Paychex, Inc (PAYX)

Updated December 22nd, 2025 by Nathan Parsh

Key Metrics

Current Price:	$114	**5 Year Annual Expected Total Return:**	14.8%	**Market Cap:**	$41 Billion
Fair Value Price:	$138	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	02/06/26[1]
% Fair Value:	83%	**5 Year Valuation Multiple Estimate:**	3.8%	**Dividend Payment Date:**	02/27/26[2]
Dividend Yield:	3.8%	**5 Year Price Target**	$202	**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 December 10th, 2025, Paychex reported earnings results for the second quarter of fiscal year 2026 (the company's fiscal year ends May 31st). For the quarter, revenue grew 18.2% to $1.56 billion, which was $10 million more than expected. Adjusted earnings-per-share of $1.26 compared to $1.14 in the prior year and was $0.03 ahead of estimates.

For the quarter, revenue for Management Solutions increased 21% to $1.2 billion. Of this growth, 17% was from the addition of Paycor. As with prior periods, the company saw an increase in the number of clients served in Human Resources Solutions and growth in revenue per client. PEO & Insurance Solutions grew 6% to $336.9 million. Once again, this segment saw growth in number of average employees per worksite and gains in insurance revenue. Interest on funds held for clients surged 51% to $54.3 million. As of the end of the quarter, Paychex held $1.6 billion in cash and equivalents against short-term and long-term borrowings, net of debt issuance costs, of $5.0 billion. This is a large increase from prior periods, mostly due to the purchase of Paycor.

Paychex provided updated guidance for fiscal year 2026 as well. Revenue is still projected to grow 16.5% to 18.5% year-over-year for the new fiscal year. Adjusted earnings-per-share are now expected to be up 10% to 11% for the year, up from 9% to 11% and 8.5% to 10.5% previously.

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	***$5.50***	***$8.08***
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	***360***	***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

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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	***20.7***	***25.0***
Avg. Yld.	3.4%	3.1%	3.3%	2.7%	3.4%	2.5%	2.2%	3.1%	3.0%	2.5%	***3.8%***	***2.7%***

Shares of Paychex have decreased $9, or 7.3%, since our September 30th, 2025 report. Based off estimates for earnings-per-share for the current fiscal year, the stock has a P/E ratio of 20.7. 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 could add 3.8% to annual returns over this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

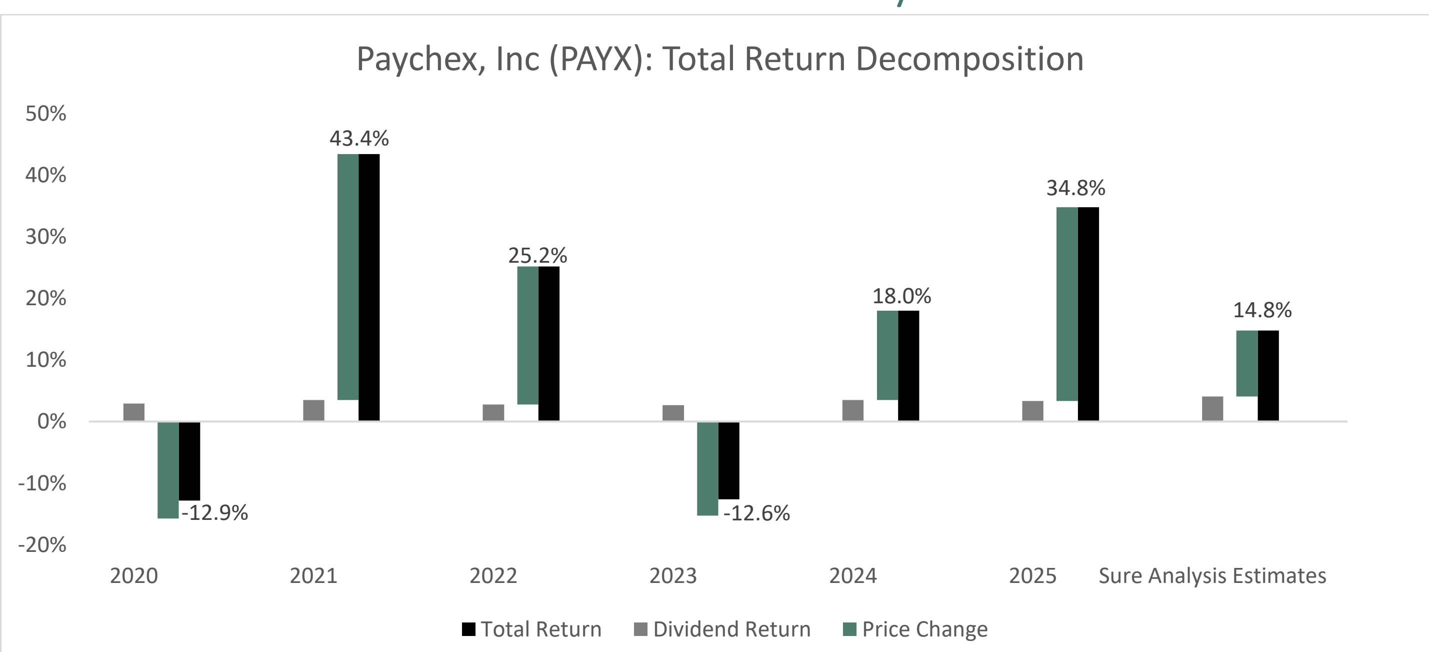
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	80%	82%	82%	79%	83%	82%	73%	76%	77%	81%	***79%***	***68%***

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 second quarter results, Paychex is projected to offer a total annual return of 14.8% through fiscal 2031, up from 13.0% previously. Our projected return stems from an earnings growth rate of 8%, a starting yield of 3.8%, and a low single-digit contribution from multiple expansion. Paychex continues to see growth throughout its business and the addition of Paycor continues to act as a tailwind to results. We have raised our five-year price target $1 to $202 due to guidance, but continue to rate shares of Paychex as a hold due to a weak dividend risk score.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	3,153	3,378	3,773	4,041	4,057	4,612	5,007	5,278	5,572	5,572
Gross Profit	2,234	2,360	2,595	2,760	2,786	3,255	3,554	3,799	4,031	4,031
Gross Margin	70.8%	69.9%	68.8%	68.3%	68.7%	70.6%	71.0%	72.0%	72.4%	72.4%
SG&A Exp.	980	1,068	1,223	1,299	1,325	1,415	1,521	1,625	1,824	1,824
D&A Exp.	127	138	182	210	192	192	177	177	210	210
Operating Profit	1,254	1,292	1,371	1,461	1,461	1,840	2,033	2,174	2,208	2,370
Operating Margin	39.8%	38.2%	36.3%	36.1%	36.0%	39.9%	40.6%	41.2%	39.6%	42.5%
Net Profit	826	994	1,034	1,098	1,098	1,393	1,557	1,690	1,657	1,657
Net Margin	26.2%	29.4%	27.4%	27.2%	27.1%	30.2%	31.1%	32.0%	29.7%	29.7%
Free Cash Flow	866	1,122	1,148	1,314	1,142	1,456	1,563	1,736	1,759	1,632
Income Tax	433	306	334	339	337	432	491	528	519	519

Balance Sheet Metrics

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Assets	6,834	7,915	8,676	8,551	9,227	9,635	10,546	10,383	16,564	16,564
Cash & Equivalents	185	358	674	905	995	370	1,222	1,469	1,629	1,711
Accounts Receivable	508	375	421	384	578	724	873	1,060	1,331	1,947
Goodwill & Int. Ass.	715	955	2,182	2,122	2,097	2,056	2,021	2,077	6,461	6,461
Total Liabilities	4,878	5,559	6,057	5,769	6,279	6,550	7,053	6,582	12,436	12,436
Accounts Payable	57	74	76	79	89	106	85	104	130	130
Long-Term Debt	-	-	796	802	805	806	808	817	4,967	5,045
Shareholder's Equity	1,955	2,357	2,620	2,781	2,948	3,085	3,493	3,801	4,128	4,128
LTD/E Ratio	-	-	0.30	0.29	0.27	0.26	0.23	0.22	1.20	1.22

Profitability & Per Share Metrics

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Return on Assets	12.4%	13.5%	12.5%	12.7%	12.3%	14.8%	15.4%	16.2%	12.3%	12.3%
Return on Equity	42.7%	46.1%	41.6%	40.7%	38.3%	46.2%	47.3%	46.3%	41.8%	41.8%
ROIC	42.7%	46.1%	35.8%	31.4%	29.9%	36.4%	38.0%	37.9%	24.2%	23.9%
Shares Out.	359	359	359	359	360	361	362	362	362	362
Revenue/Share	8.70	9.34	10.43	11.19	11.20	12.70	13.82	14.58	15.39	15.39
FCF/Share	2.39	3.10	3.17	3.64	3.15	4.01	4.31	4.80	4.86	4.51

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