Paychex, Inc (PAYX)

Updated July 1st, 2025 by Nathan Parsh

Key Metrics

Current Price:	$145	**5 Year CAGR Estimate:**	9.2%	**Market Cap:**	$52 Billion
Fair Value Price:	$136	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	08/08/25[1]
% Fair Value:	106%	**5 Year Valuation Multiple Estimate:**	-1.2%	**Dividend Payment Date:**	08/29/25[2]
Dividend Yield:	3.0%	**5 Year Price Target**	$200	**Years Of Dividend Growth:**	14
Dividend Risk Score:	D	**Sector:**	Industrials	**Rating:**	Hold

Overview & Current Events

Paychex, Inc, which was incorporated in 1979, provides payroll accounting, benefits and human resource services to businesses that employ between 10 and 200 employees. Paychex provides services to more than 700,000 small and medium-sized businesses, primarily in the U.S. The company operates two segments: Management Solutions, which provides employers with payroll and retirement resources, and PEO & Insurance, which offers outsourced human resource services and insurance.

On April 14th, 2025, Paychex announced that it had finalized its $4.1 billion purchase of Paycor.

On May 2nd, 2025, Paychex announced that it was increasing its quarterly dividend 10.2% to $1.08 per share, extending the company's dividend growth streak to 14 years.

On June 25th, 2025, Paychex reported earnings results for the fourth quarter of fiscal year 2025 (the company's fiscal year ends May 31st). For the quarter, revenue grew 10% to $1.43 billion, which was in-line with estimates. Adjusted earnings-per-share of $1.19 compared to $1.12 in the prior year and matched expectations. For the fiscal year, revenue grew 6% to $5.57 billion while adjusted earnings-per-share of $4.98 compared to $4.72 in the prior fiscal year.

For the quarter, revenue for Management Solutions improved 12% to $1.0 million. Growth was driven by the addition of Paycor and higher revenue per client because of betting pricing and product penetration. PEO & Insurance Solutions grew 3% to $340.3 million. As with prior quarters, this segment saw growth in number of average employees per worksite and gains in insurance revenue. Interest on funds held for clients was up 18% to $45.2 million. As of the end of the quarter, Paychex held $1.7 billion in cash and equivalents against short-term and long-term borrowings, net of debt issuance costs, of $5 billion. This is a large increase from prior periods, largely due to the purchase of Paycor.

Paychex provided guidance for fiscal year 2026 as well. Revenue is projected to grow 16.5% to 18.5% year-over-year while adjusted earnings-per-share are expected to be up 8.5% to 10.5% for the new fiscal year.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$2.09	$2.25	$2.45	$2.84	$3.00	$3.04	$3.77	$4.27	$4.72	$4.98	***$5.45***	***$8.01***
DPS	$1.68	$1.84	$2.18	$2.24	$2.48	$2.52	$2.77	$3.26	$3.65	$4.02	***$4.32***	***$5.51***
Shares[3]	360	359	359	359	359	360	361	362	362	362	***362***	***359***

Paychex saw a slight decline in earnings during the last recession. Considering that the company's revenue largely depends on the number of people on payrolls, Paychex did an admirable job suffering just a slight decline in earnings-per-share as unemployment reached high levels. As long as unemployment remains low, Paychex should see earnings continue to grow. If unemployment becomes elevated, it is possible that the company could experience a slight reduction in earnings based on how well the company navigated the last recession. Paychex grew earnings at a rate of

[1] Estimated ex-dividend date
[2] Estimated dividend payment date
[3] Share count in millions

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10.1% per year over the past decade. We reaffirm our expected EPS growth rate of 8% to better reflect the company's historical performance and recent business results.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	24.0	26.2	25.1	29.6	24.1	33.3	32.8	24.6	25.5	31.7	***26.6***	***25.0***
Avg. Yld.	3.4%	3.1%	3.3%	2.7%	3.4%	2.5%	2.2%	3.1%	3.0%	2.5%	***3.0%***	***2.8%***

Shares of Paychex have declined $9, or 5.8%, since our March 31st, 2025 report. Based off estimates for earnings-per-share for the current fiscal year, the stock has a P/E ratio of 26.6. For context, shares of Paychex have an average P/E of ~28.0 over the last ten years. We reaffirm our target P/E of 25.0. If shares were to revert to this target by fiscal 2031, then valuation would reduce annual returns by 1.2% over this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

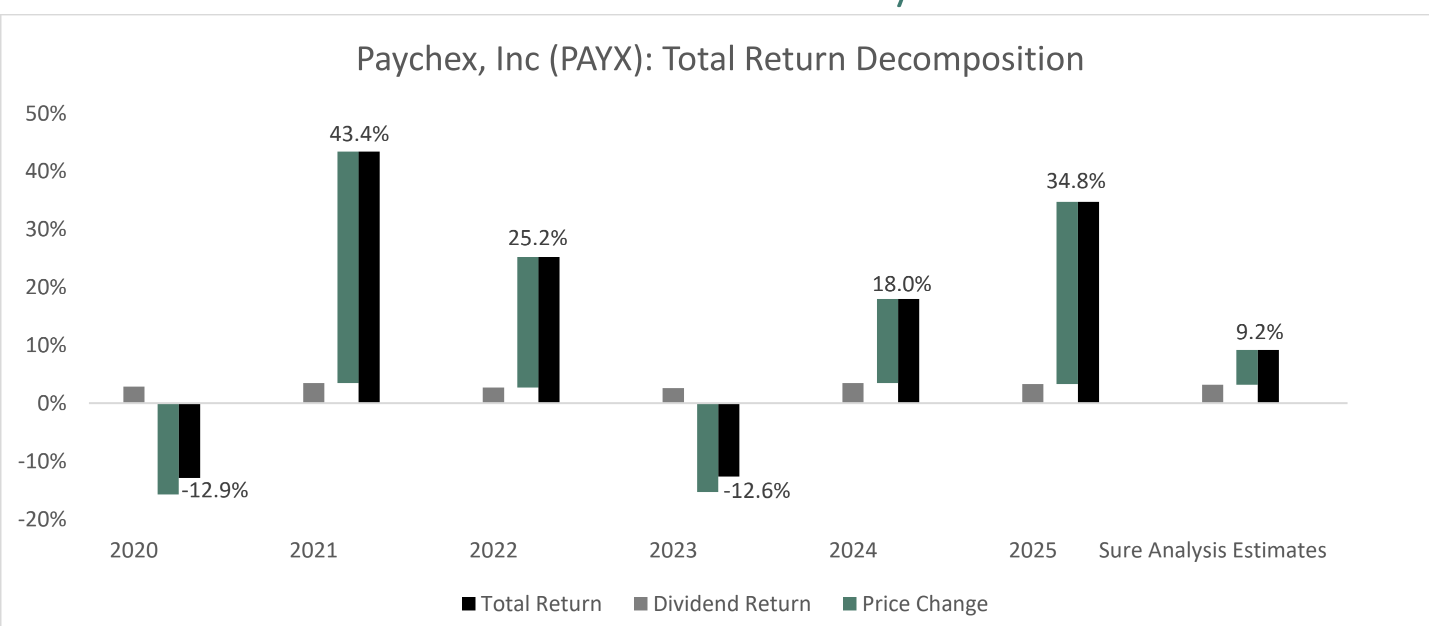
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	80%	82%	82%	79%	83%	82%	73%	76%	77%	81%	***79%***	***69%***

Paychex was not immune to lower earnings numbers during the last recession. With that said, the company held up well given the circumstances. The company also posted growth during the Covid-19 pandemic. Paychex's primary competitive advantage is that it is a leading provider of payroll, account, benefits, and human resource services for small and medium sized companies. Another advantage is that Paychex has very little long-term debt on its balance sheet. This allows the company to access debt markets to fund acquisitions.

Final Thoughts & Recommendation

After fourth quarter results, Paychex is projected to offer a total annual return of 9.2% through fiscal 2031, up from 6.0% previously. Our projected return stems from an earnings growth rate of 8% and a starting yield of 3.0% that are offset by a small headwind from multiple compression. Paychex continues to see growth throughout its business and the addition of Paycor has already acted as a tailwind to results. We have raised our five-year price target $16 to $200 due to guidance, but continue to rate shares of Paychex as a hold due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	2,952	3,153	3,378	3,773	4,041	4,057	4,612	5,007	5,278	5,572
Gross Profit	2,095	2,234	2,360	2,595	2,760	2,786	3,255	3,554	3,799	4,031
Gross Margin	71.0%	70.8%	69.9%	68.8%	68.3%	68.7%	70.6%	71.0%	72.0%	72.4%
SG&A Exp.	948	980	1,068	1,223	1,299	1,325	1,415	1,521	1,625	1,824
D&A Exp.	115	127	138	182	210	192	192	177	177	210
Operating Profit	1,147	1,254	1,292	1,371	1,461	1,461	1,840	2,033	2,174	2,208
Operating Margin	38.8%	39.8%	38.2%	36.3%	36.1%	36.0%	39.9%	40.6%	41.2%	39.6%
Net Profit	757	826	994	1,034	1,098	1,098	1,393	1,557	1,690	1,657
Net Margin	25.6%	26.2%	29.4%	27.4%	27.2%	27.1%	30.2%	31.1%	32.0%	29.7%
Free Cash Flow	921	866	1,122	1,148	1,314	1,142	1,456	1,563	1,736	1,759
Income Tax	394	433	306	334	339	337	432	491	528	519

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	6,441	6,834	7,915	8,676	8,551	9,227	9,635	10,546	10,383	16,564
Cash & Equivalents	132	185	358	674	905	995	370	1,222	1,469	1,629
Accounts Receivable	409	508	375	421	384	578	724	873	1,060	1,331
Goodwill & Int. Ass.	727	715	955	2,182	2,122	2,097	2,056	2,021	2,077	6,461
Total Liabilities	4,529	4,878	5,559	6,057	5,769	6,279	6,550	7,053	6,582	12,436
Accounts Payable	57	57	74	76	79	89	106	85	104	130
Long-Term Debt	-	-	-	796	802	805	806	808	817	4,967
Shareholder's Equity	1,912	1,955	2,357	2,620	2,781	2,948	3,085	3,493	3,801	4,128
LTD/E Ratio	-	-	-	0.30	0.29	0.27	0.26	0.23	0.22	1.20

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	11.7%	12.4%	13.5%	12.5%	12.7%	12.3%	14.8%	15.4%	16.2%	12.3%
Return on Equity	40.9%	42.7%	46.1%	41.6%	40.7%	38.3%	46.2%	47.3%	46.3%	41.8%
ROIC	40.9%	42.7%	46.1%	35.8%	31.4%	29.9%	36.4%	38.0%	37.9%	24.2%
Shares Out.	360	359	359	359	359	360	361	362	362	362
Revenue/Share	8.14	8.70	9.34	10.43	11.19	11.20	12.70	13.82	14.58	15.39
FCF/Share	2.54	2.39	3.10	3.17	3.64	3.15	4.01	4.31	4.80	4.86

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.