8) | (0.0) | (3.7) | (71.3) | — | — | — | — | (75.0) | | |
| Stock-based compensation costs | — | — | 23.1 | — | — | — | — | — | 23.1 | | |
| Foreign currency translation adjustment | — | — | — | — | — | — | 2.6 | 2.6 | 2.6 | | |
| Activity related to equity-based plans | 0.1 | 0.0 | 1.9 | (3.7) | — | — | — | — | (1.8) | | |
| Balance as of February 28, 2026 | <u>358.3</u> | <u>\$ 3.6</u> | <u>\$ 1,965.4</u> | <u>\$ 2,047.3</u> | <u>\$ 7.0</u> | <u>\$ —</u> | <u>\$ (9.7)</u> | <u>\$ (2.7)</u> | <u>\$ 4,013.6</u> | | |

⁽¹⁾ Reclassification adjustments to earnings on the sale of available-for-sale ("AFS") securities are reflected in interest on funds held for clients and other income, net on the Consolidated Statements of Income and Comprehensive Income.

⁽²⁾ The Company maintained a program to repurchase up to \$400.0 million of its common stock with authorization that expired on January 16, 2026, at which time \$9.4 million of unused repurchase authorization expired. On January 16, 2026, the Company's Board approved a program to repurchase up to an additional \$1.0 billion of its common stock with no expiration date. The purpose of this program is to manage common stock dilution. All shares of common stock repurchased were retired.

| Common stock | For the nine months ended February 28, 2025 | | | | | | | | | |
|---|---|---------------|-------------------|--------------------------------------|-------------------|---------------------------------------|------------------|------------------------------|--------------------------------------|-------------------|
| | Common stock | | | Accumulated other comprehensive loss | | | | | Total accumulated comprehensive loss | Total |
| | Shares | Amount | | Additional paid-in capital | Retained earnings | Net unrealized loss on AFS securities | Cash flow hedges | Foreign currency translation | | |
| Balance as of May 31, 2024 | 360.1 | \$ 3.6 | \$ 1,729.5 | \$ 2,213.0 | \$ (120.7) | \$ — | \$ — | \$ (24.4) | \$ (145.1) | \$ 3,801.0 |
| Net income | — | — | — | 1,360.1 | — | — | — | — | — | 1,360.1 |
| Unrealized gains/(losses), net of \$23.2 million in tax expense | — | — | — | — | 70.9 | (15.9) | — | — | 55.0 | 55.0 |
| Reclassification adjustment to earnings, net of \$0.1 million in tax benefit ⁽¹⁾ | — | — | — | — | 0.3 | 7.3 | — | — | 7.6 | 7.6 |
| Cash dividends declared (\$2.94 per share) | — | — | — | (1,058.9) | — | — | — | — | — | (1,058.9) |
| Repurchases of common shares, including excise taxes of \$0.5 million ⁽²⁾ | (0.8) | (0.0) | (4.0) | (100.5) | — | — | — | — | — | (104.5) |
| Stock-based compensation costs | — | — | 50.5 | — | — | — | — | — | — | 50.5 |
| Foreign currency translation adjustment | — | — | — | — | — | — | — | (7.1) | (7.1) | (7.1) |
| Activity related to equity-based plans | 0.9 | 0.0 | 38.8 | (25.9) | — | — | — | — | — | 12.9 |
| Balance as of February 28, 2025 | 360.2 | \$ 3.6 | \$ 1,814.8 | \$ 2,387.8 | \$ (49.5) | \$ (8.6) | \$ (31.5) | \$ (89.6) | \$ 4,116.6 | |

| Common stock | For the three months ended February 28, 2025 | | | | | | | | | |
|---|--|---------------|-------------------|--------------------------------------|-------------------|---------------------------------------|------------------|------------------------------|--------------------------------------|-------------------|
| | Common stock | | | Accumulated other comprehensive loss | | | | | Total accumulated comprehensive loss | Total |
| | Shares | Amount | | Additional paid-in capital | Retained earnings | Net unrealized loss on AFS securities | Cash flow hedges | Foreign currency translation | | |
| Balance as of November 30, 2024 | 360.1 | \$ 3.6 | \$ 1,789.4 | \$ 2,224.6 | \$ (63.1) | \$ — | \$ — | \$ (28.8) | \$ (91.9) | \$ 3,925.7 |
| Net income | — | — | — | 519.3 | — | — | — | — | — | 519.3 |
| Unrealized gains/(losses), net of \$4.3 million in tax expense | — | — | — | — | 13.3 | (15.9) | — | — | (2.6) | (2.6) |
| Reclassification adjustment to earnings, net of \$0.1 million in tax benefit ⁽¹⁾ | — | — | — | — | 0.3 | 7.3 | — | — | 7.6 | 7.6 |
| Cash dividends declared (\$0.98 per share) | — | — | — | (353.2) | — | — | — | — | — | (353.2) |
| Repurchases of common shares, including excise taxes of \$0.0 million ⁽²⁾ | — | — | — | — | — | — | — | — | — | — |
| Stock-based compensation costs | — | — | 17.6 | — | — | — | — | — | — | 17.6 |
| Foreign currency translation adjustment | — | — | — | — | — | — | — | (2.7) | (2.7) | (2.7) |
| Activity related to equity-based plans | 0.1 | 0.0 | 7.8 | (2.9) | — | — | — | — | — | 4.9 |
| Balance as of February 28, 2025 | 360.2 | \$ 3.6 | \$ 1,814.8 | \$ 2,387.8 | \$ (49.5) | \$ (8.6) | \$ (31.5) | \$ (89.6) | \$ 4,116.6 | |

⁽¹⁾ Reclassification adjustments to earnings on the sale of AFS securities are reflected in interest on funds held for clients and other income, net on the Consolidated Statements of Income and Comprehensive Income.

⁽²⁾ The Company maintained a program to repurchase up to \$400.0 million of its common stock with authorization that expired on January 16, 2026, at which time \$9.4 million of unused repurchase authorization expired. On January 16, 2026, the Company's Board approved a program to repurchase up to an additional \$1.0 billion of its common stock with no expiration date. The purpose of this program is to manage common stock dilution. All shares of common stock repurchased were retired.

See Notes to Consolidated Financial Statements.

PAYCHEX, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
In millions

| | For the nine months ended | |
|--|---------------------------|-------------------|
| | 2026 | 2025 |
| | February 28, | |
| Operating activities | | |
| Net income | \$ 1,339.5 | \$ 1,360.1 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 329.4 | 123.8 |
| Amortization of premiums and discounts on AFS securities and long-term debt, net | (5.7) | 5.1 |
| Amortization of deferred contract costs | 184.6 | 176.6 |
| Stock-based compensation costs | 75.4 | 50.5 |
| Provision on/(benefit from) deferred income taxes | 99.0 | (16.1) |
| Provision for credit losses | 29.1 | 17.6 |
| Net realized (gains)/losses on sales of AFS securities | (7.4) | 0.4 |
| Premiums paid on cash flow hedges | — | (19.2) |
| Changes in operating assets and liabilities: | | |
| Interest receivable | (9.1) | 0.7 |
| Accounts receivable and PEO unbilled receivables, net | (67.1) | (99.9) |
| Prepaid expenses and other current assets | 12.5 | 2.3 |
| Accounts payable and other current liabilities | 232.0 | 107.8 |
| Deferred costs | (244.7) | (173.7) |
| Net change in other long-term assets and liabilities | 9.8 | 25.4 |
| Net change in operating lease right-of-use assets and liabilities | (1.5) | (4.3) |
| Net cash provided by operating activities | 1,975.8 | 1,557.1 |
| Investing activities | | |
| Purchases of AFS securities | (10,699.4) | (8,473.2) |
| Proceeds from sales and maturities of AFS securities | 10,054.1 | 8,500.4 |
| Net purchases of short-term accounts receivable | (85.3) | (153.3) |
| Purchases of property and equipment | (169.0) | (131.3) |
| Acquisition of businesses, net of cash acquired | (0.4) | — |
| Purchases of other assets, net | (25.0) | (24.3) |
| Net cash used in investing activities | (925.0) | (281.7) |
| Financing activities | | |
| Net change in client fund obligations | 736.6 | 383.1 |
| Net change in short-term borrowings | (18.8) | — |
| Dividends paid | (1,165.0) | (1,059.2) |
| Repurchases of common shares | (361.6) | (104.5) |
| Debt issuance fees | — | (11.4) |
| Activity related to equity-based plans | (53.7) | 12.9 |
| Net cash used in financing activities | (862.5) | (779.1) |
| Net change in cash, restricted cash, and equivalents | 188.3 | 496.3 |
| Cash, restricted cash, and equivalents, beginning of period | 2,734.3 | 1,897.0 |
| Cash, restricted cash, and equivalents, end of period | \$ 2,922.6 | \$ 2,393.3 |
| Reconciliation of cash, restricted cash, and equivalents | | |
| Cash and cash equivalents | \$ 1,742.5 | \$ 1,563.8 |
| Restricted cash | 49.8 | 49.1 |
| Restricted cash and restricted cash equivalents included in funds held for clients | 1,130.3 | 780.4 |
| Total cash, restricted cash, and equivalents | \$ 2,922.6 | \$ 2,393.3 |

See Notes to Consolidated Financial Statements.

PAYCHEX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
February 28, 2026

Note A: Description of Business, Basis of Presentation, and Significant Accounting Policies

Description of business: Paychex, Inc. and its wholly owned subsidiaries (collectively, the “Company” or “Paychex”) is an industry-leading human capital management (“HCM”) company delivering a full suite of technology and advisory services in human resources (“HR”), employee benefit solutions, insurance and payroll processing for businesses and their employees across the United States (“U.S.”) and parts of Europe. The Company also has operations in India. Paychex, a Delaware corporation formed in 1979, reports as one segment. Refer to Note K Segment Reporting for additional information on the Company’s segment results.

Basis of presentation: The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to the Quarterly Report on Form 10-Q (“Form 10-Q”) and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statement presentation. The consolidated financial statements include the consolidated accounts of the Company with all intercompany transactions eliminated. Certain disclosures are reported as zero balances due to rounding. In the opinion of management, the information furnished herein reflects all adjustments (consisting of items of a normal recurring nature) necessary for a fair statement of the results for the interim period. These consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements and related Notes to Consolidated Financial Statements presented in the Company’s Annual Report on Form 10-K (“Form 10-K”) for the fiscal year ended May 31, 2025 (“fiscal 2025”). Operating results and cash flows for the nine months ended February 28, 2026 are not necessarily indicative of the results that may be expected for other interim periods or for the fiscal year ending May 31, 2026 (“fiscal 2026”).

Reclassifications: Certain prior year amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on reported consolidated earnings.

Restricted cash and restricted cash equivalents: Restricted cash and restricted cash equivalents are recorded at fair value, and consist of cash and cash equivalents, primarily money market securities, included in funds held for clients and cash that is restricted in use to secure commitments for certain workers’ compensation insurance policies.

Accounts receivable, net of allowance for credit losses: Accounts receivable balances are shown on the Consolidated Balance Sheets net of the allowance for credit losses as follows:

| In millions | February 28, 2026 | May 31, 2025 |
|--|----------------------|-------------------|
| Trade receivables | \$ 273.4 | \$ 205.4 |
| Purchased receivables | 1,199.8 | 1,151.1 |
| Total accounts receivable, gross | 1,473.2 | 1,356.5 |
| Less: Allowance for credit losses | 38.2 | 26.0 |
| Accounts receivable, net of allowance for credit losses | \$ 1,435.0 | \$ 1,330.5 |

Trade receivables are for services provided to clients in the normal course of business and purchased receivables are acquired from the Company’s clients under non-recourse arrangements.

The Company is exposed to credit losses through the sale of its solutions and support services, payment of client obligations, and collection of purchased receivables. To mitigate this credit risk, the Company has multiple programs in place to assess and continuously monitor each client’s ability to pay for these solutions and support services. Credit monitoring programs include, but are not limited to, new client credit reviews, establishing appropriate credit limits, monitoring of credit distressed clients, and early electronic wire and collection procedures. The Company also considers contract terms and conditions, client business type or strategy and may require collateralized asset support or prepayment to mitigate credit risk.

Accounts receivable are written off and charged against the allowance for credit losses when the Company has exhausted all collection efforts without success. The Company estimates its allowance for credit losses based on historical loss activity adjusted for current economic conditions and reasonable and supportable forecast factors, when applicable.

Allowance for credit losses activity related to accounts receivables are as follows:

| In millions | Three months ended February 28, | | | | Nine months ended February 28, | | | |
|------------------------------|---------------------------------|-------------|------|-------------|--------------------------------|-------------|------|-------------|
| | 2026 | | 2025 | | 2026 | | 2025 | |
| Balance, beginning of period | \$ | 27.0 | \$ | 25.1 | \$ | 26.0 | \$ | 21.3 |
| Provision for credit losses | | 16.9 | | 5.2 | | 29.1 | | 17.6 |
| Write-offs and recoveries | | (5.7) | | (6.5) | | (16.9) | | (15.1) |
| Balance, end of period | \$ | <u>38.2</u> | \$ | <u>23.8</u> | \$ | <u>38.2</u> | \$ | <u>23.8</u> |

No single client had a material impact on total accounts receivable as of February 28, 2026 and May 31, 2025 or service revenue and results of operations for the three and nine months ended February 28, 2026 and February 28, 2025.

Professional Employer Organization (“PEO”) unbilled receivables, net of advance collections: PEO unbilled receivables, including estimated revenues, offset by advance collections from clients, are recorded as PEO unbilled receivables, net of advance collections on the Company’s Consolidated Balance Sheets. As of February 28, 2026 and May 31, 2025, advance collections were \$3.0 million and \$1.8 million, respectively.

PEO insurance reserves: As part of its PEO solution, the Company offers workers’ compensation insurance and health insurance coverage to clients for the benefit of client employees. Workers’ compensation insurance is primarily provided under fully insured high deductible workers’ compensation insurance policies. Workers’ compensation insurance reserves are established to provide for the estimated costs of paying claims up to per occurrence liability limits. These reserves include estimates of certain expenses associated with processing and settling claims. For fiscal 2026 and fiscal 2025, the Company has an aggregate maximum liability of \$1.0 million for claims exceeding \$1.0 million, and once met, the maximum individual claims liability is \$1.0 million.

As of February 28, 2026 and May 31, 2025, the Company recorded current liabilities of \$86.3 million and \$80.4 million, respectively, and long-term liabilities of \$155.8 million and \$156.4 million, respectively, on its Consolidated Balance Sheets for workers’ compensation insurance reserves. The amounts were recorded in other current liabilities and other long-term liabilities on the Company’s Consolidated Balance Sheets.

With respect to PEO health insurance, the Company offers various health insurance plans that take the form of either fully insured guaranteed cost plans or fully insured insurance arrangements where the Company retains risk. A reserve for insurance arrangements where the Company retains risk is established to provide for the payment of claims in accordance with the Company’s service contract with the carrier. The claims reserve includes estimates for reported losses, plus amounts for those claims incurred but not reported, and estimates of certain expenses associated with processing and settling the claims. The Company’s maximum individual claims liability was \$0.5 million under its policies during both fiscal 2026 and fiscal 2025.

In establishing the PEO workers’ compensation insurance reserves, the Company uses an independent actuarial estimate of undiscounted future cash payments that would be made to settle claims. Estimating the ultimate cost of future claims is an uncertain and complex process based upon historical loss experience and accepted actuarial methods and assumptions. These reserves are subject to change due to multiple factors, including economic trends, changes in legal liability law, and damage awards, all of which could materially impact the reserves as reported in the consolidated financial statements. Accordingly, final claim settlements may vary from the present estimates, particularly with workers’ compensation insurance where those payments may not occur until well into the future. The Company regularly reviews the adequacy of its estimated insurance reserves. Adjustments to previously established reserves are reflected in the results of operations for the period in which the adjustment is identified. Such adjustments could be significant, reflecting any combination of new and adverse or favorable trends.

Stock-based compensation costs: The Company has issued stock-based awards to employees and members of its Board of Directors (the “Board”) consisting of stock options, restricted stock units, and restricted stock awards. The Company accounts for all stock-based awards to employees and members of the Board as compensation costs in the consolidated financial statements based on their fair values measured as of the date of grant. These costs are recognized over the requisite service period. Stock-based compensation costs recognized were \$23.1 million and \$75.4 million for the three and nine months ended February 28, 2026, respectively, compared with \$17.6 million and \$50.5 million for the three and nine months ended February 28, 2025, respectively.

Recently adopted accounting pronouncements: There were no recently adopted accounting pronouncements during the nine months ended February 28, 2026 that had a material impact on the Company’s consolidated financial statements or disclosures.

Recently issued accounting pronouncements: In December 2023, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." This ASU updates income tax disclosure requirements primarily by requiring specific categories and greater disaggregation within the rate reconciliation and disaggregation of income taxes paid by jurisdiction. This ASU is effective for annual periods beginning after December 15, 2024, and is applicable to the Company's Annual Report on Form 10-K for fiscal 2026, with early application permitted. The transition method is prospective with the retrospective method permitted. The requirements of this ASU are disclosure-related and will not have an impact on the Company's financial condition, results of operations, or cash flows. The Company is currently evaluating the impact of adopting this ASU on its income tax disclosures.

In November 2024, the FASB issued ASU No. 2024-03 "Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses." ASU No. 2024-03 as amended by subsequent ASUs on the topic requires public business entities to disclose, for interim and annual reporting periods, additional information about certain income statement expense categories. The requirements are effective for annual reporting periods beginning after December 15, 2026, and for interim periods within annual reporting periods beginning after December 15, 2027. Entities are permitted to apply either the prospective or retrospective transition methods. This ASU is applicable to the Company's Annual Report on Form 10-K for the fiscal year ending May 31, 2028, and subsequent interim periods, with early application permitted. The requirements of this ASU are disclosure-related and will not have an impact on the Company's financial condition, results of operations, or cash flows. The Company is currently evaluating the impact of adopting this ASU on its disclosures.

In July 2025, the FASB issued ASU No. 2025-05 "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets," which introduces a practical expedient for the application of the current expected credit loss model to current accounts receivable and contract assets. This ASU is effective for annual periods beginning after December 15, 2025, and interim periods within those annual reporting periods. This ASU is applicable to the Company's fiscal year beginning June 1, 2026, with early application permitted. The transition method is prospective. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements and disclosures.

In September 2025, the FASB issued ASU No. 2025-06 "Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software." This ASU updates the cost capitalization threshold for internal-use software development costs by removing all references to software project development stages and providing new guidance on how to evaluate whether the probable-to-complete recognition threshold has been met. This ASU is effective for annual periods beginning after December 15, 2027, and interim periods within those annual reporting periods. This ASU is applicable to the Company's fiscal year beginning June 1, 2028, with early application permitted. The transition method may be prospective, modified, or retrospective. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements and disclosures.

In November 2025, the FASB issued ASU No. 2025-08 "Financial Instruments – Credit Losses (Topic 326): Purchased Loans." This ASU expands the population of acquired financial assets subject to the gross-up approach under Topic 326 whereby loans purchased without credit deterioration and deemed seasoned are recognized at their purchase price plus an allowance for expected credit losses. Purchased seasoned loans include all loans that are acquired in a business combination and loans acquired in an asset acquisition if purchased at least 90 days after origination and the acquirer was not involved in the origination of the loans. This ASU is effective for annual periods beginning after December 15, 2026, and interim periods within those annual reporting periods. This ASU is applicable to the Company's fiscal year beginning June 1, 2027, with early application permitted. The transition method is prospective. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements and disclosures.

Note B: Service Revenue

Service revenue is primarily attributable to fees for providing services to the Company's clients and is recognized when control of the contracted services is transferred to its clients, in an amount that reflects the consideration it expects to receive in exchange for such services. Insurance Solutions revenue is commissions earned on premiums collected and remitted to insurance carriers. The Company's contracts generally do not contain specified contract periods and may be terminated by either party with a 30-day notice of termination. Sales and other applicable non-payroll related taxes are excluded from service revenue.

Based upon similar operational and economic characteristics, the Company's service revenue is disaggregated by Management Solutions and PEO and Insurance Solutions as reported in the Company's Consolidated Statements of Income and Comprehensive Income. The Company believes these revenue categories depict how the nature, amount, timing, and uncertainty of its revenue and cash flows are affected by economic factors.

Management Solutions Revenue

Management Solutions revenue is primarily derived from the Company’s payroll and HCM services, HR outsourcing and retirement solutions. Clients can select services on an à la carte basis or as part of various product bundles. The Company’s offerings often leverage the information gathered in its payroll processing service, enabling more targeted prospecting and easier provision of additional ancillary HCM solutions. Management Solutions revenue is generally recognized over time as services are performed and the client simultaneously receives and controls the benefits from these services.

Revenue earned from delivery service for the distribution of certain client payroll checks and reports is also included in Management Solutions revenue in the Company’s Consolidated Statements of Income and Comprehensive Income. Delivery service revenue is recognized at a point in time following the delivery of payroll checks, reports, quarter-end packages, and tax returns to the Company’s clients.

PEO and Insurance Solutions Revenue

PEO Solutions are sold through the Company’s registered and licensed subsidiaries and offer businesses HCM and HR solutions. The Company serves as a co-employer of its clients’ employees, offers health and benefit insurance coverage to client employees, and assumes the risks and rewards of workers’ compensation insurance and certain health insurance offerings. PEO Solutions revenue is recognized over time as the services are performed and the client simultaneously receives and controls the benefits from these services. PEO Solutions revenue is reported net of certain pass-through costs billed and incurred, which include payroll wages, payroll taxes, including federal and state unemployment insurance, and health insurance premiums on guaranteed cost benefit plans. For workers’ compensation and health insurance plans where the Company retains risk, revenues and costs are recorded on a gross basis.

PEO pass-through costs netted within the PEO and Insurance Solutions revenue were as follows:

| In millions | For the three months ended February 28, | | For the nine months ended February 28, | |
|--|--|------------|---|-------------|
| | 2026 | 2025 | 2026 | 2025 |
| Payroll wages and payroll taxes | \$ 8,587.8 | \$ 7,783.0 | \$ 23,638.5 | \$ 21,836.6 |
| State unemployment insurance (included in payroll wages and payroll taxes) | \$ 88.6 | \$ 81.5 | \$ 134.7 | \$ 127.9 |
| Guaranteed cost benefit plans | \$ 193.8 | \$ 172.6 | \$ 547.2 | \$ 505.9 |

Insurance solutions are sold through the Company’s licensed insurance agency, Paychex Insurance Agency, Inc., which provides insurance through a variety of carriers, enabling clients to expand their employee benefit offerings at an affordable cost. Insurance offerings include property and casualty coverage such as workers’ compensation, business-owner policies, commercial auto, cyber security, and health and benefits coverage, including health, dental, vision, life and disability. Insurance Solutions revenue reflects commissions earned on remitted insurance services premiums billed and is recognized over time as services are performed and the client simultaneously receives and controls the benefits from these services.

Contract Balances

The timing of revenue recognition for Management Solutions and PEO and Insurance Solutions is consistent with the invoicing of clients as they both occur during the respective client payroll period for which the services are provided. Therefore, the Company does not recognize a contract asset or liability resulting from the timing of revenue recognition and invoicing.

Payments received for certain of the Company’s service offerings for set-up fees are considered a material right. Therefore, the Company defers revenue associated with these performance obligations, which exceed one year, and subsequently recognizes them as future services are provided, over approximately two to four years.

Changes in deferred revenue related to material rights that exceed one year were as follows:

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| In millions | For the three months ended | | | | For the nine months ended | | | |
|---------------------------------|----------------------------|-------------|--------------|-------------|---------------------------|-------------|--------------|-------------|
| | February 28, | | February 28, | | February 28, | | February 28, | |
| | 2026 | 2025 | 2026 | 2025 | 2026 | 2025 | 2026 | 2025 |
| Balance, beginning of period | \$ | 90.5 | \$ | 74.0 | \$ | 92.4 | \$ | 74.9 |
| Deferral of revenue | | 15.6 | | 11.5 | | 41.5 | | 29.1 |
| Recognition of unearned revenue | | (13.8) | | (9.9) | | (41.6) | | (28.4) |
| Balance, end of period | \$ | <u>92.3</u> | \$ | <u>75.6</u> | \$ | <u>92.3</u> | \$ | <u>75.6</u> |

Deferred revenue related to material rights is reported in the deferred revenue and other long-term liabilities line items on the Company's Consolidated Balance Sheets. As of February 28, 2026, the Company expects to recognize deferred revenue related to these material rights for the remainder of fiscal 2026 and subsequent fiscal years as follows:

| In millions | Estimated |
|---------------------------------------|---------------------------------|
| Year ending May 31, | recognition of unearned revenue |
| 2026 | \$ 13.0 |
| 2027 | 42.1 |
| Thereafter | 37.2 |
| Total recognition of unearned revenue | \$ <u>92.3</u> |

Assets Recognized from the Costs to Obtain and Fulfill Contracts

The Company recognizes an asset for the incremental costs of obtaining a contract with a client if it is expected that the economic benefit and amortization period will be longer than one year. The Company also recognizes an asset for the costs to fulfill a contract with a client if the costs are specifically identifiable, generate or enhance resources used to satisfy future performance obligations, and are expected to be recovered.

Deferred costs to obtain and fulfill contracts are reported in the prepaid expenses and other current assets and long-term deferred costs line items on the Company's Consolidated Balance Sheets. Amortization expense related to costs to obtain and fulfill a contract are included in cost of service revenue and selling, general and administrative expenses in the Company's Consolidated Statements of Income and Comprehensive Income and recognized over the expected economic benefit period.

The Company regularly reviews its deferred costs for potential impairment and did not recognize an impairment loss during the nine months ended February 28, 2026 or February 28, 2025.

Changes in deferred costs to obtain and fulfill contracts were as follows:

Costs to obtain contracts:

| In millions | For the three months ended | | | | For the nine months ended | | | |
|------------------------------|----------------------------|--------------|--------------|--------------|---------------------------|--------------|--------------|--------------|
| | February 28, | | February 28, | | February 28, | | February 28, | |
| | 2026 | 2025 | 2026 | 2025 | 2026 | 2025 | 2026 | 2025 |
| Balance, beginning of period | \$ | 612.0 | \$ | 600.7 | \$ | 609.0 | \$ | 609.4 |
| Capitalization of costs | | 74.4 | | 59.0 | | 183.4 | | 154.2 |
| Amortization | | (54.0) | | (52.6) | | (160.0) | | (156.5) |
| Balance, end of period | \$ | <u>632.4</u> | \$ | <u>607.1</u> | \$ | <u>632.4</u> | \$ | <u>607.1</u> |

Costs to fulfill contracts:

| In millions | For the three months ended | | | | For the nine months ended | | | |
|------------------------------|----------------------------|--------------|--------------|-------------|---------------------------|--------------|--------------|-------------|
| | February 28, | | February 28, | | February 28, | | February 28, | |
| | 2026 | 2025 | 2026 | 2025 | 2026 | 2025 | 2026 | 2025 |
| Balance, beginning of period | \$ | 110.8 | \$ | 75.8 | \$ | 87.0 | \$ | 76.6 |
| Capitalization of costs | | 21.7 | | 6.9 | | 61.3 | | 19.5 |
| Amortization | | (8.8) | | (6.7) | | (24.6) | | (20.1) |
| Balance, end of period | \$ | <u>123.7</u> | \$ | <u>76.0</u> | \$ | <u>123.7</u> | \$ | <u>76.0</u> |

Note C: Basic and Diluted Earnings Per Share

Basic and diluted earnings per share were calculated as follows:

| In millions, except per share amounts | For the three months ended February 28, | | For the nine months ended February 28, | |
|--|--|----------------|---|----------------|
| | 2026 | 2025 | 2026 | 2025 |
| Basic earnings per share: | | | | |
| Net income | \$ 560.3 | \$ 519.3 | \$ 1,339.5 | \$ 1,360.1 |
| Weighted-average common shares outstanding | 358.7 | 360.1 | 359.4 | 360.1 |
| Basic earnings per share | \$ 1.56 | \$ 1.44 | \$ 3.73 | \$ 3.78 |
| Diluted earnings per share: | | | | |
| Net income | \$ 560.3 | \$ 519.3 | \$ 1,339.5 | \$ 1,360.1 |
| Weighted-average common shares outstanding | 358.7 | 360.1 | 359.4 | 360.1 |
| Dilutive effect of common share equivalents | 0.8 | 1.9 | 1.2 | 1.8 |
| Weighted-average common shares outstanding, assuming dilution | 359.5 | 362.0 | 360.6 | 361.9 |
| Diluted earnings per share | \$ 1.56 | \$ 1.43 | \$ 3.71 | \$ 3.76 |
| Weighted-average anti-dilutive common share equivalents | 2.2 | 0.0 | 1.1 | 0.3 |

Weighted-average common share equivalents that had an anti-dilutive impact are excluded from the computation of diluted earnings per share.

Note D: Business Combinations

The Company accounts for acquisitions in accordance with the guidance in FASB Accounting Standards Codification 805, Business Combinations ("ASC 805"). This guidance requires disclosure of consideration transferred, including any contingent consideration, assets acquired, and liabilities assumed to be measured at their fair values as of the acquisition date. This guidance further provides that: (1) acquisition costs will generally be expensed as incurred, (2) restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and (3) changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. ASC 805 requires that any excess of the purchase price over the fair values of the net assets acquired, including identifiable intangibles and liabilities assumed, be recognized as goodwill.

Paycor HCM, Inc.

On April 14, 2025, the Company completed its acquisition of Paycor HCM, Inc. ("Paycor") for total purchase consideration of approximately \$4.1 billion, of which \$4.06 billion was paid in cash and \$25.1 million was paid in the form of replacement awards. To finance the purchase consideration, Paychex issued a \$4.2 billion aggregate principal amount of fixed-rate corporate bonds ("Corporate Bonds"). Refer to Note N of the Notes to Consolidated Financial Statements contained in Item 8 of the Company's Form 10-K for fiscal 2025 for further details on the Corporate Bonds. Paycor is a leading Software-as-a-Service ("SaaS") provider of HCM solutions for small and medium-sized businesses across all 50 states within the U.S.

Acquisition related costs consist of miscellaneous professional service fees and expenses for the Company's recent acquisitions. The Company recognized \$232.1 million of acquisition-related costs, including \$181.5 million related to amortization for step-up basis intangible assets, that were expensed during the nine months ended February 28, 2026. These costs are shown as part of selling, general and administrative expenses on the Consolidated Statements of Income and Comprehensive Income.

The transaction aims to enhance the Company's capabilities in the upmarket segment and expand its suite of AI-driven HCM solutions.

Purchase Price Allocation

The purchase price allocation as of the acquisition date is subject to change as additional information about the fair values of assets acquired and liabilities assumed becomes available. These adjustments will be finalized no later than one year from the acquisition date.

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During the nine months ended February 28, 2026, the Company adjusted its purchase price allocation, which increased goodwill \$3.4 million, primarily resulting from the write-down of a building by \$4.9 million, net of deferred taxes of \$1.9 million as a result of an updated valuation, offset by a reduction due to a change in deferred tax liability of \$3.9 million related to return-to-provision adjustments from the predecessor's final tax return. The impact of these changes on previously reported earnings was not material.

| In millions | | |
|---|-----------|----------------|
| Total purchase price | \$ | 4,085.7 |
| Assets Acquired | | |
| Cash and cash equivalents | \$ | 168.8 |
| Restricted cash | | 0.0 |
| Interest receivable | | 0.7 |
| Accounts receivable | | 26.5 |
| Prepaid income taxes | | 1.0 |
| Prepaid expenses and other current assets | | 28.7 |
| Funds held for clients | | 1,288.2 |
| Property and equipment | | 27.6 |
| Operating lease right-of-use assets | | 9.1 |
| Intangible assets (new fair value) | | 1,776.5 |
| Other long-term assets | | 1.9 |
| Total assets | \$ | 3,329.0 |
| Liabilities Assumed | | |
| Current liabilities | \$ | 137.3 |
| Client funds obligation | | 1,288.9 |
| Deferred income taxes | | 338.5 |
| Other long-term liabilities | | 69.7 |
| Total Liabilities | \$ | 1,834.4 |
| Fair value of purchase consideration | | 4,085.7 |
| Less: fair value of net assets | | 1,494.6 |
| Goodwill | \$ | 2,591.1 |

Customer relationships were the most significant of the acquired identifiable intangible assets. The fair value of the customer relationship intangible asset was estimated using a multi-period excess earnings method. The cash flow projections for the acquired Paycor customer relationships reflected significant judgments and assumptions including the revenue growth rate, customer attrition rate, and discount rate. The Company amortizes its intangible assets assuming no residual value over periods in which the economic benefit of these assets is consumed (the useful life).

The goodwill is attributable primarily to the expected revenue synergies expected from combining the operations of both entities, and intangible assets that do not qualify for separate recognition, including assembled workforce acquired through the acquisition. None of the goodwill is expected to be deductible for income tax purposes.

Unaudited Pro Forma Financial Information

The following unaudited pro forma consolidated results of operations are provided for illustrative purposes only and present the estimated unaudited pro forma combined results of Paychex and Paycor for three months and nine months ended February 28, 2025, as if the acquisition had occurred on June 1, 2023:

| In millions | Three months ended | | Nine months ended | |
|--------------------|---------------------------|---------|--------------------------|---------|
| | February 28, 2025 | | February 28, 2025 | |
| Revenues | \$ | 1,720.4 | \$ | 4,692.2 |
| Net income | \$ | 467.4 | \$ | 1,145.7 |

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The supplemental pro forma financial information has been prepared using the acquisition method of accounting and is based on the historical financial information of Paychex and Paycor. The supplemental pro forma financial information does not necessarily represent what the combined companies' revenue or results of operations would have been had the Paycor Acquisition been completed on June 1, 2023, nor is it intended to be a projection of future operating results of the combined company. It also does not reflect any operating efficiencies or potential cost savings that might be achieved from synergies of combining Paychex and Paycor.

The unaudited supplemental pro forma financial information reflects primarily pro forma adjustments related to removal of seller's amortization of cost to obtain and fulfill contracts, elimination of seller's stock-based compensation expense offset by compensation expense related to replacement awards and settlement of seller awards, amortization expense for step-up in fair value estimates of intangible assets, and interest expense and deferred financing cost amortization related to the Corporate Bonds issued to finance the Paycor acquisition. The unaudited supplemental pro forma financial information includes transaction charges associated with the Paycor acquisition. There are no material, nonrecurring pro forma adjustments directly attributable to the Paycor acquisition included in the reported pro forma revenue and loss from continuing operations before income taxes.

Paycor's fiscal year end was June 30. Since Paycor and the Company had different fiscal year end dates, the unaudited pro forma operating results were prepared based on comparable periods. The pro forma financial information does not purport to be indicative of the results that would have been obtained had the transactions been completed as of June 1, 2023, for the period presented and are not intended to be a projection of future results or trends.

Note E: Other Income, Net

Other income, net, consisted of the following items:

| In millions | For the three months ended February 28, | | For the nine months ended February 28, | |
|--|--|----------------|---|----------------|
| | 2026 | 2025 | 2026 | 2025 |
| Interest income on corporate investments | \$ 15.2 | \$ 16.6 | \$ 50.4 | \$ 52.3 |
| Other | (0.1) | (0.0) | 5.3 | (0.6) |
| Other income, net | \$ 15.1 | \$ 16.6 | \$ 55.7 | \$ 51.7 |

Note F: Funds Held for Clients and Corporate Investments

Funds held for clients and corporate investments were as follows:

| In millions | February 28, 2026 | | | |
|--|-------------------|------------------------------|-------------------------------|-------------------|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| Type of issue: | | | | |
| Funds held for clients' money market securities and other restricted cash equivalents | \$ 1,130.3 | \$ — | \$ — | \$ 1,130.3 |
| AFS securities: | | | | |
| Asset-backed securities | 125.5 | 1.4 | — | 126.9 |
| Corporate bonds | 2,286.5 | 25.0 | (3.1) | 2,308.4 |
| Municipal bonds | 889.1 | 1.5 | (20.7) | 869.9 |
| U.S. government agency and treasury securities | 1,172.3 | 10.7 | (7.6) | 1,175.4 |
| Variable rate demand notes | 0.2 | — | — | 0.2 |
| Total AFS securities | 4,473.6 | 38.6 | (31.4) | 4,480.8 |
| Other | 34.4 | 4.1 | (0.6) | 37.9 |
| Total funds held for clients and corporate investments | \$ 5,638.3 | \$ 42.7 | \$ (32.0) | \$ 5,649.0 |

| In millions Type of issue: | May 31, 2025 | | | |
|---|-------------------|------------------------|-------------------------|-------------------|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| Funds held for clients' money market securities and other restricted cash equivalents | \$ 1,057.8 | \$ — | \$ — | \$ 1,057.8 |
| AFS securities: | | | | |
| Asset-backed securities | 158.3 | 0.9 | (0.0) | 159.2 |
| Corporate bonds | 1,640.3 | 10.7 | (7.0) | 1,644.0 |
| Municipal bonds | 1,017.3 | 0.5 | (44.3) | 973.5 |
| U.S. government agency and treasury securities | 993.2 | 2.3 | (16.7) | 978.8 |
| Total AFS securities | 3,809.1 | 14.4 | (68.0) | 3,755.5 |
| Other | 33.1 | 2.3 | (0.9) | 34.5 |
| Total funds held for clients and corporate investments | \$ 4,900.0 | \$ 16.7 | \$ (68.9) | \$ 4,847.8 |

Included in funds held for clients' money market securities and other restricted cash equivalents as of February 28, 2026 were commercial paper, corporate bonds, municipal bonds, U.S. government agency and treasury securities, and money market funds with maturities of 90 days or less.

Included in asset-backed securities as of February 28, 2026 were investment-grade securities primarily collateralized by fixed-rate auto loans and credit card receivables and all have credit ratings of AAA. The primary risk associated with these securities is the collection of the underlying receivables. Collateral on these asset-backed securities has performed as expected through February 28, 2026.

Included in corporate bonds as of February 28, 2026 were investment-grade securities covering a wide range of issuers, industries, and sectors primarily carrying credit ratings of A or better and having maturities ranging from March 1, 2026 through November 20, 2035.

Included in municipal bonds as of February 28, 2026 were general obligation bonds and revenue bonds primarily carrying credit ratings of AA or better and have maturities ranging from March 1, 2026 through August 1, 2032.

A substantial portion of the Company's portfolios are invested in high credit quality securities with ratings of AA or higher, and A-1/P-1 ratings on short-term securities.

The classification of funds held for clients and corporate investments on the Consolidated Balance Sheets was as follows:

| In millions | February 28, 2026 | May 31, 2025 |
|---|-------------------|-------------------|
| Funds held for clients | \$ 5,610.9 | \$ 4,813.3 |
| Corporate investments | 38.1 | 34.5 |
| Total funds held for clients and corporate investments | \$ 5,649.0 | \$ 4,847.8 |

Funds held for clients' money market securities and other restricted cash equivalents is collected from clients before due dates for payroll tax administration services and employee payment services and is invested until remitted to the applicable tax or regulatory agencies or client employees. Based upon the Company's intent and its contractual obligation to clients, these funds are considered restricted until they are remitted to fund these client obligations.

The Company's AFS securities reflected net unrealized gains of \$7.2 million as of February 28, 2026 and net unrealized losses of \$53.6 million as of May 31, 2025. Included in net unrealized gains as of February 28, 2026 and net unrealized losses as of May 31, 2025, were 415 and 600 AFS securities in an unrealized loss position, representing approximately 37% and 50% of the total securities held, respectively.

AFS securities in an unrealized loss position for which a credit loss has not been recognized were as follows:

| In millions Type of issue: | Securities in an unrealized loss position for less than twelve months | | February 28, 2026 Securities in an unrealized loss position for more than twelve months | | Total | |
|--|---|-----------------|--|-------------------|-------------------------------|-------------------|
| | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value |
| | Asset-backed securities | \$ — | \$ — | \$ — | \$ — | \$ — |
| Corporate bonds | (0.5) | 157.6 | (2.6) | 143.7 | (3.1) | 301.3 |
| Municipal bonds | (1.8) | 45.1 | (18.9) | 740.6 | (20.7) | 785.7 |
| U.S. government agency and treasury securities | (1.2) | 161.4 | (6.4) | 374.5 | (7.6) | 535.9 |
| Total | \$ (3.5) | \$ 364.1 | \$ (27.9) | \$ 1,258.8 | \$ (31.4) | \$ 1,622.9 |

| In millions Type of issue: | Securities in an unrealized loss position for less than twelve months | | May 31, 2025 Securities in an unrealized loss position for more than twelve months | | Total | |
|--|---|-----------------|---|-------------------|-------------------------------|-------------------|
| | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value |
| | Asset-backed securities | \$ (0.0) | \$ 16.4 | \$ (0.0) | \$ 2.8 | \$ (0.0) |
| Corporate bonds | (0.1) | 83.2 | (6.9) | 236.7 | (7.0) | 319.9 |
| Municipal bonds | (2.2) | 48.5 | (42.1) | 880.1 | (44.3) | 928.6 |
| U.S. government agency and treasury securities | (0.7) | 152.0 | (16.0) | 531.8 | (16.7) | 683.8 |
| Total | \$ (3.0) | \$ 300.1 | \$ (65.0) | \$ 1,651.4 | \$ (68.0) | \$ 1,951.5 |

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The Company regularly reviews its investment portfolios to determine if any investment is impaired due to changes in credit risk or other potential valuation concerns. The Company believes the investments held as of February 28, 2026 that had gross unrealized losses of \$31.4 million were not impaired due to credit risk or other valuation concerns, and the Company was not required to record a credit loss or an allowance for credit losses on its AFS securities. The Company believes it is probable that the principal and interest will be collected in accordance with contractual terms and that the unrealized losses on these securities were due to changes in interest rates and were not due to increased credit risk or other valuation concerns. A substantial portion of the securities in an unrealized loss position as of February 28, 2026 and as of May 31, 2025 held an AA rating or better. The Company does not intend to sell these investments until the recovery of their amortized cost basis or maturity and further believes that it is not more-likely-than-not that it will be required to sell these investments prior to that time. The Company's assessment that an investment is not impaired due to credit risk or other valuation concerns could change in the future due to new developments or changes in the Company's strategies or assumptions related to any particular investment.

Realized gains and losses on the sale of AFS securities are determined by specific identification of the cost basis of each security. On the Consolidated Statements of Income and Comprehensive Income, realized gains and losses from the funds held for clients portfolio and corporate investments portfolio are included in interest on funds held for clients and other income, net, respectively.

Realized gains and losses from the sale of AFS securities were as follows:

| In millions | For the three months ended | | | | For the nine months ended | | | |
|------------------------------------|----------------------------|------------|-----------|--------------|---------------------------|------------|-----------|--------------|
| | February 28, | | 2025 | | February 28, | | 2025 | |
| | 2026 | | 2025 | 2026 | | 2025 | | 2025 |
| Gross realized gains | \$ | 0.3 | \$ | 0.0 | \$ | 7.4 | \$ | 0.0 |
| Gross realized losses | | (0.0) | | (0.4) | | (0.0) | | (0.4) |
| Net realized gains/(losses) | \$ | 0.3 | \$ | (0.4) | \$ | 7.4 | \$ | (0.4) |

The amortized cost and fair value of AFS securities that had stated maturities as of February 28, 2026 are shown below by expected maturity.

| In millions | February 28, 2026 | |
|--|-------------------|-------------------|
| | Amortized cost | Fair value |
| Maturity date: | | |
| Due in one year or less | \$ 774.4 | \$ 769.0 |
| Due after one year through three years | 1,690.2 | 1,678.8 |
| Due after three years through five years | 508.1 | 517.6 |
| Due after five years | 1,500.9 | 1,515.4 |
| Total | \$ 4,473.6 | \$ 4,480.8 |

Variable rate demand notes ("VRDNs") are primarily categorized as due after five years in the table above as the contractual maturities on these securities are typically 20 to 30 years. Although these securities are issued as long-term securities, they are priced and traded as short-term instruments because of the liquidity provided through the tender feature.

Note G: Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The accounting standards related to fair value measurements include a hierarchy for information and valuations used in measuring fair value that is broken down into three levels based on reliability, as follows:

- Level 1 valuations are based on quoted prices in active markets for identical instruments that the Company can access at the measurement date.
- Level 2 valuations are based on inputs other than quoted prices included in Level 1 that are observable for the instrument, either directly or indirectly, for substantially the full term of the asset or liability including the following:
 - oquoted prices for similar, but not identical, instruments in active markets;
 - oquoted prices for identical or similar instruments in markets that are not active;
 - oinputs other than quoted prices that are observable for the instrument; or

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oinputs that are derived principally from or corroborated by observable market data by correlation or other means.

•Level 3 valuations are based on information that is unobservable and significant to the overall fair value measurement.

The carrying values of cash and cash equivalents, restricted cash and restricted cash equivalents, accounts receivable, net of allowance for credit losses, PEO unbilled receivables, net of advance collections, accounts payable and short-term borrowings, when used by the Company, approximate fair value due to the short maturities of these instruments. Marketable securities included in funds held for clients and corporate investments consist primarily of securities classified as AFS and are recorded at fair value on a recurring basis.

The Company’s financial assets and liabilities measured at fair value on a recurring basis were as follows:

| In millions | Carrying value (Fair value) | February 28, 2026 | | |
|--|-----------------------------------|---|---|--|
| | | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets: | | | | |
| Restricted and unrestricted cash equivalents: | | | | |
| Commercial paper | \$ 50.0 | \$ — | \$ 50.0 | \$ — |
| Corporate bonds | 9.5 | — | 9.5 | — |
| Municipal bonds | 30.6 | — | 30.6 | — |
| U.S. government agency and treasury securities | 1,224.6 | — | 1,224.6 | — |
| Money market securities | 42.7 | 42.7 | — | — |
| Total restricted and unrestricted cash equivalents | \$ 1,357.4 | \$ 42.7 | \$ 1,314.7 | \$ — |
| AFS securities: | | | | |
| Asset-backed securities | \$ 126.9 | \$ — | \$ 126.9 | \$ — |
| Corporate bonds | 2,308.4 | — | 2,308.4 | — |
| Municipal bonds | 869.9 | — | 869.9 | — |
| U.S. government agency and treasury securities | 1,175.4 | — | 1,175.4 | — |
| VRDNs | 0.2 | — | 0.2 | — |
| Total AFS securities | \$ 4,480.8 | \$ — | \$ 4,480.8 | \$ — |
| Other | \$ 37.9 | \$ 37.9 | \$ — | \$ — |
| Liabilities: | | | | |
| Other long-term liabilities | \$ 37.9 | \$ 37.9 | \$ — | \$ — |

| In millions | May 31, 2025 | | | |
|---|--------------------------------|--|--|--|
| | Carrying value (Fair value) | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets: | | | | |
| Restricted and unrestricted cash equivalents: | | | | |
| Corporate bonds | \$ 4.7 | \$ — | \$ 4.7 | \$ — |
| Municipal bonds | 0.4 | — | 0.4 | — |
| U.S. government agency and treasury securities | 615.5 | — | 615.5 | — |
| Money market securities | 42.8 | 42.8 | — | — |
| Total restricted and unrestricted cash equivalents | \$ 663.4 | \$ 42.8 | \$ 620.6 | \$ — |
| AFS securities: | | | | |
| Asset-backed securities | \$ 159.2 | \$ — | \$ 159.2 | \$ — |
| Corporate bonds | 1,644.0 | — | 1,644.0 | — |
| Municipal bonds | 973.5 | — | 973.5 | — |
| U.S. government agency and treasury securities | 978.8 | — | 978.8 | — |
| Total AFS securities | \$ 3,755.5 | \$ — | \$ 3,755.5 | \$ — |
| Other | \$ 34.5 | \$ 34.5 | \$ — | \$ — |
| Liabilities: | | | | |
| Other long-term liabilities | \$ 34.5 | \$ 34.5 | \$ — | \$ — |

In determining the fair value of its assets and liabilities, the Company predominately uses the market approach. Money market securities, which are cash equivalents, are considered Level 1 investments as they are valued based on quoted market prices in active markets. Cash equivalents also include commercial paper, corporate bonds, municipal bonds, and U.S. government agency and treasury securities with original maturities of 90 days or less which are considered Level 2 investments as they are valued based on similar, but not identical, instruments in active markets. AFS securities, including asset-backed securities, corporate bonds, municipal bonds, U.S. government agency securities, and VRDNs, when held by the Company, are included in Level 2 and are valued utilizing inputs obtained from an independent pricing service. To determine the fair value of the Company's Level 2 AFS securities, the independent pricing service uses a variety of inputs, including benchmark yields, reported trades, non-binding broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, new issue data, and monthly payment information. The Company has not adjusted the prices obtained from the independent pricing service because it believes that they are appropriately valued.

Assets included as other are mutual fund investments, consisting of participants' eligible deferral contributions under the Company's non-qualified and unfunded deferred compensation plans. The related liability is reported as other long-term liabilities. The mutual funds are considered Level 1 investments as they are valued based on quoted market prices in active markets.

The Company's long-term borrowings are accounted for on a historical cost basis. The amortized cost and fair value of these borrowings were as follows:

| In millions | February 28, 2026 | | May 31, 2025 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Amortized cost | Fair value | Amortized cost | Fair value |
| Senior Notes, Series A | \$ 400.0 | \$ 400.0 | \$ 399.8 | \$ 398.3 |
| Senior Notes, Series B | 399.4 | 403.1 | 399.3 | 395.5 |
| 5-Year Fixed Rate Corporate Bonds | 1,487.1 | 1,519.0 | 1,484.8 | 1,505.1 |
| 7-Year Fixed Rate Corporate Bonds | 1,484.6 | 1,522.6 | 1,482.7 | 1,504.9 |
| 10-Year Fixed Rate Corporate Bonds | 1,183.0 | 1,212.7 | 1,181.6 | 1,201.9 |
| Total long-term borrowings, net of debt issuance costs | \$ 4,954.1 | \$ 5,057.4 | \$ 4,948.2 | \$ 5,005.7 |

The Company's Senior Notes, Series A and Senior Notes, Series B borrowings are not traded in active markets, and as a result, its fair values were estimated using a market approach employing Level 2 valuation inputs, including borrowing rates the Company believes are currently available based on loans with similar terms and maturities.

The Company's Corporate Bonds are not traded on active markets. The fair value of Corporate Bonds was estimated using a market approach employing Level 2 valuation inputs obtained from an independent pricing service. The Company reviews the values generated by the independent pricing service for reasonableness and has not adjusted the prices obtained because it believes that they are appropriately valued.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note H: Supplemental Information

Leases: As of February 28, 2026, the Company entered into one lease agreement that had not yet commenced for a term of 7.58 years. This lease will require aggregate lease payments over the term of approximately \$14.5 million.

Property and equipment, net of accumulated depreciation: Depreciation expense was \$36.2 million and \$105.5 million for the three and nine months ended February 28, 2026 compared to \$30.3 million and \$86.8 million for the three and nine months ended February 28, 2025.

Goodwill and intangible assets, net of accumulated amortization: Amortization expense relating to intangible assets was \$74.8 million and \$223.9 million for the three and nine months ended February 28, 2026 compared to \$12.8 million and \$37.0 million for the three and nine months ended February 28, 2025. During the nine months ended February 28, 2026, goodwill related to the acquisition of Paycor increased \$3.4 million, primarily due to the write-down of a building by \$4.9 million, net of deferred taxes of \$1.9 million as a result of an updated valuation, offset by a further reduction in deferred tax liability of \$3.9 million related to return-to-provision adjustments from the predecessor's final tax return. Refer to Note D Business Combinations for additional information regarding this acquisition and the impact it had on goodwill and intangible assets. The Company did not recognize an impairment loss as it relates to its goodwill or intangible assets during the nine months ended February 28, 2026 or February 28, 2025.

Short-term financing: The Company had no outstanding short-term borrowings as of February 28, 2026. Outstanding borrowings on the Company's credit facilities had a weighted-average interest rate of 3.87% as of May 31, 2025. The unused amount available under these credit facilities as of February 28, 2026 was approximately \$2.0 billion.

Effective January 23, 2026, the Company and its Paychex of New York LLC ("PoNY") subsidiary, entered into amendments of its \$750.0 million, five-year, unsecured, revolving credit facility ("the 2017 Credit Facility") and its \$1.0 billion, five-year, unsecured, revolving credit facility ("the 2019 Credit Facility") with a syndicate of lenders for which JPMorgan Chase Bank, N.A. ("JPM") acts as administrative agent. The amendments to these credit facilities, among other things, increases the aggregate amount of principal available under the 2017 Credit Facility from \$750 million to \$1.0 billion and extends its maturity date from September 17, 2026 to January 23, 2031, and amends certain interest provisions and covenants under both credit facilities. In connection with these amendments, Paychex and its Paychex Advance, LLC subsidiary terminated its three-year, \$250 million, unsecured, revolving credit facility for which PNC Bank, N.A. acted as administrative agent. As of the date of its termination, there were no outstanding loans under the PNC Bank, N.A. Credit Facility.

The credit facilities contain various financial and operational covenants that are usual and customary for such arrangements. The Company was in compliance with all of these covenants as of February 28, 2026.

Letters of credit: The Company had irrevocable standby letters of credit available totaling \$179.1 million and \$165.0 million as of February 28, 2026 and May 31, 2025, respectively, primarily to secure commitments for certain insurance policies. The letters of credit expire at various dates between March 03, 2026 and February 28, 2027. No amounts were outstanding on these letters of credit as of, or during the nine months ended February 28, 2026 and February 28, 2025, or as of May 31, 2025.

Long-term debt: There were no material changes to the Company's long-term debt agreements or balances during the nine months ended February 28, 2026. The Company's long-term debt agreements and Corporate Bonds contain customary representations, warranties, affirmative and negative covenants, including financial covenants that are usual and customary for such arrangements. The Company was in compliance with all of these covenants as of February 28, 2026.

Subsequent to February 28, 2026, the Company repaid its long-term private placement debt Senior Notes, Series A for \$400.0 million, which matured on March 13, 2026.

Bridge Loan Commitment: On January 7, 2025, the Company and its PoNY subsidiary entered into a bridge loan commitment with JPM, pursuant to which JPM committed to provide a 364-day senior unsecured credit facility not to exceed \$3.5 billion for the acquisition of Paycor, including related fees and expenses. The Company incurred \$11.4 million in debt financing fees, during the three months ended February 28, 2025, including structuring and commitment fees, which were capitalized as prepaid expenses and other current assets on the Company's Consolidated Balance Sheets and recognized as interest expense on a straight-line basis through the issuance date of the Corporate Bonds. The bridge loan commitment expired upon the issuance of the Company's Corporate Bonds.

Interest Rate Swaption Contracts: On January 31, 2025, the Company executed three interest rate swaption contracts ("Swaption Contracts") with JPM. The Swaption Contracts qualified as cash flow hedges, had an aggregate notional amount of \$3.0 billion, and were utilized to manage exposure to fluctuations in benchmark interest rates associated with the issuance of Corporate Bonds to fund the Company's acquisition of Paycor. At inception, the Company recorded Swaption Contract assets related to paid premiums of \$19.2 million. The fair value of the Swaption Contract assets were classified as prepaid expenses and other current assets on the Company's Consolidated Balance Sheets. Upon issuance of the Corporate Bonds, the Swaption Contracts expired unexercised.

Note I: Commitments and Contingencies

Other commitments: The Company had outstanding commitments under existing workers' compensation insurance agreements and other legally binding contractual arrangements. The Company also enters into various purchase commitments with vendors in the ordinary course of business and had outstanding commitments to purchase capital assets of approximately \$10.7 million as of February 28, 2026 and \$4.9 million as of May 31, 2025.

In the normal course of business, the Company makes representations and warranties that guarantee the performance of services under service arrangements with clients. Historically, there have been no material losses related to such guarantees. The Company has also entered into indemnification agreements with its officers, directors, and non-officer fiduciaries of its pooled employer plan retirement offering, which require the Company to defend and, if necessary, indemnify these individuals for certain pending or future claims as they relate to their services provided to the Company.

The Company currently self-insures the deductible portion of various insured exposures under certain corporate employee and PEO employee health and medical benefit plans. Historically, the amounts accrued for these plans have not been material and were not material as of February 28, 2026. The Company also self-insures the deductible portion of certain PEO workers' compensation benefit plans. Refer to Note A Description of Business, Basis of Presentation, and Significant Accounting Policies for additional information regarding the Company's estimated loss exposure under these PEO workers' compensation benefit plans.

The Company maintains insurance, in addition to its purchased primary insurance policies, for gap coverage for employment practices liability, errors and omissions, warranty liability, theft and embezzlement, cyber threats, and acts of terrorism, as well as capacity for deductibles and self-insured retentions through its captive insurance company.

Contingencies: The Company is subject to various claims and legal matters that arise in the normal course of its business. These include disputes or potential disputes related to breach of contract, tort, employment-related claims, tax claims, statutory, and other matters.

The Company's management currently believes that resolution of any outstanding legal matters will not have a material adverse effect on the Company's financial position or results of operations. However, legal matters are subject to inherent uncertainties and there exists the possibility that the ultimate resolution of these matters could have a material adverse impact on the Company's financial position and results of operations in the period in which any such effects are recorded.

Note J: Income Taxes

The Company's effective income tax rate was 24.2% and 23.7% for the three and nine months ended February 28, 2026, respectively, compared to 24.3% and 23.9% for the three and nine months ended February 28, 2025, respectively. Both periods were impacted by the recognition of discrete tax impacts related to employee stock-based compensation payments.

On July 4, 2025, the One Big Beautiful Bill Act (the “Act”) was enacted into law. The most significant provisions applicable to the Company relate to accelerated tax deductions for qualified property and research expenditures. As a result, the Company’s deferred tax liabilities will be impacted in fiscal 2026 by the deductibility of previously capitalized research expenditures and accelerated tax depreciation. The Act is not expected to have a material impact on the Company’s effective tax rate.

Note K: Segment Reporting

Total revenue, net income, and significant expenses used by the chief operating decision maker for the purpose of allocating resources and evaluating the Company's financial performance were as follows:

| In millions | For the three months ended February 28, | | For the nine months ended February 28, | |
|--|--|-----------------|---|-------------------|
| | 2026 | 2025 | 2026 | 2025 |
| Total revenue | \$ 1,808.9 | \$ 1,509.0 | \$ 4,906.5 | \$ 4,144.4 |
| Core business operations: | | | | |
| Compensation-related expenses | 530.9 | 455.7 | 1,586.4 | 1,361.4 |
| PEO direct insurance costs | 139.7 | 127.7 | 415.3 | 388.8 |
| Depreciation and amortization | 50.6 | 43.1 | 147.9 | 123.8 |
| Other segment items ⁽¹⁾ | 224.5 | 174.0 | 618.0 | 477.1 |
| Non-core business operations: | | | | |
| Acquisition-related costs ⁽²⁾ | 71.2 | 16.7 | 233.1 | 16.7 |
| Total expenses | 1,016.9 | 817.2 | 3,000.7 | 2,367.8 |
| Interest expense, excluding Paycor acquisition-related costs | (68.1) | (9.4) | (204.8) | (28.5) |
| Acquisition-related costs ⁽²⁾ | — | (13.2) | — | (13.2) |
| Other income, net | 15.1 | 16.6 | 55.7 | 51.7 |
| Income before income taxes | 739.0 | 685.8 | 1,756.7 | 1,786.6 |
| Income tax expense | 178.7 | 166.5 | 417.2 | 426.5 |
| Net income | \$ 560.3 | \$ 519.3 | \$ 1,339.5 | \$ 1,360.1 |

⁽¹⁾Other segment items include professional service expense, marketing and advertising expenses, and other overhead expenses.

⁽²⁾Acquisition-related costs included in total expenses include the amortization of intangibles acquired in the acquisition of Paycor, compensation costs related to the acquisition and integration of Paycor, including replacement awards, severance, and retention bonuses, and other acquisition-related costs, primarily reflecting third-party professional service fees. In addition, acquisition-related costs included in interest expense for fiscal 2025 include the amortization of financing fees related to debt instruments associated with the financing of the Paycor acquisition and the excluded components of the initial fair value of the interest rate swaption contracts. Refer to Note H Supplemental Information for additional information regarding the Company's financing arrangements related to the acquisition of Paycor.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Management’s Discussion and Analysis of Financial Condition and Results of Operations reviews the operating results of Paychex, Inc. and its wholly owned subsidiaries (“Paychex,” the “Company,” “we,” “our,” or “us”) for the three months ended February 28, 2026 (the “third quarter”), the nine months ended February 28, 2026 (the “nine months”), the respective prior year periods ended February 28, 2025 (the “prior year periods”), and our financial condition as of February 28, 2026. The focus of this review is on the underlying business reasons for material changes and trends affecting our revenue, expenses, net income, and financial condition. This review should be read in conjunction with the February 28, 2026 consolidated financial statements and the related Notes to Consolidated Financial Statements (Unaudited) contained in this Quarterly Report on Form 10-Q (“Form 10-Q”). This review should also be read in conjunction with our Annual Report on Form 10-K (“Form 10-K”) for the year ended May 31, 2025 (“fiscal 2025”). Forward-looking statements in this Form 10-Q are qualified by the cautionary statement included under the next sub-heading, “Cautionary Note Regarding Forward-Looking Statements.”

Cautionary Note Regarding Forward-Looking Statements

Certain written and oral statements made by management of Paychex 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 can be identified by such words and phrases as “aim,” “expect,” “outlook,” “will,” “guidance,” “projections,” “strategy,” “mission,” “anticipate,” “believe,” “can,” “could,” “design,” “may,” “possible,” “potential,” “should,” “view,” and other similar words or phrases. Forward-looking statements include, without limitation, all matters that are not historical facts. Examples of forward-looking statements include, among others, statements we make regarding the integration of Paycor HCM, Inc. (“Paycor”), operating performance, events, or developments that we expect or anticipate will occur in the future, including statements relating to our outlook, revenue growth, earnings, earnings-per-share growth, and similar projections.

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 known and unknown uncertainties, risks, changes in circumstances, and other factors that are difficult to predict, many of which are outside our control. Our actual performance and outcomes, including without limitation, our actual results and financial condition may differ materially from those indicated in or suggested by the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following:

- our ability to keep pace with changes in technology or provide timely enhancements to our solutions and support;
- software defects, undetected errors, and development delays for our solutions;
- the possibility of cyberattacks, security vulnerabilities or Internet disruptions, including data security and privacy leaks and data loss and business interruptions;
- risks related to our use of artificial intelligence (“AI”) and new technologies in our business;
- the possibility of failure of our business continuity plan during a catastrophic event;
- the failure of third-party service providers to perform their functions;
- the possibility that we may be exposed to additional risks related to our co-employment relationship with our professional employer organization (“PEO”) business;
- changes in health insurance and workers’ compensation insurance rates and underlying claim trends;
- risks related to acquisitions and the integration of the businesses we acquire, including risks related to the integration of Paycor;
- our clients’ failure to reimburse us for payments made by us on their behalf;
- the effect of changes in government regulations mandating the amount of tax withheld or the timing of remittances;
- our failure to comply with covenants in our corporate bonds and debt agreements;
- changes in our credit ratings;
- changes in governmental regulations, laws, and policies;
- our ability to comply with U.S., state, and foreign laws and regulations;
- our compliance with data privacy and AI laws and regulations;
- our failure to protect our intellectual property rights;
- potential outcomes related to pending or future litigation matters;
- the impact of macroeconomic factors on the U.S. and global economy, and in particular on our small- and medium-sized business clients;

- volatility in the political, market, and economic environment, including inflation and interest rate changes;
- our ability to attract and retain qualified people; and
- the possible effects of negative publicity on our reputation and the value of our brand.

Any of these factors, as well as such other factors as discussed in our Form 10-K for fiscal 2025 and in our periodic filings with the Securities and Exchange Commission (the “SEC”), could cause our actual results to differ materially from our anticipated results. The information provided in this Form 10-Q is based upon the facts and circumstances known as of the date of this report, and any forward-looking statements made by us in this Form 10-Q speak only as of the date on which they are made. Except as required by law, we undertake no obligation to update these forward-looking statements after the date of filing this Form 10-Q with the SEC to reflect events or circumstances after such date, or to reflect the occurrence of unanticipated events.

Our investor presentation regarding the financial results for the third quarter is available and accessible on our Paychex Investor Relations portal at <https://investor.paychex.com>. Information available on our website is not a part of, and is not incorporated into, this Form 10-Q. We intend to make future investor presentations available exclusively on our Paychex Investor Relations portal.

Overview

We are an industry-leading human capital management (“HCM”) company providing comprehensive technology and advisory solutions in human resources (“HR”), employee benefits, insurance, and payroll across the U.S. and parts of Europe.

We support our clients with three proprietary SaaS-based HCM platforms: SurePayroll[®], Paychex Flex[®], and Paycor[®], each designed to meet diverse client needs and business requirements. For example, larger clients often have more complex HCM demands. Our integrated HCM solutions span the entire employee life cycle, enabling clients to choose from a broad range of solutions that seamlessly integrate with leading HR, accounting, enterprise resource planning, and point-of-sale applications. Our technology is complemented by a wide array of advisory, benefits, and insurance solutions. In today's dynamic, complex regulatory landscape, we see growing demand for HR outsourcing solutions.

Our offerings are disaggregated into two categories, (1) Management Solutions and (2) PEO and Insurance Solutions, as discussed under the heading “Our Solutions” in Part I, Item 1 of our Form 10-K for fiscal 2025.

As the digitally driven HR leader, our mission is to help businesses succeed. Our strategy includes growing our client base; increasing product penetration; driving technology innovation; and pursuing strategic acquisitions, all aimed at achieving long-term financial success.

We maintain industry-leading margins by efficiently managing costs while strategically investing in our business, particularly in sales and marketing and leading-edge, AI-driven technology and advisory solutions, which we view as critical to our ongoing success. Looking ahead, we believe that investing in our solutions, people, and digital capabilities positions us to capitalize on long-term growth opportunities.

By closely monitoring client needs and challenges, we proactively assist our clients in navigating legislative changes and other employment complexities. Our unique blend of innovative technology and extensive HR expertise enables clients to more effectively hire, develop, and retain top talent in this tight labor market. Ongoing investments in our platforms have equipped us well to meet the current business demands and regulatory compliance, resulting in high levels of client satisfaction and retention.

On April 14, 2025, we completed the acquisition of Paycor, a leading provider of HCM, payroll, and talent software. This acquisition expands our upmarket position, suite of HCM technology and cross-sale potential. Refer to the “Results of Operations” and “Liquidity and Capital Resources” section of this Item 2 for additional information.

Third Quarter and Year to Date Business Highlights

Highlights compared to the prior year periods are as follows:

| In millions, except per share amounts | For the three months ended | | | For the nine months ended | | |
|--|----------------------------|------------|-----------------------|---------------------------|------------|-----------------------|
| | February 28, | | | February 28, | | |
| | 2026 | 2025 | Change ⁽²⁾ | 2026 | 2025 | Change ⁽²⁾ |
| Total service revenue | \$ 1,752.1 | \$ 1,466.1 | 20 % | \$ 4,747.8 | \$ 4,027.9 | 18 % |
| Total revenue | \$ 1,808.9 | \$ 1,509.0 | 20 % | \$ 4,906.5 | \$ 4,144.4 | 18 % |
| Operating income | \$ 792.0 | \$ 691.8 | 14 % | \$ 1,905.8 | \$ 1,776.6 | 7 % |
| Adjusted operating income ⁽¹⁾ | \$ 863.2 | \$ 708.5 | 22 % | \$ 2,138.9 | \$ 1,793.3 | 19 % |
| Net income | \$ 560.3 | \$ 519.3 | 8 % | \$ 1,339.5 | \$ 1,360.1 | (2) % |
| Adjusted net income ⁽¹⁾ | \$ 614.9 | \$ 541.1 | 14 % | \$ 1,510.3 | \$ 1,373.3 | 10 % |
| Diluted earnings per share | \$ 1.56 | \$ 1.43 | 9 % | \$ 3.71 | \$ 3.76 | (1) % |
| Adjusted diluted earnings per share ⁽¹⁾ | \$ 1.71 | \$ 1.49 | 15 % | \$ 4.19 | \$ 3.79 | 11 % |
| Dividends paid to stockholders | \$ 388.0 | \$ 353.0 | 10 % | \$ 1,165.0 | \$ 1,059.2 | 10 % |

(1) Adjusted operating income, adjusted net income, and adjusted diluted earnings per share are not U.S. generally accepted accounting principle (“GAAP”) measures. Refer to the “Non-GAAP Financial Measures” section of this Item 2 for a discussion of non-GAAP measures and a reconciliation to the U.S. GAAP measures of operating income, net income, and diluted earnings per share.

(2) Percentage changes are calculated based on unrounded numbers.

For further analysis of our results of operations for the third quarter and nine months, the prior year periods, and our financial position as of February 28, 2026, refer to the tables and analysis in the “Results of Operations” and “Liquidity and Capital Resources” sections of this Item 2.

RESULTS OF OPERATIONS

Summary of Results of Operations:

| In millions, except per share amounts | For the three months ended | | | For the nine months ended | | |
|---------------------------------------|----------------------------|-----------------|-----------------------|---------------------------|-------------------|-----------------------|
| | February 28, | | | February 28, | | |
| | 2026 | 2025 | Change ⁽¹⁾ | 2026 | 2025 | Change ⁽¹⁾ |
| Revenue: | | | | | | |
| Management Solutions | \$ 1,354.6 | \$ 1,100.7 | 23 % | \$ 3,684.3 | \$ 3,025.3 | 22 % |
| PEO and Insurance Solutions | 397.5 | 365.4 | 9 % | 1,063.5 | 1,002.6 | 6 % |
| Total service revenue | 1,752.1 | 1,466.1 | 20 % | 4,747.8 | 4,027.9 | 18 % |
| Interest on funds held for clients | 56.8 | 42.9 | 33 % | 158.7 | 116.5 | 36 % |
| Total revenue | 1,808.9 | 1,509.0 | 20 % | 4,906.5 | 4,144.4 | 18 % |
| Total expenses | 1,016.9 | 817.2 | 24 % | 3,000.7 | 2,367.8 | 27 % |
| Operating income | 792.0 | 691.8 | 14 % | 1,905.8 | 1,776.6 | 7 % |
| Interest expense | (68.1) | (22.6) | n/m | (204.8) | (41.7) | n/m |
| Other income, net | 15.1 | 16.6 | (9) % | 55.7 | 51.7 | 8 % |
| Income before income taxes | 739.0 | 685.8 | 8 % | 1,756.7 | 1,786.6 | (2) % |
| Income taxes | 178.7 | 166.5 | 7 % | 417.2 | 426.5 | (2) % |
| Effective income tax rate | 24.2 % | 24.3 % | | 23.7 % | 23.9 % | |
| Net income | \$ 560.3 | \$ 519.3 | 8 % | \$ 1,339.5 | \$ 1,360.1 | (2) % |
| Diluted earnings per share | \$ 1.56 | \$ 1.43 | 9 % | \$ 3.71 | \$ 3.76 | (1) % |

(1) Percentage changes are calculated based on unrounded numbers.

n/m — not meaningful

Total revenue increased to \$1.8 billion for the third quarter and \$4.9 billion for the nine months, reflecting increases of 20% and 18%, respectively, over the prior year periods. The changes in revenue as compared to the prior year periods were primarily driven by the following factors:

• **Management Solutions revenue:** \$1.4 billion for the third quarter and \$3.7 billion for the nine months, reflecting increases of 23% and 22%, respectively. Paycor, acquired in April 2025, contributed approximately 19% and 18% to

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Management Solutions revenue growth for the third quarter and nine months, respectively. Management Solutions revenue increased due to the following:

- o Growth in the number of clients served, primarily driven by the acquisition of Paycor, and client worksite employees for HR Solutions; and
- o Higher revenue per client driven by Paycor's upmarket client base, price realization, and product penetration.

• **PEO and Insurance Solutions revenue:** \$397.5 million for the third quarter and \$1.1 billion for the nine months, reflecting increases of 9% and 6%, respectively:

- o Growth in the number of average PEO worksite employees; and
- o Increase in PEO insurance revenues.

• **Interest on funds held for clients:** \$56.8 million for the third quarter and \$158.7 million for the nine months, reflecting increases of 33% and 36% respectively:

- o Higher average investment balances, resulting from the acquisition of Paycor; and
- o Higher realized gains due to strategic repositioning of our investment portfolio during the nine months.

We invest in highly liquid, investment-grade fixed income securities. Details regarding our combined funds held for clients and corporate cash equivalents and investment portfolios were as follows:

| \$ in millions | For the three months ended February 28, | | | For the nine months ended February 28, | | |
|--|--|-------------------|-----------------------|---|-------------------|-----------------------|
| | 2026 | 2025 | Change ⁽¹⁾ | 2026 | 2025 | Change ⁽¹⁾ |
| Average investment balances: | | | | | | |
| Funds held for clients | \$ 6,464.8 | \$ 5,116.8 | 26 % | \$ 5,739.3 | \$ 4,551.7 | 26 % |
| Corporate cash equivalents and investments | 1,765.9 | 1,541.4 | 15 % | 1,742.0 | 1,544.3 | 13 % |
| Total | <u>\$ 8,230.7</u> | <u>\$ 6,658.2</u> | 24 % | <u>\$ 7,481.3</u> | <u>\$ 6,096.0</u> | 23 % |
| Average interest rates earned (exclusive of net realized (losses)/gains): | | | | | | |
| Funds held for clients | 3.5 % | 3.4 % | | 3.5 % | 3.4 % | |
| Corporate cash equivalents and investments | 3.4 % | 4.3 % | | 3.9 % | 4.5 % | |
| Combined funds held for clients and corporate cash equivalents and investments | 3.5 % | 3.6 % | | 3.6 % | 3.7 % | |
| Total net realized gains/(losses) | \$ 0.3 | \$ (0.4) | | \$ 7.4 | \$ (0.4) | |

⁽¹⁾ Percentage changes are calculated based on unrounded numbers.

| \$ in millions | February 28, 2026 | May 31, 2025 |
|---|----------------------|-----------------|
| Net unrealized gains/(losses) on available for sale ("AFS") securities ⁽¹⁾ | \$ 7.2 | \$ (53.6) |
| Federal Funds rate ⁽²⁾ | 3.75 % | 4.50 % |
| Total fair value of AFS securities | \$ 4,480.8 | \$ 3,755.5 |
| Weighted-average duration of AFS securities in years ⁽³⁾ | 3.0 | 2.2 |
| Weighted-average yield-to-maturity of AFS securities ⁽³⁾ | 3.6 % | 3.3 % |

⁽¹⁾ The net unrealized loss on our investment portfolio was approximately \$55.3 million as of March 24, 2026. Refer to Note F in the Notes to Consolidated Financial Statements (Unaudited) contained in Item 1 and the "Market Risk Factors" caption contained in Item 2 of this Form 10-Q for more information regarding AFS securities held in an unrealized loss position.

⁽²⁾ The Federal Funds rate was in the range of 3.50% to 3.75% as of February 28, 2026 and 4.25% to 4.50% as of May 31, 2025.

⁽³⁾ These items exclude the impact of variable rate demand notes ("VRDNs") as they are tied to short-term interest rates.

Total expenses: Total expenses, which reflects the total combined cost of service revenue and selling, general and administrative expenses, increased 24% to \$1.0 billion for the third quarter and 27% to \$3.0 billion for the nine months. The following table summarizes the components of total expenses:

| In millions | For the three months ended February 28, | | | For the nine months ended February 28, | | | Change ⁽¹⁾ |
|-------------------------------|--|-----------------|-----------------------|---|-------------------|-----------------------|-----------------------|
| | 2026 | 2025 | Change ⁽¹⁾ | 2026 | 2025 | Change ⁽¹⁾ | |
| Core business operations: | | | | | | | |
| Compensation-related expenses | \$ 530.9 | \$ 455.7 | 17 % | \$ 1,586.4 | \$ 1,361.4 | 17 % | |
| PEO direct insurance costs | 139.7 | 127.7 | 9 % | 415.3 | 388.8 | 7 % | |
| Depreciation and amortization | 50.6 | 43.1 | 17 % | 147.9 | 123.8 | 19 % | |
| Other expenses | 224.5 | 174.0 | 29 % | 618.0 | 477.1 | 30 % | |
| Non-core business operations: | | | | | | | |
| Acquisition-related costs | 71.2 | 16.7 | n/m | 233.1 | 16.7 | n/m | |
| Total expenses | \$ 1,016.9 | \$ 817.2 | 24 % | \$ 3,000.7 | \$ 2,367.8 | 27 % | |

⁽¹⁾ Percentage changes are calculated based on unrounded numbers.

n/m — not meaningful

The changes in total expenses as compared to the prior period were primarily driven by the following factors:

• **Compensation-related expenses:** \$530.9 million for the third quarter and \$1.6 billion for the nine months, reflecting increases of 17%, primarily due to an increase in headcount, driven by the acquisition of Paycor.

• **PEO direct insurance costs:** \$139.7 million for the third quarter and \$415.3 million for the nine months, reflecting increases of 9% and 7% respectively, related to growth in average worksite employees and PEO insurance revenues.

• **Depreciation and amortization:** \$50.6 million for the third quarter and \$147.9 million for the nine months, reflecting increases of 17% and 19% respectively, primarily due to higher property and equipment balances compared to the prior year period, including an increase in the development and enhancement of our client-facing internal-use software.

• **Other expenses:** \$224.5 million for the third quarter and \$618.0 million for the nine months, reflecting increases of 29% and 30%, respectively, primarily due to higher technology, selling, and marketing investments driven by the acquisition of Paycor and continued investments in our strategic priorities. The increase also reflects general cost increases to support business growth.

• **Acquisition-related costs:** \$71.2 million for the third quarter and \$233.1 million for the nine months, primarily due to the acquisition of Paycor in April 2025. Acquisition-related costs reflect the amortization of intangibles acquired in the acquisition of Paycor, compensation costs related to the acquisition and integration of Paycor, including replacement awards, severance, and retention bonuses, and other acquisition-related costs, primarily reflecting third-party professional service fees.

Operating income: Operating income increased 14% to \$792.0 million for the third quarter and 7% to \$1.9 billion for the nine months. Adjusted operating income⁽¹⁾, which excludes acquisition-related costs included in selling, general and administrative expenses, grew 22% to \$863.2 million for the third quarter and 19% to \$2.1 billion for the nine months.

Operating margin (operating income as a percentage of total revenue) and adjusted operating margin⁽¹⁾ (adjusted operating income as a percentage of total revenue) were as follows:

| | For the three months ended February 28, | | For the nine months ended February 28, | |
|--|--|--------|---|--------|
| | 2026 | 2025 | 2026 | 2025 |
| Operating margin | 43.8 % | 45.8 % | 38.8 % | 42.9 % |
| Adjusted operating margin ⁽¹⁾ | 47.7 % | 46.9 % | 43.6 % | 43.3 % |

⁽¹⁾ Adjusted operating income and adjusted operating margin are not U.S. GAAP measures. Refer to the “Non-GAAP Financial Measures” section of this Item 2 for a discussion of non-GAAP measures and a reconciliation to the U.S. GAAP measures of net income and diluted earnings per share.

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Interest expense: Interest expense increased \$45.5 million to \$68.1 million for the third quarter and \$163.1 million to \$204.8 million for the nine months, primarily due to the issuance of incremental debt to finance the acquisition of Paycor.

Income taxes: Our effective income tax rate was 24.2% for the third quarter and 23.7% for the nine months compared to 24.3% and 23.9%, for the prior year periods respectively. The effective income tax rates in all periods were affected by the recognition of discrete tax impacts related to employee stock-based compensation payments.

Non-GAAP Financial Measures: Adjusted operating income, adjusted operating margin, adjusted net income, adjusted diluted earnings per share, earnings before interest, taxes, depreciation, and amortization (“EBITDA”), and adjusted EBITDA are summarized as follows:

| \$ in millions, except per share amounts | For the three months ended February 28, | | | For the nine months ended February 28, | | |
|--|--|-----------------|--------|---|-------------------|--------|
| | 2026 | 2025 | Change | 2026 | 2025 | Change |
| Operating income | \$ 792.0 | \$ 691.8 | 14 % | \$ 1,905.8 | \$ 1,776.6 | 7 % |
| Non-GAAP adjustments: | | | | | | |
| Acquisition-related costs ⁽¹⁾ | 71.2 | 16.7 | | 233.1 | 16.7 | |
| Adjusted operating income | <u>\$ 863.2</u> | <u>\$ 708.5</u> | 22 % | <u>\$ 2,138.9</u> | <u>\$ 1,793.3</u> | 19 % |
| Adjusted operating margin | 47.7% | 46.9% | | 43.6% | 43.3% | |
| Net income | \$ 560.3 | \$ 519.3 | 8 % | \$ 1,339.5 | \$ 1,360.1 | (2) % |
| Non-GAAP adjustments: | | | | | | |
| Acquisition-related costs ⁽¹⁾ | 71.2 | 29.9 | | 233.1 | 29.9 | |
| Income tax benefit for acquisition-related costs | (17.1) | (7.3) | | (56.1) | (7.3) | |
| Discrete tax shortfall/(windfall) related to employee stock-based compensation payments ⁽²⁾ | 0.5 | (0.8) | | (6.2) | (9.4) | |
| Adjusted net income | <u>\$ 614.9</u> | <u>\$ 541.1</u> | 14 % | <u>\$ 1,510.3</u> | <u>\$ 1,373.3</u> | 10 % |
| Diluted earnings per share ⁽³⁾ | \$ 1.56 | \$ 1.43 | 9 % | \$ 3.71 | \$ 3.76 | (1) % |
| Non-GAAP adjustments: | | | | | | |
| Acquisition-related costs ⁽¹⁾ | 0.20 | 0.08 | | 0.65 | 0.08 | |
| Income tax benefit for acquisition-related costs | (0.05) | (0.02) | | (0.16) | (0.02) | |
| Discrete tax shortfall/(windfall) related to employee stock-based compensation payments ⁽²⁾ | 0.00 | (0.00) | | (0.02) | (0.03) | |
| Adjusted diluted earnings per share | <u>\$ 1.71</u> | <u>\$ 1.49</u> | 15 % | <u>\$ 4.19</u> | <u>\$ 3.79</u> | 11 % |
| Net income | \$ 560.3 | \$ 519.3 | 8 % | \$ 1,339.5 | \$ 1,360.1 | (2) % |
| Non-GAAP adjustments: | | | | | | |
| Interest expense | 68.1 | 22.6 | | 204.8 | 41.7 | |
| Interest income on corporate investments | (15.2) | (16.6) | | (50.4) | (52.3) | |
| Income taxes | 178.7 | 166.5 | | 417.2 | 426.5 | |
| Depreciation and amortization expense | 111.0 | 43.1 | | 329.4 | 123.8 | |
| EBITDA | <u>\$ 902.9</u> | <u>\$ 734.9</u> | 23 % | <u>\$ 2,240.5</u> | <u>\$ 1,899.8</u> | 18 % |
| Non-GAAP adjustments: | | | | | | |
| Acquisition-related costs ⁽¹⁾ | 10.7 | 16.7 | | 51.6 | 16.7 | |
| Adjusted EBITDA | <u>\$ 913.6</u> | <u>\$ 751.6</u> | 22 % | <u>\$ 2,292.1</u> | <u>\$ 1,916.5</u> | 20 % |

⁽¹⁾Acquisition-related costs included in selling, general and administrative expenses include:

*\$60.5 million for the third quarter and \$181.5 million for the nine months in amortization of intangibles acquired in the acquisition of Paycor;

•\$9.8 million for the third quarter and \$41.7 million for the nine months in compensation costs related to the acquisition and integration of Paycor, including replacement awards, severance and retention bonuses; and

•\$0.9 million for the third quarter and \$9.9 million for the nine months compared to \$16.7 million for both corresponding prior year periods, in other acquisition-related costs, primarily reflecting professional service fees.

In addition, acquisition-related costs for the three and nine months ended February 28, 2025 include \$13.2 million, reflecting the amortization of financing fees related to debt instruments associated with the financing of the Paycor acquisition and the excluded component of the initial fair value of the interest rate swaption contracts that are included in Interest expense in the Company's Consolidated Statements of Income. Refer to Note H in the Notes to Consolidated Financial Statements (Unaudited) contained in Item 1 of this Form 10-Q for additional information regarding the Company's financing arrangements related to the acquisition of Paycor.

(2) Net tax shortfall/(windfall) 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.

(3) 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.

In addition to reporting operating income, operating margin, net income, and diluted earnings per share, which are U.S. GAAP measures, we present adjusted operating income, adjusted operating margin, adjusted net income, adjusted diluted earnings per share, EBITDA, and adjusted EBITDA, which are non-GAAP measures. We believe these additional measures are indicators of our core business operations' performance period over period. Adjusted operating income, adjusted operating margin, adjusted net income, adjusted diluted earnings per share, EBITDA, and adjusted EBITDA are not calculated through the application of U.S. GAAP and are not required forms of disclosure by the SEC. As such, they should not be considered a substitute for the U.S. GAAP measures of operating income, operating margin, net income, and diluted earnings per share, and, therefore, they should not be used in isolation, but in conjunction with the U.S. GAAP measures. The use of any non-GAAP measure may produce results that vary from the U.S. GAAP measure and may not be comparable to a similarly defined non-GAAP measure used by other companies.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position as of February 28, 2026 remained strong with cash, restricted cash, and total corporate investments of \$1.8 billion. Long-term borrowings of \$5.0 billion were outstanding as of February 28, 2026. Our unused capacity under our unsecured credit facilities was \$2.0 billion as of February 28, 2026. Our primary source of cash is our ongoing operations, which was \$2.0 billion for the nine months. Our positive cash flows have allowed us to support our business and pay dividends. We currently anticipate that corporate cash, corporate restricted cash, and total corporate investments as of February 28, 2026, along with projected operating cash flows and available short-term financing, will support our business operations, capital purchases, primarily investment in our technology solutions, share repurchases, dividend payments, acquisitions, and debt service for the foreseeable future.

For client funds liquidity, we have the ability to borrow on our unsecured credit facilities or use corporate liquidity when necessary to meet short-term funding needs related to client fund obligations. Historically, we have borrowed, typically on an overnight basis, to settle short-term client fund obligations, rather than liquidate previously collected client funds invested in our long-term AFS portfolio. We believe that our investments in an unrealized loss position as of February 28, 2026 were not impaired due to increased credit risk or other valuation concerns, nor has any event occurred subsequent to that date to indicate any change in our assessment. We do not intend to sell these investments until recovery of their amortized cost basis or maturity and further believe that it is not more-than-likely that we would be required to sell these investments prior to that time.

Financing

Short-term financing: We maintain committed and unsecured credit facilities and irrevocable letters of credit as part of our normal and recurring business operations. The purpose of these credit facilities is to meet short-term funding requirements, finance working capital needs, and for general corporate purposes. We typically borrow on an overnight or short-term basis under our credit facilities. Refer to Note M in the Notes to Consolidated Financial Statements contained in Item 8 of our Form 10-K for fiscal 2025 for further discussion of our credit facilities as of May 31, 2025.

Details of our credit facilities as of February 28, 2026 were as follows:

| \$ in millions | Expiration Date | Maximum Amount Available | February 28, 2026 | |
|---|------------------|--------------------------|--------------------|-------------------|
| | | | Outstanding Amount | Available Amount |
| Credit facilities: | | | | |
| JP Morgan Chase Bank, N.A. ("JPM") | April 12, 2029 | \$ 1,000.0 | \$ - | \$ 1,000.0 |
| JPM | January 23, 2031 | \$ 1,000.0 | - | 1,000.0 |
| Total Lines of Credit Outstanding and Available | | | <u>\$ -</u> | <u>\$ 2,000.0</u> |

Effective January 23, 2026, we entered into amendments of our \$750.0 million, five-year, unsecured, revolving credit facility (the "2017 Credit Facility") and our \$1.0 billion, five-year, unsecured, revolving credit facility (the "2019 Credit Facility") with a syndicate of lenders for which JPM acts as administrative agent. In connection with these amendments, we terminated our three-year, \$250 million, unsecured, revolving credit facility for which PNC Bank, N.A. acted as administrative agent (the "2020 PNC Credit Facility"). As of the date of its termination, there were no outstanding loans under the PNC Bank, N.A. Credit Facility. Refer to Note H in the Notes to Consolidated Financial Statements (Unaudited) contained in Item 1 of this Form 10-Q and our Current Report on Form 8-K filed on January 26, 2026, for additional information.

Details of borrowings under each credit facility during the third quarter were as follows:

| \$ in millions | For the three months ended February 28, 2026 | | |
|----------------------------------|--|----------------------|--------------------------|
| | 2019 Credit Facility | 2017 Credit Facility | 2020 PNC Credit Facility |
| Number of days borrowed | 1 | — | 28 |
| Maximum amount borrowed | \$ 370.0 | \$ — | \$ 243.3 |
| Weighted-average amount borrowed | 370.0 | — | 26.5 |
| Weighted-average interest rate | 7.00 % | — % | 4.16 % |

We primarily use short-term borrowings to settle client fund obligations, rather than liquidating previously collected client funds invested in our long-term AFS investment portfolio.

We expect to have access to the amounts available under our current credit facilities to meet our ongoing financial needs. However, if we experience reductions in our operating cash flows due to any of the risk factors outlined in, but not limited to, Item 1A in our Form 10-K for fiscal 2025 and other SEC filings, we may need to adjust our capital, operating and other discretionary spending to realign our working capital requirements with the capital resources available to us. Furthermore, if we determine the need for additional short-term liquidity, there is no assurance that such financing, if pursued and obtained, would be adequate or on terms acceptable to us.

Letters of credit: As of February 28, 2026, we had irrevocable standby letters of credit available totaling \$179.1 million, primarily to secure commitments for certain insurance policies. The letters of credit expire at various dates between March 03, 2026 and February 28, 2027. No amounts were outstanding on these letters of credit during the third quarter or as of February 28, 2026.

Long-term financing: We have borrowed \$0.8 billion through the issuance of long-term private placement debt ("Senior Notes") and \$4.2 billion through the issuance of three fixed rate corporate bonds ("Corporate Bonds"). The following is information on each of our long-term financing arrangements related to future cash commitments:

| \$ in billions | Senior Notes | | | | Corporate Bonds | | | | | |
|-----------------------------------|---------------------|-----|---------------------|-----|-------------------|--------|-------------------|-----|-------------------|-----|
| | Series A | | Series B | | 5-year | 7-year | 10-year | | | |
| Principal amount | \$ | 0.4 | \$ | 0.4 | \$ | 1.5 | \$ | 1.5 | \$ | 1.2 |
| Principal payment date | March 13, 2026 | | March 13, 2029 | | April 15, 2030 | | April 15, 2032 | | April 15, 2035 | |
| Fixed interest rate | 4.07% | | 4.25% | | 5.10% | | 5.35% | | 5.60% | |
| Interest payment dates in arrears | March and September | | March and September | | April and October | | April and October | | April and October | |

Subsequent to February 28, 2026, we repaid our long-term private placement debt Senior Notes, Series A for \$400.0 million, which matured on March 13, 2026.

Refer to Note N in the Notes to Consolidated Financial Statements contained in Item 8 of our Form 10-K for fiscal 2025 for further discussion on our long-term financing.

Bridge Loan Commitment: On January 7, 2025, we and our subsidiary, Paychex of New York, LLC, entered into a bridge loan commitment with JPM, pursuant to which JPM committed to provide a 364-day senior unsecured credit facility not to exceed \$3.5 billion for the acquisition of Paycor, including related fees and expenses. We incurred \$11.4 million in debt financing fees, during the three months ended February 28, 2025, including structuring and commitment fees, which were capitalized as prepaid expenses and other current assets on our Consolidated Balance Sheets and recognized as interest expense on a straight-line basis through the issuance date of our Corporate Bonds. The bridge loan commitment expired upon the issuance of our Corporate Bonds.

Interest Rate Swaption Contracts: On January 31, 2025, we executed three interest rate swaption contracts ("Swaption Contracts") with JPM. The Swaption Contracts qualified as cash flow hedges, had an aggregate notional amount of \$3.0 billion, and were utilized to manage exposure to fluctuations in benchmark interest rates associated with the issuance of Corporate Bonds to fund our acquisition of Paycor. At inception, we recorded Swaption Contract assets related to paid premiums of \$19.2 million. The fair value of the Swaption Contract assets were classified as prepaid expenses and other current assets on the Company's Consolidated Balance Sheets. Upon issuance of our Corporate Bonds, the Swaption Contracts expired unexercised.

Other commitments: We had outstanding commitments under existing workers' compensation insurance agreements and legally binding contractual arrangements. We also entered into various purchase commitments with vendors in the ordinary course of business and had outstanding commitments to purchase approximately \$10.7 million of capital assets as of February 28, 2026. In addition, we are involved in six limited partnership agreements to contribute a maximum of \$37.5 million to venture capital funds. As of February 28, 2026, we have contributed approximately \$32.1 million of the total funding commitment.

In the normal course of business, we make representations and warranties that guarantee the performance of services under service arrangements with clients. Historically, there have been no material losses related to such guarantees. We have also entered into indemnification agreements with our officers, directors, and non-officer fiduciaries of our pooled employer plan retirement offering, which require us to defend and, if necessary, indemnify these individuals for certain pending or future legal claims as they relate to their services provided to us.

We currently self-insure the deductible portion of various insured exposures under certain corporate employee and PEO employee health and medical benefit plans. Historically, the amounts accrued for these plans have not been material and were not material as of February 28, 2026. We also self-insure the deductible portion of certain PEO workers' compensation benefit plans. Refer to Note A in the Notes to Consolidated Financial Statements (Unaudited) contained in Item 1 of this Form 10-Q for additional information regarding our estimated loss exposure under these PEO workers' compensation benefit plans.

We also maintain corporate insurance coverage, in addition to our purchased primary insurance policies, for gap coverage for employment practices liability, errors and omissions, warranty liability, theft and embezzlement, cyber threats, and acts of terrorism, as well as capacity for deductibles and self-insured retention through our captive insurance company.

Operating, Investing, and Financing Cash Flow Activities

Primary sources of cash, restricted cash, and equivalents are through collections for services rendered to our customers and interest earned on funds held for clients and corporate investments. Primary uses of cash include employee compensation and contractual obligations related to business operations, cash dividends paid, share repurchases, purchases of property and equipment, long-term debt service, and acquisitions.

Our investment portfolio incorporates both corporate cash and funds held for clients. Interest rates, market conditions, and our variable cash flows are among several factors influencing our investment strategy directing the mix between long-term and VRDN AFS securities vs. short-term restricted cash and cash equivalents held in the portfolio. A portfolio strategy that favors larger balances held in restricted cash and cash equivalents may impact our investing activities due to the offsetting activity in the purchases and sales/maturities of AFS investments.

Our cash flows include certain activities that are short-term in nature and have an impact on short-term cash flows due to timing of collection and settlement of obligations as follows:

•**PEO receivables and worksite-employee ("WSE") accrued compensation:** PEO receivables and WSE accrued compensation fluctuate based on either/both: (1) the timing of the payroll cut-off date and our month-end close, and (2) the timing of when cash is collected from clients and when it is remitted to either the WSE for wages earned or applicable tax or regulatory agencies for payroll taxes. PEO accounts receivable collections and compensation payments to WSEs and applicable tax or regulatory agencies are settled through our corporate cash and the fluctuations impact our operating activities.

•**Client fund obligations:** Client fund obligations liability will vary based on the timing of when cash is collected from the clients and when it is remitted to employees of the clients utilizing employee payment services or to applicable tax or regulatory agencies for payroll tax administration services. Collections from clients are typically remitted from one to 30 days after receipt, with some items extending to 90 days. Fluctuations in client fund obligations impact financing activities.

Summarized operating, investing, and financing cash flow information for the nine months and the prior period:

| In millions | For the nine months ended | | | Change |
|--|---------------------------|-----------------|-----------|----------------|
| | February 28, | | | |
| | 2026 | 2025 | | |
| Net cash provided by operating activities | \$ 1,975.8 | \$ 1,557.1 | \$ | 418.7 |
| Net cash used in investing activities | (925.0) | (281.7) | | (643.3) |
| Net cash used in financing activities | (862.5) | (779.1) | | (83.4) |
| Net change in cash, restricted cash, and equivalents | <u>\$ 188.3</u> | <u>\$ 496.3</u> | <u>\$</u> | <u>(308.0)</u> |
| Cash dividends per common share | <u>\$ 3.24</u> | <u>\$ 2.94</u> | | |

The changes in our cash flow for the nine months compared to the prior year period were primarily the result of the following key drivers:

Operating Cash Flow Activities

Fiscal 2026

- Net income, adjusted for non-cash items including depreciation and amortization, provision on deferred taxes, stock-based compensation, and deferred costs, net, attributable to the reasons discussed in the "Results of Operations" section of this Item 2;
- Net increase in accrued income taxes due to the timing of estimated tax payments as compared to the accrual of income tax expense; and
- Net increase in refunds owed to our clients and other cash collections related to tax benefits.

Fiscal 2025

- Net income, adjusted for non-cash items including depreciation and amortization, benefit from deferred taxes and stock-based compensation, attributable to the reasons discussed in the “Results of Operations” section of this Item 2; and
- Net changes in PEO assets and liabilities as a result of the timing of cash collected and the settlement of payroll taxes; offset by
- Net decrease in refunds owed to our clients and other cash collections related to tax benefits.

Investing Cash Flow Activities

Fiscal 2026

- Net purchases of AFS securities related to investment in our long-term portfolio;
- Cash used to develop and enhance our client facing internal-use software and the acquisition of third-party customer lists; and
- Net purchases of short-term accounts receivable and an increase in our funding to existing clients.

Fiscal 2025

- Net purchases of short-term accounts receivable due to an increase in our client base, the timing of cash collections on outstanding receivables and cash settlement of the related reserve; and
- Cash used to develop and enhance our client facing internal-use software and the acquisition of third-party customer lists; offset by
- Net sales of AFS securities related to investment in our long-term portfolio.

Financing Cash Flow Activities

Fiscal 2026

- Cumulative dividends paid at \$3.24 per share. The payment of future dividends is dependent on our future earnings and cash flow and is subject to the discretion of our Board of Directors (the "Board"); and
- Cash used to repurchase 2.9 million shares of our common stock at a weighted average price of \$125.16 per share during the nine months. All repurchased shares were retired upon acquisition; offset by
- Increase in client fund obligations related to the timing of collections and remittances of client funds.

Fiscal 2025

- Cumulative dividends paid at \$2.94 per share. The payment of future dividends is dependent on our future earnings and cash flow and is subject to the discretion of the Board; and
- Cash used to repurchase 0.8 million shares of our common stock at a weighted average price of \$125.50 per share during the six months. All repurchases were retired upon acquisition; offset by
- Increase in client fund obligations related to the timing of collections and remittances of client funds.

MARKET RISK FACTORS

Changes in interest rates and interest rate risk: Funds held for clients are primarily comprised of short-term funds and AFS securities. Corporate investments are primarily comprised of AFS securities. As a result of our investing activities, we are exposed to changes in interest rates that may materially affect our results of operations and financial position. Changes in interest rates will impact the earnings potential of future investments and will cause fluctuations in the fair value of our long-term AFS securities. We follow an investment strategy of protecting principal and optimizing liquidity. A substantial portion of our portfolios is invested in high credit quality securities with ratings of AA or higher, and A-1/P-1 ratings on short-term securities. We invest predominantly in corporate bonds; U.S. government agency securities; municipal bonds; and VRDNs when available in the market. We limit the amounts that can be invested in any single issuer and invest primarily in short- to intermediate-term instruments whose fair value is less sensitive to interest rate changes. We manage the AFS securities to a benchmark duration of two to three and one-quarter years.

During the nine months, our primary short-term investment vehicles were U.S. government agency discount notes and bank demand deposit accounts. We have no exposure to high-risk or non-liquid investments. We have insignificant exposure to European investments.

During the nine months, the average interest rate earned on our combined funds held for clients and corporate cash equivalents and investment portfolios was 3.6% compared to 3.7% for the prior year period. When interest rates are falling, the full impact of lower interest rates will not immediately be reflected in net income due to the interaction of short- and long-term interest rate changes. During a falling interest rate environment, earnings will decrease from our short-term investments, and over time, decrease from our longer-term AFS securities. Earnings from AFS securities, which as of February 28, 2026 had an average duration of 3.0 years, would not reflect decreases in interest rates until the investments are sold or mature and the proceeds are reinvested at lower rates.

The amortized cost and fair value of AFS securities that had stated maturities as of February 28, 2026 are shown below by expected maturity.

| In millions | February 28, 2026 | |
|--|-------------------|-------------------|
| | Amortized cost | Fair value |
| Maturity date: | | |
| Due in one year or less | \$ 774.4 | \$ 769.0 |
| Due after one year through three years | 1,690.2 | 1,678.8 |
| Due after three years through five years | 508.1 | 517.6 |
| Due after five years | 1,500.9 | 1,515.4 |
| Total | \$ 4,473.6 | \$ 4,480.8 |

VRDNs, when held by us, are primarily categorized as due after five years in the table above as the contractual maturities on these securities are typically 20 to 30 years. Although these securities are issued as long-term securities, they are priced and traded as short-term instruments because of the liquidity provided through the tender feature.

As of February 28, 2026, the Federal Funds rate was in the range of 3.50% to 3.75%. There continues to be uncertainty in the changing market and economic conditions, including the possibility of additional measures that could be taken by the U.S. President, the Federal Reserve and other government agencies related to the overall macroeconomic environment. We will continue to monitor the market and economic conditions.

Calculating the future effects of changing interest rates involves many factors. These factors include, but are not limited to:

- governmental action to address inflation and/or intervene to support financial markets;
- daily interest rate changes;
- seasonal variations in investment balances;
- actual duration of short-term and AFS securities;
- the proportion of taxable and tax-exempt investments;
- changes in tax-exempt municipal rates versus taxable investment rates, which are not synchronized or simultaneous; and
- financial market volatility and the resulting effect on benchmark and other indexing interest rates.

Subject to these factors and under normal financial market conditions, a 25-basis-point change in taxable interest rates generally affects our tax-exempt interest rates by approximately 19 basis points. Under normal financial market conditions, the impact to earnings from a 25-basis-point change in short-term interest rates would be approximately \$5.0 million to \$5.5 million, after taxes, for a twelve-month period. Such a basis point change may or may not be tied to changes in the Federal Funds rate.

Our total investment portfolio (funds held for clients and corporate cash equivalents and investments) is expected to average approximately \$7.4 billion for the fiscal year ending May 31, 2026. Our anticipated allocation is approximately 40% invested in short-term securities and VRDNs with an average duration of less than 30 days and 60% invested in AFS securities, with an average duration of two to three and one-quarter years.

The combined funds held for clients and corporate AFS securities reflected net unrealized gains of \$7.2 million as of February 28, 2026 and net unrealized losses of \$53.6 million as of May 31, 2025. During the nine months, the net unrealized gain or loss on our investment portfolios ranged from net unrealized gain of \$7.3 million to a net unrealized loss of \$63.8 million. These fluctuations were driven by changes in market rates of interest. The net unrealized loss on our investment portfolio was approximately \$55.3 million as of March 24, 2026.

As of February 28, 2026 and May 31, 2025, we had \$4.5 billion and \$3.8 billion, respectively, invested in AFS securities at fair value. The weighted-average yield-to-maturity was 3.6% as of February 28, 2026 and 3.3% as of May 31, 2025. The weighted-average yield-to-maturity excludes AFS securities tied to short-term interest rates, such as VRDNs, when held. Assuming a hypothetical decrease in longer-term interest rates of 25 basis points, the resulting potential increase in fair value for our portfolio of AFS securities as of February 28, 2026, would be in a range of approximately \$30.0 million to \$35.0 million. Conversely, a corresponding increase in interest rates would result in a comparable decrease in fair value. This hypothetical increase or decrease in the fair value of the portfolio would be recorded as an adjustment to the portfolio's recorded value, with an offsetting amount recorded in stockholders' equity. These fluctuations in fair value would have no related or immediate impact on our results of operations unless any declines in fair value are due to credit related concerns and an impairment loss is recognized.

We are also exposed to interest rate risk through the use of our recurring credit facilities as outlined in the Liquidity and Capital Resources section of this Form 10-Q. If interest rates were to increase, or we increase the frequency or amounts borrowed under these credit facilities, we could experience additional interest expense and a corresponding decrease in earnings.

Credit risk: We are exposed to credit risk in connection with our investments in AFS securities through the possible inability of the borrowers to meet the terms of their bonds. We regularly review our investment portfolios to determine if any investment is impaired due to increased credit risk or other valuation concerns and we believe that the investments we held as of February 28, 2026 were not impaired as a result of the previously discussed reasons. While \$1.6 billion of our AFS securities had fair values that were below amortized cost, we believe that it is probable that the principal and interest will be collected in accordance with the contractual terms, and that the gross unrealized losses of \$31.4 million were due to changes in interest rates and were not due to increased credit risk or other valuation concerns. A substantial portion of the AFS securities in an unrealized loss position as of February 28, 2026 and May 31, 2025 had an AA rating or better. We do not intend to sell these investments until the recovery of their amortized cost basis or maturity, and further believe that it is not more-likely-than-not that we will be required to sell these investments prior to that time. Our assessment that an investment is not impaired due to increased credit risk or other valuation concerns could change in the future due to new developments, including changes in our strategies or assumptions related to any particular investment.

We have some credit risk exposure relating to our purchase of client accounts receivable under non-recourse arrangements. There is also credit risk exposure relating to our trade accounts receivable. This credit risk exposure is diversified amongst multiple client arrangements and all such arrangements are regularly reviewed for potential write-off. No single client was material in respect to total accounts receivable, service revenue, or results of operations as of February 28, 2026.

Market risk: We have an ongoing monitoring system for financial institutions we conduct business with and maintain cash balances at large well-capitalized (as defined by their regulators) financial institutions. We closely monitor market conditions and take appropriate measures, when necessary, to minimize potential risk exposure to our clients' and our cash and investment balances.

CRITICAL ACCOUNTING ESTIMATES

Our critical accounting policies are described in Item 7 of our Form 10-K for fiscal 2025, filed with the SEC on July 11, 2025. On an ongoing basis, we evaluate the critical accounting policies and estimates used to prepare our consolidated financial statements, including, but not limited to, those related to:

- revenue recognition;
- assets recognized from the costs to obtain and fulfill contracts;
- PEO insurance reserves;
- goodwill and other intangible assets;
- impairment of long-lived assets;
- stock-based compensation costs;
- business combinations; and

- income taxes.

There have been no material changes in these aforementioned critical accounting policies and estimates.

NEW ACCOUNTING PRONOUNCEMENTS

Recently adopted accounting pronouncements: Refer to Note A in the Notes to Consolidated Financial Statements (Unaudited) contained in Item 1 of this Form 10-Q for a discussion of recently adopted accounting pronouncements.

Recently issued accounting pronouncements: Refer to Note A in the Notes to Consolidated Financial Statements (Unaudited) contained in Item 1 of this Form 10-Q for a discussion of recently issued accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information called for by this item is provided under the caption “Market Risk Factors” under Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations and is incorporated herein by reference.

Item 4. Controls and Procedures

Disclosure Controls and Procedures: Disclosure controls and procedures are designed with the objective of ensuring that information required to be disclosed in the Company’s reports filed under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), such as this report, is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures are also designed with the objective of ensuring that such information is accumulated and communicated to the Company’s management, including the Company’s principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures: As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company’s principal executive officer and principal financial officer, of the effectiveness of disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on such evaluation, the Company’s principal executive officer and principal financial officer have concluded that as of February 28, 2026, the end of the period covered by this report, our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting: The Company also carried out an evaluation of the internal control over financial reporting to determine whether any changes occurred during the fiscal quarter ended February 28, 2026. Based on such evaluation there have been no changes in the Company’s internal control over financial reporting that occurred during the Company’s most recently completed fiscal quarter ended February 28, 2026, that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We maintained a program to repurchase up to \$400.0 million of our common stock with authorization that expired on January 16, 2026, at which time \$9.4 million of unused repurchase authorization expired. On January 16, 2026, our Board approved a program to repurchase up to an additional \$1.0 billion of our common stock with no expiration date. The purpose of this program is to manage common stock dilution. Shares repurchased under this program during the third quarter were as follows:

| In millions, except per share amounts | Total number of shares purchased | Average price paid per share | Total dollars | Approximate dollar value of shares that may yet be purchased under the programs |
|---------------------------------------|----------------------------------|------------------------------|----------------|---|
| December 1, 2025 - December 31, 2025 | \$ — | \$ — | \$ — | \$ 9.4 |
| January 1, 2026 - January 31, 2026 | 0.5 | 102.59 | 50.0 | \$ 950.0 |
| February 1, 2026 - February 28, 2026 | 0.3 | 92.65 | 25.0 | \$ 925.0 |
| Total for the period | <u>0.8</u> | <u>\$ 99.05</u> | <u>\$ 75.0</u> | \$ 925.0 |

Item 5. Other Information

During the third quarter, none of our directors or officers (as defined by Rule 16a-1 under the Exchange Act), adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or any “non-Rule 10b5-1 trading arrangement” (as defined by Item 408(c) of Regulation S-K).

Item 6. Exhibits

INDEX TO EXHIBITS

| Exhibit number | Description | |
|----------------|---|---|
| 10.1 | <u>2017 Credit Agreement, dated as of August 17, 2017 by and among Paychex of New York, the Company, the lender parties thereto, JPMorgan Chase Bank, N.A. as Administrative Agent and others, as amended by all amendments through Amendment No. 6 dated as of January 23, 2026, incorporated herein by reference from Exhibit 10.1 to the Company’s Form 8-K filed with the Commission on January 26, 2026.</u> | |
| 10.2 | <u>2019 Credit Agreement, dated as of July 31, 2019 by and among Paychex of New York, the Company, the lender parties thereto, JPMorgan Chase Bank, N.A. as Administrative Agent and others, as amended by all amendments through Amendment No. 4 dated January 23, 2026, incorporated herein by reference from Exhibit 10.2 to the Company’s Form 8-K filed with the Commission on January 26, 2026.</u> | |
| * | 31.1 | <u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| * | 31.2 | <u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| * | 32.1 | <u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> |
| * | 32.2 | <u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> |
| * | 101.INS | Inline XBRL Instance Document– the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document. |
| * | 101.SCH | Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents |
| * | 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

* Exhibit filed or furnished with this report

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: March 26, 2026

/s/ John B. Gibson
John B. Gibson
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: March 26, 2026

/s/ Robert L. Schrader
Robert L. Schrader
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: March 26, 2026

/s/ Christopher Simmons
Christopher Simmons
Vice President, Controller and Treasurer
(Principal Accounting Officer)

**CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, JOHN B. GIBSON, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Paychex, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2026

/s/ John B. Gibson
President, Chief Executive Officer and Director
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, ROBERT L. SCHRADER, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Paychex, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2026

/s/ Robert L. Schrader
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Paychex, Inc. (the "Company") on Form 10-Q for the period ended February 28, 2026, as filed with the Securities and Exchange Commission ("SEC") on the date hereof (the "Report"), I, JOHN B. GIBSON, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1)The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC upon request.

Date: March 26, 2026

/s/ John B. Gibson
John B. Gibson
President, Chief Executive Officer and Director
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Paychex, Inc. (the "Company") on Form 10-Q for the period ended February 28, 2026, as filed with the Securities and Exchange Commission ("SEC") on the date hereof (the "Report"), I, ROBERT L. SCHRADER, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1)The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC upon request.

Date: March 26, 2026

/s/ Robert L. Schrader
Robert L. Schrader
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
