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Table of Contents

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

FORM 10-Q Â i, QUARTERLY

REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended November 30, 2024 OR i, " TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 Â For the Transition Period from to Â Commission file number 0-11330 Paychex, Inc. (Exact name of registrant as specified in its charter) Â A Delaware (State or other jurisdiction of incorporation or organization) 16-1124166 (I.R.S. Employer Identification No.) 911 Panorama Trail South Rochester, NY (Address of principal executive offices) 14625-2396(Zip Code) Registrant's telephone number, including area code: (585) 385-6666 Â 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 NasdaqÂ Global Select Market Â 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 if  $\frac{3}{4}$  No  $\frac{1}{2}$ . 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 (Â§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 if  $\frac{3}{4}$  No  $\frac{1}{2}$ . 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 if  $\frac{3}{4}$  Accelerated filer if  $\frac{1}{2}$  Non-accelerated filer if  $\frac{1}{2}$  Smaller reporting company if  $\frac{1}{2}$  Emerging growth company if  $\frac{1}{2}$  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. Yes if  $\frac{1}{2}$  No if  $\frac{3}{4}$  As of November 30, 2024, 360,063,074 shares of the registrant's common stock, \$.01 par value, were outstanding. Table of Contents PAYCHEX, INC. Table of Contents Page PART I. FINANCIAL INFORMATION 1 Item 1. Financial Statements (Unaudited) 1 Consolidated Statements of Income and Comprehensive Income 1 Consolidated Balance Sheets 2 Consolidated Statements of Stockholders' Equity 3 Consolidated Statements of Cash Flows 5 Notes to Consolidated Financial Statements 6 Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 18 Item 3. Quantitative and Qualitative Disclosures About Market Risk 29 Item 4. Controls and Procedures 30 PART II. OTHER INFORMATION 31 Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 31 Item 5. Other Information 31 Item 6. Exhibits 31 Signatures 32 Table of Contents 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 six months ended November 30, November 30, 2024 2023 2024 2023 Revenue: Management Solutions \$ 962.9 \$ 930.7 \$ 1,924.6 \$ 1,886.2 PEO and Insurance Solutions 317.9 295.7 637.2 593.5 Total service revenue 1,280.8 1,226.4 2,561.8 2,479.7 Interest on funds held for clients 36.1 31.5 73.6 64.2 Total revenue 1,316.9 1,257.9 2,635.4 2,543.9 Expenses: Cost of service revenue 379.1 364.1 759.1 724.3 Selling, general and administrative expenses 399.7 387.6 791.5 777.1 Total expenses 778.8 751.7 1,550.6 1,501.4 Operating income 538.1 506.2 1,084.8 1,042.5 Other income, net 5.6 11.7 16.0 24.5 Income before income taxes 543.7 517.9 1,100.8 1,067.0 Income taxes 130.3 125.2 260.0 255.1 Net income \$ 413.4 \$ 392.7 \$ 840.8 \$ 811.9 Other comprehensive (loss)/income, net of tax (11.6) 15.9 53.2 (7.3) Comprehensive income \$ 401.8 \$ 408.6 \$ 894.0 \$ 804.6 Basic earnings per share \$ 1.15 \$ 1.09 \$ 2.34 \$ 2.25 Diluted earnings per share \$ 1.14 \$ 1.08 \$ 2.32 \$ 2.24 Weighted-average common shares outstanding 360.0 360.5 360.1 360.6 Weighted-average common shares outstanding, assuming dilution 361.7 362.1 361.8 362.4 See Notes to Consolidated Financial Statements. 1 Table of Contents PAYCHEX, INC. CONSOLIDATED BALANCE SHEETS (UNAUDITED) In millions, except per share amounts November 30, May 31, 2024 2024 Assets Cash and cash equivalents \$ 1,202.1 \$ 1,468.9 Restricted cash 63.1 47.8 Corporate investments 38.0 33.9 Interest receivable 23.7 23.3 Accounts receivable, net of allowance for credit losses 1,256.9 1,059.6 PEO unbilled receivables, net of advance collections 598.9 542.4 Prepaid income taxes 92.2 47.5 Prepaid expenses and other current assets 345.6 321.9 Current assets before funds held for clients 3,620.5 3,545.3 Funds held for clients 3,809.1 3,706.2 Total current assets 7,429.6 7,251.5 Long-term corporate investments 3.7 Property and equipment, net of accumulated depreciation 432.1 411.7 Operating lease right-of-use assets, net of accumulated amortization 46.3 46.9 Intangible assets, net of accumulated amortization 179.8 194.5 Goodwill 1,879.8 1,882.7 Long-term deferred costs 468.0 477.1 Other long-term assets 119.1 115.0 Total assets \$ 10,554.7 \$ 10,383.1 Liabilities Accounts payable 89.2 \$ 104.3 Accrued corporate compensation and related items 112.9 135.0 Accrued worksite employee compensation and related items 704.3 662.4 Short-term borrowings 18.2 18.7 Deferred revenue 50.7 50.2 Other current liabilities 458.9 469.8 Current liabilities before client fund obligations 1,434.2 1,440.4 Client fund obligations 3,895.0 3,868.7 Total current liabilities 5,329.2 5,309.1 Accrued income taxes 113.2 102.6 Deferred income taxes 95.3 86.0 Long-term borrowings, net of debt issuance costs 798.9 798.6 Operating lease liabilities 45.7 49.0 Other long-term liabilities 246.7 236.8 Total liabilities 6,629.0 6,582.1 Commitments and contingencies Note I Stockholders' equity (Common stock, \$0.01 par value; Authorized: 600,000 shares; Issued and outstanding: 360,111 shares as of November 30, 2024 and May 31, 2024) 3.6 Additional paid-in capital 1,789.4 1,729.5 Retained earnings 2,224.6 2,213.0 Accumulated other comprehensive loss (91.9) (145.1) Total stockholders' equity 3,925.7 3,801.0 Total liabilities and stockholders' equity \$ 10,554.7 \$ 10,383.1 See Notes to Consolidated Financial Statements. 2 Table of Contents PAYCHEX, INC. CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED) In millions, except per share amounts For the six months ended November 30, 2024 Common stock 3.6 \$ 1,729.5 Accumulated other comprehensive loss (2,213.0) (120.7) (24.4) (145.1) \$ 3,801.0 Net income \$ 840.8 \$ 840.8 \$ 840.8 \$ 840.8 Unrealized gains on



811.9  $\Delta$  Adjustments to reconcile net income to net cash provided by operating activities:  $\Delta$   $\Delta$   $\Delta$   $\Delta$   $\Delta$   $\Delta$   $\Delta$   $\Delta$  Depreciation and amortization  $\Delta$   $\Delta$   $\Delta$  80.7  $\Delta$   $\Delta$   $\Delta$  86.1  $\Delta$  Amortization of premiums and discounts on AFS securities, net  $\Delta$   $\Delta$   $\Delta$  (5.6)  $\Delta$   $\Delta$  (2.9) Amortization of deferred contract costs  $\Delta$   $\Delta$   $\Delta$  117.3  $\Delta$   $\Delta$   $\Delta$  115.1  $\Delta$  Stock-based compensation costs  $\Delta$   $\Delta$   $\Delta$  32.9  $\Delta$   $\Delta$   $\Delta$  30.7  $\Delta$  Benefit from deferred income taxes  $\Delta$   $\Delta$   $\Delta$  (9.5)  $\Delta$   $\Delta$  (6.4) Provision for credit losses  $\Delta$   $\Delta$   $\Delta$  12.4  $\Delta$   $\Delta$   $\Delta$  10.0  $\Delta$  Net realized (gains)/losses on sales of AFS securities  $\Delta$   $\Delta$   $\Delta$  (0.0)  $\Delta$   $\Delta$  0.0  $\Delta$  Changes in operating assets and liabilities:  $\Delta$   $\Delta$   $\Delta$   $\Delta$   $\Delta$   $\Delta$  Interest receivable  $\Delta$   $\Delta$   $\Delta$  (0.4)  $\Delta$   $\Delta$  0.7  $\Delta$  Accounts receivable and PEO unbilled receivables, net  $\Delta$   $\Delta$   $\Delta$  (68.6)  $\Delta$   $\Delta$   $\Delta$  52.9  $\Delta$  Prepaid expenses and other current assets  $\Delta$   $\Delta$   $\Delta$  (68.9)  $\Delta$   $\Delta$   $\Delta$  (46.3) Accounts payable and other current liabilities  $\Delta$   $\Delta$   $\Delta$  6.7  $\Delta$   $\Delta$   $\Delta$  66.6  $\Delta$  Deferred costs  $\Delta$   $\Delta$   $\Delta$  (107.8)  $\Delta$   $\Delta$   $\Delta$  (123.1) Net change in other long-term assets and liabilities  $\Delta$   $\Delta$   $\Delta$  14.0  $\Delta$   $\Delta$  10.1  $\Delta$  Net change in operating lease right-of-use assets and liabilities  $\Delta$   $\Delta$   $\Delta$  (2.9)  $\Delta$   $\Delta$   $\Delta$  (1.1) Net cash provided by operating activities  $\Delta$   $\Delta$   $\Delta$  841.1  $\Delta$   $\Delta$   $\Delta$  1,004.3  $\Delta$  Investing activities  $\Delta$   $\Delta$   $\Delta$   $\Delta$   $\Delta$  Purchases of AFS securities  $\Delta$   $\Delta$   $\Delta$  (5,168.5)  $\Delta$   $\Delta$   $\Delta$  (3,303.7) Proceeds from sales and maturities of AFS securities  $\Delta$   $\Delta$   $\Delta$  5,163.6  $\Delta$   $\Delta$   $\Delta$  3,607.0  $\Delta$  Net purchases of short-term accounts receivable  $\Delta$   $\Delta$   $\Delta$  (200.1)  $\Delta$   $\Delta$   $\Delta$  (104.8) Purchases of property and equipment  $\Delta$   $\Delta$   $\Delta$  (82.6)  $\Delta$   $\Delta$   $\Delta$  (79.4) Acquisition of businesses, net of cash acquired  $\Delta$   $\Delta$   $\Delta$   $\Delta$   $\Delta$   $\Delta$  (208.3) Purchases of other assets, net  $\Delta$   $\Delta$   $\Delta$  (15.1)  $\Delta$   $\Delta$   $\Delta$  (20.5) Net cash used in investing activities  $\Delta$   $\Delta$   $\Delta$  (302.7)  $\Delta$   $\Delta$   $\Delta$  (109.7) Financing activities  $\Delta$   $\Delta$   $\Delta$   $\Delta$   $\Delta$   $\Delta$  Net change in client fund obligations  $\Delta$   $\Delta$   $\Delta$  26.3  $\Delta$   $\Delta$   $\Delta$  1,332.8  $\Delta$  Net change in short-term borrowings  $\Delta$   $\Delta$   $\Delta$   $\Delta$   $\Delta$  (3.8)  $\Delta$  Dividends paid  $\Delta$   $\Delta$   $\Delta$  (706.2)  $\Delta$   $\Delta$   $\Delta$  (642.1) Repurchases of common shares, including excise tax  $\Delta$   $\Delta$   $\Delta$  (104.5)  $\Delta$   $\Delta$   $\Delta$  (169.2) Activity related to equity-based plans  $\Delta$   $\Delta$   $\Delta$  8.0  $\Delta$   $\Delta$   $\Delta$  7.0  $\Delta$  Net cash (used in)/provided by financing activities  $\Delta$   $\Delta$   $\Delta$  (776.4)  $\Delta$   $\Delta$   $\Delta$  532.3  $\Delta$  Net change in cash, restricted cash, and equivalents  $\Delta$   $\Delta$   $\Delta$  (238.0)  $\Delta$   $\Delta$   $\Delta$  1,426.9  $\Delta$  Cash, restricted cash, and equivalents, beginning of period  $\Delta$   $\Delta$   $\Delta$  1,897.0  $\Delta$   $\Delta$   $\Delta$  2,134.9  $\Delta$  Cash, restricted cash, and equivalents, end of period  $\Delta$  \$  $\Delta$  1,659.0  $\Delta$   $\Delta$  \$  $\Delta$  3,561.8  $\Delta$   $\Delta$   $\Delta$   $\Delta$   $\Delta$   $\Delta$  Cash and cash equivalents  $\Delta$  \$  $\Delta$  1,202.1  $\Delta$   $\Delta$  \$  $\Delta$  1,363.1  $\Delta$  Restricted cash  $\Delta$   $\Delta$   $\Delta$  63.1  $\Delta$   $\Delta$   $\Delta$  47.9  $\Delta$  Restricted cash and restricted cash equivalents included in funds held for clients  $\Delta$   $\Delta$   $\Delta$  393.8  $\Delta$   $\Delta$   $\Delta$  2,150.8  $\Delta$  Total cash, restricted cash, and equivalents  $\Delta$  \$  $\Delta$  1,659.0  $\Delta$   $\Delta$  \$  $\Delta$  3,561.8  $\Delta$   $\Delta$  See Notes to Consolidated Financial Statements.  $\Delta$   $\Delta$   $\Delta$  5 Table of Contents  $\Delta$   $\Delta$  PAYCHEX, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

November 30, 2024 Note A: Description of Business, Basis of Presentation, and Significant Accounting Policies  $\Delta$  Description of business: Paychex, Inc. and its wholly owned subsidiaries (collectively, the  $\Delta$ œCompany $\Delta$  or  $\Delta$ œPaychex $\Delta$ ) is a leading provider of integrated human capital management ( $\Delta$ œHCM $\Delta$ ) solutions for human resources ( $\Delta$ œHR $\Delta$ ), payroll, benefits, and insurance for small- to medium-sized businesses in the United States ( $\Delta$ œU.S. $\Delta$ ) and parts of Europe. The Company also has operations in India. Paychex, a Delaware corporation formed in 1979, reports as one segment.  $\Delta$  Basis of presentation: The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ( $\Delta$ œGAAP $\Delta$ ) 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 $\Delta$ ™s consolidated financial statements and related Notes to Consolidated Financial Statements presented in the Company $\Delta$ ™s Annual Report on Form 10-K ( $\Delta$ œForm 10-K $\Delta$ ) for the fiscal year ended May 31, 2024 ( $\Delta$ œfiscal 2024 $\Delta$ ). Operating results and cash flows for the six months ended November 30, 2024 are not necessarily indicative of the results that may be expected for other interim periods or for the fiscal year ending May 31, 2025 ( $\Delta$ œfiscal 2025 $\Delta$ ).  $\Delta$  Reclassifications: Certain prior year amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on reported consolidated earnings.  $\Delta$  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 $\Delta$ ™ compensation insurance policies.  $\Delta$  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 of \$25.1 million and \$21.3 million as of November 30, 2024 and May 31, 2024, respectively. These balances include trade receivables for services provided to clients and receivables purchased from the Company's clients under non-recourse arrangements. Trade receivables were \$144.7 million and \$141.3 million as of November 30, 2024 and May 31, 2024, respectively. Purchased receivables, at gross, were \$1.1 billion and \$939.6 million as of November 30, 2024 and May 31, 2024, respectively.  $\Delta$  The Company is exposed to credit losses through the sale of 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 $\Delta$ ™s ability to pay for these solutions and support. 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.  $\Delta$  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 credit losses based on historical loss activity adjusted for current economic conditions and reasonable and supportable forecast factors, when applicable. The provision for the allowance for credit losses and accounts written off were not material for the three and six months ended November 30, 2024 and November 30, 2023. No single client had a material impact on total accounts receivable as of November 30, 2024 and May 31, 2024 or service revenue and results of operations for the three and six months ended November 30, 2024 and November 30, 2023.  $\Delta$  Professional Employer Organization ( $\Delta$ œPEO $\Delta$ ) 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 $\Delta$ ™s Consolidated Balance Sheets. As of November 30, 2024 and May 31, 2024, advance collections were \$1.3 million and \$0.7 million, respectively.  $\Delta$   $\Delta$  Table of Contents  $\Delta$   $\Delta$  PEO insurance reserves: As part of its PEO solution, the Company offers workers $\Delta$ ™ compensation insurance and health insurance coverage to clients for the benefit of client employees. Workers $\Delta$ ™ compensation insurance is primarily provided under fully insured high deductible workers $\Delta$ ™ compensation insurance policies. Workers $\Delta$ ™ 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 2025 and 2024, 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. Â With respect to PEO health insurance coverage, 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 Companyâ€™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 Companyâ€™s maximum individual claims liability is \$0.5 million under its policies covering both fiscal 2025 and fiscal 2024.Â 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 workersâ€™ 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.Â Stock-based compensation costs: The Company has issued stock-based awards to employees and members of its Board of Directors (the â€œBoardâ€) 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 \$16.4 million and \$32.9 million for the three and six months ended November 30, 2024, and \$14.7 million and \$30.7 million for the three and six months ended November 30, 2023. Â Recently adopted accounting pronouncements: There were no recently adopted accounting pronouncements during the six months ended November 30, 2024 that had a material impact on the Company's consolidated financial statements or disclosures. Recently issued accounting pronouncements: In November 2023, the Financial Accounting Standards Board (â€œFASBâ€) issued Accounting Standards Update (â€œASUâ€) No. 2023-07 â€œSegment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.â€ This ASU expands public business entitiesâ€™ segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segmentâ€™s profit or loss and assets. The requirements are effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, and are required to be applied retrospectively. This ASU is applicable to the Companyâ€™s Annual Report on Form 10-K for the fiscal year ending May 31, 2025, and subsequent interim periods, with early application permitted. The requirements of this ASU are disclosure-related and will not have an impact on the Companyâ€™s financial condition, results of operations, or cash flows. The Company is currently evaluating the impact of adopting this ASU on its reportable segment disclosures. In December 2023, the FASB issued ASU No. 2023-09 â€œIncome Taxes (Topic 740): Improvements to Income Tax Disclosures.â€ 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 Companyâ€™s fiscal year beginning June 1, 2025, 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 Companyâ€™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 â€œIncome Statement â€“ Reporting Comprehensive Income â€“ Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses.â€ This ASU 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 fiscal years beginning after December 15, 2026, and for interim periods beginning after December 15, 2027. Entities are permitted to apply either the prospective or retrospective transition methods. 7Â Table of Contents Â This ASU is applicable to the Companyâ€™s Annual Report on Form 10-K for the fiscal year ending May 31, 2028, and subsequent interim periods, with early application permitted. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements and disclosures. Â Note B: Service RevenueÂ Service revenue is primarily attributable to fees for providing services to the Companyâ€™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 Companyâ€™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.Â Based upon similar operational and economic characteristics, the Companyâ€™s service revenue is disaggregated by Management Solutions and PEO and Insurance Solutions as reported in the Companyâ€™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 Companyâ€™s integrated HCM services and HR solutions. Clients can select services on an Â la carte basis or as part of various product bundles. The Companyâ€™s offerings often leverage the information gathered in its base payroll processing service, allowing it to provide comprehensive services covering the HCM spectrum. Management Solutions revenue is generally recognized over time as services are performed and the client simultaneously receives and controls the benefits from these services. Â Revenue earned from delivery service for the distribution of certain client payroll checks and reports is also included in Management Solutions revenue in the Companyâ€™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 Companyâ€™s clients.Â PEO and Insurance Solutions RevenuePEO solutions are sold through the Companyâ€™s registered and licensed subsidiaries and offer businesses HCM and HR solutions. The Company serves as a co-employer



funding arrangements, totaled \$146.1 million. Management determined that intangible assets related to the client list were \$18.9 million to be amortized utilizing an accelerated method of amortization over a weighted average of 8 years. Goodwill in the amount of \$46.7 million was recorded as a result of the acquisition, which is tax-deductible. The Company finalized the purchase price allocation for the acquisition of Alterna as of November 30, 2023. The financial results of Alterna are included in the Company's consolidated financial statements from its respective date of acquisition. This acquisition was not material to the Company's results of operations, financial position, or cash flows. Note E: Other Income, Net Other income, net, consisted of the following items: For the three months ended For the six months ended November 30, November 30, In millions 2024 2023 2024 2023 Interest income on corporate investments \$ 15.8 \$ 20.3 \$ 35.7 \$ 41.8 Interest expense (9.5 ) (8.5 ) (19.1 ) (17.9 ) Other (0.7 ) (0.1 ) (0.6 ) 0.6 Other income, net \$ 5.6 \$ 11.7 \$ 16.0 \$ 24.5 Note F: Funds Held for Clients and Corporate Investments Funds held for clients and corporate investments were as follows: November 30, 2024 Gross Gross Amortized unrealized Fair In millions cost gains losses value Type of issue: Funds held for clients' money market securities and other restricted cash equivalents \$ 393.8 \$ 143.9 \$ 144.5 Corporate bonds 1,407.5 6.3 (11.9 ) 1,401.9 Municipal bonds 1,048.2 0.5 (59.1 ) 989.6 U.S. government agency and treasury securities 903.2 1.7 (24.0 ) 880.9 Total AFS securities 3,502.8 9.3 (95.2 ) 3,416.9 Other 32.1 5.1 (0.8 ) 36.4 Total funds held for clients and corporate investments \$ 3,928.7 \$ 14.4 \$ (96.0 ) \$ 3,847.1 Table of Contents May 31, 2024 Gross Gross Amortized unrealized Fair In millions cost gains losses value Type of issue: Funds held for clients' money market securities and other restricted cash equivalents \$ 380.3 \$ 135.7 Asset-backed securities 134.7 Corporate bonds 1,400.3 1.3 (32.8 ) 1,368.8 Municipal bonds 1,060.1 0.2 (86.9 ) 973.4 U.S. government agency and treasury securities 896.0 0.1 (43.4 ) 852.7 Total AFS securities 3,492.1 1.7 (164.2 ) 3,329.6 Other 32.3 3.2 (1.6 ) 33.9 Total funds held for clients and corporate investments \$ 3,904.7 \$ 4.9 \$ (165.8 ) \$ 3,743.8 Included in funds held for clients' money market securities and other restricted cash equivalents as of November 30, 2024 were bank demand deposit accounts and money market funds. Included in asset-backed securities as of November 30, 2024 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 November 30, 2024. Included in corporate bonds as of November 30, 2024 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 December 15, 2024 through July 23, 2030. Included in municipal bonds as of November 30, 2024 were general obligation bonds and revenue bonds primarily carrying credit ratings of AA or better and have maturities ranging from December 1, 2024 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: November 30, May 31, In millions 2024 2024 Funds held for clients \$ 3,809.1 \$ 3,706.2 Corporate investments 38.0 33.9 Long-term corporate investments \$ 3,847.1 \$ 3,743.8 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 losses of \$85.9 million and \$162.5 million as of November 30, 2024 and May 31, 2024, respectively. Included in net unrealized losses as of November 30, 2024 and May 31, 2024, were 727 and 957 AFS securities in an unrealized loss position, representing approximately 73% and 95% of the total securities held, respectively. Table of Contents AFS securities in an unrealized loss position for which a credit loss has not been recognized were as follows: November 30, 2024 Securities in an unrealized loss position for less than twelve months Gross Securities in an unrealized loss position for more than twelve months Total Gross Gross Gross unrealized Fair unrealized unrealized Fair In millions losses value losses value Type of issue: Asset-backed securities \$ (0.0 ) \$ 17.4 \$ (0.2 ) \$ 8.6 \$ (0.2 ) \$ 26.0 Corporate bonds (1.3 ) 359.8 (10.6 ) 335.8 (11.9 ) 695.6 Municipal bonds (3.2 ) 47.1 (55.9 ) 912.8 (59.1 ) 959.9 U.S. government agency and treasury securities (0.8 ) 177.1 (23.2 ) 525.9 (24.0 ) 703.0 Total \$ (5.3 ) \$ 601.4 \$ (89.9 ) \$ 1,783.1 \$ (95.2 ) \$ 2,384.5 May 31, 2024 Securities in an unrealized loss position for less than twelve months Total Gross Gross Gross unrealized Fair unrealized unrealized Fair In millions losses value losses value Type of issue: Asset-backed securities \$ (0.4 ) \$ 77.4 \$ (0.7 ) \$ 43.0 \$ (1.1 ) \$ 120.4 Corporate bonds (8.4 ) 620.8 (24.4 ) 647.8 (32.8 ) 1,268.6 Municipal bonds (8.0 ) 102.5 (78.9 ) 864.7 (86.9 ) 967.2 U.S. government agency and treasury securities (6.2 ) 268.2 (37.2 ) 547.2 (43.4 ) 815.4 Total \$ (23.0 ) \$ 1,068.9 \$ (141.2 ) \$ 2,102.7 \$ (164.2 ) \$ 3,171.6 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 November 30, 2024 that had gross unrealized losses of \$95.2 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 November 30, 2024 and as of May 31, 2024 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. Table of Contents Realized gains and losses from the sale of AFS securities were as follows: For the three months ended For the six months ended November 30, November 30, 2024 In millions 2023 2024 Gross realized gains \$ 0.0 \$ 0.0 \$ 0.0 \$ 0.0 Gross realized losses (0.0) (0.0) (0.0) Net realized gains/(losses) \$ 0.0 \$ 0.0 \$ 0.0 The amortized cost and fair value of AFS securities that had stated maturities as of November 30, 2024 are shown below by expected maturity. November 30, 2024 Amortized Fair In millions cost value Maturity date: Due in one year or less \$ 394.3 \$ 388.6 Due after one year through three years \$ 1,775.9 \$ 1,713.1 Due after three years through five years \$ 1,087.4 \$ 1,068.7 Due after five years \$ 245.2 \$ 246.5 Total \$ 3,502.8 \$ 3,416.9 Variable rate demand notes (VRDNs), when held by the Company, 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: quoted prices for similar, but not identical, instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices that are observable for the instrument; or inputs 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.

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.Â Â Â 15Â Table of Contents Â Â Assets included as other are mutual fund investments, consisting of participantsâ™ eligible deferral contributions under the Companyâ™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.Â The Companyâ™s long-term borrowings are accounted for on a historical cost basis. As of November 30, 2024 and May 31, 2024, the fair value of long-term borrowings, net of debt issuance costs was \$397.2 million and \$391.8 million for the Senior Notes, Series A, respectively, and \$395.5 million and \$386.0 million for the Senior Notes, Series B, respectively.Â The Companyâ™s long-term 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.Â 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 InformationÂ Property and equipment, net of accumulated depreciation: Depreciation expense was \$29.3 million and \$56.5 million for the three and six months ended November 30, 2024, respectively, compared to \$32.0 million and \$62.4 million for the three and six months ended November 30, 2023, respectively. Â Goodwill and intangible assets, net of accumulated amortization: Amortization expense relating to intangible assets was \$12.4 million and \$24.2 million for the three and six months ended November 30, 2024, respectively, compared to \$12.9 million and \$23.7 million for the three and six months ended November 30, 2023, respectively. Goodwill and intangible assets were recorded during the six months ended November 30, 2023 related to the acquisition of Alterna. The goodwill related to this acquisition is included in the Purchased Receivable reporting unit for goodwill impairment testing. Refer to Note D 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 six months ended November 30, 2024 or November 30, 2023.Â Short-term financing: Outstanding borrowings on the Companyâ™s credit facilities had a weighted-average interest rate of 4.77% and 6.14% as of November 30, 2024 and May 31, 2024, respectively. The unused amount available under these credit facilities as of November 30, 2024 was approximately \$2.0 billion. Â 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 November 30, 2024.Â Letters of credit: The Company had irrevocable standby letters of credit available totaling \$165.9 million and \$168.5 million as of November 30, 2024 and May 31, 2024, respectively, primarily to secure commitments for certain insurance policies. The letters of credit expire at various dates between December 01, 2024 and November 23, 2025. No amounts were outstanding on these letters of credit as of, or during the six months ended November 30, 2024 and November 30, 2023, or as of May 31, 2024.Â Long-term debt: There have been no material changes to the Company's long-term debt agreement or balances subsequent to May 31, 2024. The Companyâ™s long-term debt agreement contains 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 November 30, 2024. Â Note I: Commitments and ContingenciesÂ Other commitments: The Company had outstanding commitments under existing workersâ™ 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 \$6.3 million as of November 30, 2024 and \$2.9 million as of May 31, 2024.Â 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 16Â Table of Contents Â Â has also entered into indemnification agreements with its officers, directors, and fiduciaries of certain of our retirement plans, 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.Â The Company currently self-insures the deductible portion of various insured exposures under certain corporate employee and PEO employee health and medical benefit plans. The Companyâ™s estimated loss exposure under these insurance arrangements is recorded in other current liabilities on the Consolidated Balance Sheets. Historically, the amounts accrued have not been material and were not material as of November 30, 2024. The Company also 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.Â 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.Â The Companyâ™s management currently believes that resolution of any outstanding legal matters will not have a material adverse effect on the Companyâ™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 Companyâ™s financial position and results of operations in the period in which any such effects are recorded. Note J: Income TaxesÂ The Companyâ™s effective income tax rate was 24.0% and 23.6% for the three and six months ended November 30, 2024, respectively, compared to 24.2% and 23.9% for the three and six months ended November 30, 2023, respectively. All periods were impacted by the recognition of excess tax benefits related to employee stock-based compensation payments. 17Â Table of Contents Â Â Item 2. Managementâ™s Discussion and Analysis of Financial Condition and Results of Operations Â Managementâ™s Discussion and Analysis of Financial Condition and Results of Operations reviews the operating results of Paychex, Inc. and its wholly owned subsidiaries (âœPaychex,âœ the âœCompany,âœ âœwe,âœ âœour,âœ or âœusâœ) for the three months ended November 30, 2024 (the âœsecond quarterâœ), the six months ended November 30, 2024 (the "six months"), the respective prior year periods ended November 30, 2023 (the âœprior year periodsâœ), and our financial condition as of November 30, 2024. 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 November 30, 2024 consolidated financial statements and the related Notes to Consolidated Financial Statements (Unaudited) contained in this Quarterly Report on Form 10-Q (âœForm 10-Qâœ). This review should also be read in conjunction with our Annual

Report on Form 10-K (â€œForm 10-Kâ€) for the year ended May 31, 2024 (â€œfiscal 2024â€). Forward-looking statements in this Form 10-Q are qualified by the cautionary statement included under the next sub-heading, â€œCautionary Note Regarding Forward-Looking Statements.â€ A Cautionary Note Regarding Forward-Looking Statements A Certain written statements made in this Form 10-Q may contain, and members of management may from time to time make or discuss statements which constitute, â€œforward-looking statementsâ€ within the meaning of the safe harbor provisions of the United States (â€œU.S.â€) Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by such words and phrases as â€œexpect,â€ â€œoutlook,â€ â€œwill,â€ â€œguidance,â€ â€œprojections,â€ â€œstrategy,â€ â€œmission,â€ â€œanticipate,â€ â€œbelieve,â€ â€œcan,â€ â€œcould,â€ â€œdesign,â€ â€œmay,â€ â€œpossible,â€ â€œpotential,â€ â€œshould,â€ 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 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. A 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: A â€¢our ability to keep pace with changes in technology or provide timely enhancements to our solutions and support; â€¢software defects, undetected errors, and development delays for our solutions; â€¢the possibility of cyberattacks, security vulnerabilities or Internet disruptions, including data security and privacy leaks and data loss and business interruptions; â€¢the possibility of failure of our business continuity plan during a catastrophic event; â€¢the failure of third-party service providers to perform their functions; â€¢the possibility that we may be exposed to additional risks related to our co-employment relationship with our professional employer organization (â€œPEOâ€) business; â€¢changes in health insurance and workersâ€™ compensation insurance rates and underlying claim trends; â€¢risks related to acquisitions and the integration of the businesses we acquire; â€¢our clientsâ€™ failure to reimburse us for payments made by us on their behalf; â€¢the effect of changes in government regulations mandating the amount of tax withheld or the timing of remittances; â€¢our failure to comply with covenants in our debt agreements; â€¢changes in governmental regulations, laws, and policies; â€¢our ability to comply with U.S. and foreign laws and regulations; â€¢our compliance with data privacy and artificial intelligence laws and regulations; â€¢our failure to protect our intellectual property rights; â€¢potential outcomes related to pending or future litigation matters; â€¢the impact of macroeconomic factors on the U.S. and global economy, and in particular on our small- and medium-sized business clients; â€¢volatility in the political and economic environment, including inflation and interest rate changes; â€¢our ability to attract and retain qualified people; and 18A Table of Contents A A â€¢the possible effects of negative publicity on our reputation and the value of our brand. Any of these factors, as well as other factors discussed in our Form 10-K for fiscal 2024 or in our other periodic filings with the Securities and Exchange Commission (â€œSECâ€), 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. A Our investor presentation regarding the financial results for the second 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. A Overview A We are an industry-leading human capital management (â€œHCMâ€) company delivering a full suite of technology and advisory services in human resources (â€œHRâ€), employee benefit solutions, insurance and payroll processing for small- to medium-sized businesses and their employees across the U.S. and parts of Europe. A We offer a full range of integrated HCM solutions from hire to retire for businesses and their employees. Clients may choose from a breadth of solutions that cover the spectrum of the employee life cycle, but we also allow integrations with popular HR, accounting, point-of-sale, and productivity applications available on the market today. A We support our small-business clients by utilizing our proprietary, robust, software as a service (â€œSaaSâ€) Paychex FlexÂ® platform and the Companyâ€™s SurePayrollÂ® SaaS-based solutions. Our medium-sized clients generally have more complex payroll and employee benefit needs, though with the environment of increasing regulations, we believe the need for HR outsourcing services has been moving down-market. Any of our clients on Paychex Flex can opt for the integrated suite of HCM solutions, which allows clients to choose the service and software solutions that will meet the needs of their businesses. A Our portfolio of technology, HR advisory, and employee benefits-related solutions is disaggregated into two categories, (1) Management Solutions and (2) PEO and Insurance Solutions, as discussed under the heading â€œDescription of Solutionsâ€ in Part I, Item 1 of our Form 10-K for fiscal 2024. A Our mission is to be the leading provider of HR, employee benefits, insurance, and payroll solutions by being an essential partner to small- and medium-sized businesses across the U.S. and parts of Europe. Our strategy focuses on providing industry-leading, integrated technology; delivering superior customer experiences; expanding our leadership in HR; growing our client bases; and engaging in strategic acquisitions. We believe that successfully executing this strategy will lead to strong, long-term financial performance. A We maintain industry-leading margins by managing our personnel costs and expenses while continuing to invest in our business, particularly in sales and marketing and leading-edge technology. We believe these investments are critical to our success. Looking to the future, we believe that investing in our solutions, people, and digital capabilities will position us to capitalize on opportunities for long-term growth. A We closely monitor the evolving challenges and needs of small- and mid-sized businesses, and proactively aid our clients in navigating macroeconomic challenges, legislative changes, and other complexities they may face. Through our unique blend of innovative technology solutions, backed by our extensive compliance and HR expertise, we help clients more effectively hire, develop, and retain top talent in this challenging workforce environment. Our ongoing investments in our platforms have prepared us well for the demands of the current business and regulatory environments, allowing us to adapt while maintaining strong solutions and support delivery,

resulting in high levels of client satisfaction and retention. **Table of Contents** **Second Quarter and Year to Date Business Highlights** **Highlights** compared to the prior year periods are as follows: **For the three months ended** **For the six months ended** **November 30, 2024** **November 30, 2023** **Change**(2) **2024** **2023** **Change**(2) **Total service revenue** **\$ 1,280.8** **\$ 1,226.4** **4** **%** **\$ 2,561.8** **\$ 2,479.7** **3** **%** **Total revenue** **\$ 1,316.9** **\$ 1,257.9** **5** **%** **\$ 2,635.4** **\$ 2,543.9** **4** **%** **Operating income** **\$ 538.1** **\$ 506.2** **6** **%** **\$ 1,084.8** **\$ 1,042.5** **4** **%** **Net income** **\$ 413.4** **\$ 392.7** **5** **%** **\$ 840.8** **\$ 811.9** **4** **%** **Adjusted net income**(1) **\$ 411.0** **\$ 391.6** **5** **%** **\$ 832.2** **\$ 806.7** **3** **%** **Diluted earnings per share** **\$ 1.14** **\$ 1.08** **6** **%** **\$ 2.32** **\$ 2.24** **4** **%** **Adjusted diluted earnings per share**(1) **\$ 1.14** **\$ 1.08** **6** **%** **\$ 2.30** **\$ 2.23** **3** **%** **Dividends paid to stockholders** **\$ 352.8** **\$ 320.2** **10** **%** **\$ 706.2** **\$ 642.1** **10** **%** **(1)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 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 second quarter and six months, the prior year periods, and our financial position as of November 30, 2024, 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:** **For the three months ended** **For the six months ended** **November 30, 2024** **November 30, 2023** **Change**(1) **2024** **2023** **Change**(1) **Revenue:** **\$ 962.9** **\$ 930.7** **3** **%** **\$ 1,924.6** **\$ 1,886.2** **2** **%** **PEO and Insurance Solutions** **\$ 317.9** **\$ 295.7** **7** **%** **\$ 637.2** **\$ 593.5** **7** **%** **Total service revenue** **\$ 1,280.8** **\$ 1,226.4** **4** **%** **\$ 2,561.8** **\$ 2,479.7** **3** **%** **Interest on funds held for clients** **\$ 36.1** **\$ 31.5** **15** **%** **\$ 154.6** **\$ 136.2** **15** **%** **Total revenue** **\$ 1,316.9** **\$ 1,257.9** **5** **%** **\$ 2,635.4** **\$ 2,543.9** **4** **%** **Total expenses** **\$ 778.8** **\$ 751.7** **4** **%** **Operating income** **\$ 538.1** **\$ 506.2** **6** **%** **\$ 1,084.8** **\$ 1,042.5** **4** **%** **Other income, net** **\$ 5.6** **\$ 11.7** **n/m** **\$ 16.0** **\$ 24.5** **n/m** **\$ 543.7** **\$ 517.9** **5** **%** **\$ 1,100.8** **\$ 1,067.0** **3** **%** **Income taxes** **\$ 130.3** **\$ 125.2** **4** **%** **\$ 260.0** **\$ 255.1** **2** **%** **Effective income tax rate** **\$ 24.0** **%** **\$ 24.2** **%** **\$ 23.6** **\$ 23.9** **5** **%** **\$ 23.9** **\$ 23.6** **5** **%** **Net income** **\$ 413.4** **\$ 392.7** **5** **%** **\$ 840.8** **\$ 811.9** **4** **%** **Diluted earnings per share** **\$ 1.14** **\$ 1.08** **6** **%** **\$ 2.32** **\$ 2.24** **4** **%** **(1) Percentage changes are calculated based on unrounded numbers. n/m" not meaningful** **Total revenue increased to \$1.3 billion for the second quarter and \$2.6 billion for the six months, reflecting increases of 5% and 4% respectively, compared to the prior year periods. Excluding the impact of the expiration of the Employee Retention Tax Credit ("ERTC") program, revenue growth for the second quarter and the six months was 7% and 6% respectively. The changes in revenue as compared to the prior year periods were primarily driven by the following factors:** **2024 Table of Contents** **Management Solutions revenue: \$962.9 million for the second quarter and \$1.9 billion for the six months, reflecting increases of 3% and 2%, respectively: oGrowth in the number of clients served across our suite of HCM solutions and client worksite employees for HR solutions; oHigher product penetration, including HR solutions and retirement; and oLower revenue from ancillary services, primarily due to the expiration of our ERTC program. PEO and Insurance Solutions revenue: \$317.9 million for the second quarter and \$637.2 million for the six months, reflecting increases of 7% for each period: oGrowth in the number of average PEO worksite employees; and oIncrease in PEO insurance revenues. Interest on funds held for clients: \$36.1 million for the second quarter and \$73.6 million for the six months, reflecting increases of 15% for each period, primarily due to higher average interest rates and average investment balances. We invest in highly liquid, investment-grade fixed income securities and do not utilize derivative instruments to manage interest rate risk. Details regarding our combined funds held for clients and corporate cash equivalents and investment portfolios were as follows: **For the three months ended** **For the six months ended** **November 30, 2024** **November 30, 2023** **\$ in millions** **Change**(1) **2024** **2023** **Change**(1) **Average investment balances:** **\$ 4,252.3** **\$ 4,036.3** **5** **%** **\$ 4,269.2** **\$ 4,096.6** **4** **%** **Corporate cash equivalents and investments** **\$ 1,471.4** **\$ 1,540.3** **(4)** **%** **\$ 1,545.6** **\$ 1,623.5** **(5)** **%** **Total** **\$ 5,723.7** **\$ 5,576.6** **3** **%** **\$ 5,814.8** **\$ 5,720.1** **2** **%** **Average interest rates earned (exclusive of net realized gains):** **\$ 3.4** **\$ 3.1** **3** **%** **\$ 4.3** **\$ 5.3** **5** **%** **\$ 4.6** **\$ 5.1** **5** **%** **Combined funds held for clients and corporate cash equivalents and investments** **\$ 3.6** **\$ 3.7** **3** **%** **\$ 3.8** **\$ 3.7** **3** **%** **\$ 0.0** **\$ 0.0** **0** **(0)** **\$ 0.0** **\$ 0.0** **0** **(1) Percentage changes are calculated based on unrounded numbers.** **November 30, May 31, \$ in millions** **2024** **2024** **Net unrealized losses on available for sale ("AFS") securities** **\$ (85.9)** **\$ (162.5)** **4.75** **%** **\$ 5.50** **%** **Total fair value of AFS securities** **\$ 3,416.9** **\$ 3,329.6** **Weighted-average duration of AFS securities in years** **(3)** **2.4** **2.7** **Weighted-average yield-to-maturity of AFS securities** **(3)** **3.1** **3.0** **3.0** **(1) The net unrealized loss on our investment portfolio was approximately \$103.3 million as of December 18, 2024. Refer to Note F in the Notes to Consolidated Financial Statements and the "Market Risk Factors" caption contained in 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 4.50% to 4.75% as of November 30, 2024 and 5.25% to 5.50% as of May 31, 2024. Effective December 19, 2024, the Federal Reserve decreased the Federal Funds rate to a range of 4.25% to 4.50%. (3) These items exclude the impact of variable rate demand notes ("VRDNs") as they are tied to short-term interest rates.** **Table of Contents** **Total expenses:** The following table summarizes the total**



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 of the Notes to Consolidated Financial Statements contained in Item 8 of our Form 10-K for fiscal 2024 for further discussion of our credit facilities. Details of our credit facilities as of November 30, 2024 were as follows:

| Outstanding   | Available  | Expiration Date    | Available | Amount  | Amount   |
|---|------------|--------------------|-----------|---------|----------|
| 1,000.0   | \$ 1,000.0 | September 17, 2026 | \$ 750.0  | \$ 18.2 | \$ 231.8 |
| Total Lines of Credit Outstanding and Available \$ 18.2 \$ 1,981.8  |            |                    |           |         |          |
| Amounts outstanding under the PNC credit facility as of November 30, 2024 remain outstanding as of the date of this report. |            |                    |           |         |          |

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

| Credit Facility | \$ 1 Billion | \$ 750 Million | \$ 250 Million  |
|-----------------|--------------|----------------|---|
| JPM             | \$ 104.3     | \$ 26.0        | Weighted-average interest rate 8.22 %   |
| PNC             | \$ 5.54      | 5.54 %         | 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 2024 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.

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**Letters of credit:** As of November 30, 2024, we had irrevocable standby letters of credit available totaling \$165.9 million, primarily to secure commitments for certain insurance policies. The letters of credit expire at various dates between December 01, 2024 and November 23, 2025. No amounts were outstanding on these letters of credit during the second quarter or as of November 30, 2024.

**Long-term financing:** We have borrowed \$800.0 million through the issuance of long-term private placement debt. Refer to Note N of the Notes to Consolidated Financial Statements contained in Item 8 of our Form 10-K for fiscal 2024 for further discussion on our long-term financing.

**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 \$6.3 million of capital assets as of November 30, 2024. In addition, we are involved in three limited partnership agreements to contribute a maximum of \$30.0 million to venture capital funds in the financial technology sector. As of November 30, 2024, we have contributed approximately \$24.1 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 fiduciaries of certain of our retirement plans, 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 and PEO employee health and medical benefit plans. Our estimated loss exposure under these insurance arrangements is recorded in other current liabilities on our Consolidated Balance Sheets. Historically, the amounts accrued have not been material and were not material as of November 30, 2024. 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; and 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, and acquisitions. Our investment portfolio incorporates both corporate cash and funds held for clients. Interest rates, market conditions, and our volatile cash flows are among several factors influencing our investment strategy directing the mix between long-term and VRDN AFS securities compared to short-term restricted cash and cash equivalents held in the investment portfolio. An investment 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 or 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 the Company's month-end close, and (2) the timing of when cash is collected from the customer, and 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 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.

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

| For the six months ended November 30, 2024 | 2023 | Change | Net cash provided by operating activities | \$ 841.1      | \$ 1,004.3 | \$ (163.2 )   |
|--|------|--------|---|---------------|------------|---|
|  |      |        |   | (302.7 )      | (109.7 )   | (193.0 )  |
|  |      |        |   | 532.3         | 1,308.7    | Net cash (used in)/provided by financing activities \$ (776.4 ) |
|  |      |        |   | \$ (1,664.9 ) | \$ 1,426.9 | \$ 1.96   |
|  |      |        |   | \$ 1.78       | \$ 1.78    | \$ 1.78   |

The changes in our cash flow for the six months compared to the prior year period were primarily the result of the following key drivers: Operating Cash Flow Activities Fiscal 2025 Net income attributable to the reasons discussed in the **Results of Operations** section of this Item 2; offset by Net increase in prepaid income taxes

due to the timing of estimated tax payments as compared to the accrual of income tax expense; â€¢Net changes in PEO assets and liabilities as a result of the timing of cash collected and the settlement of payroll taxes; and â€¢A net decrease in accrued corporate compensation primarily due to the settlement of fiscal 2024 year-end bonuses. Fiscal 2024 â€¢Net income attributable to the reasons discussed in the â€œResults of Operationsâ€ section of this Item 2; â€¢Net changes in PEO assets and liabilities as a result of the timing of cash collected and the settlement of payroll taxes; â€¢A net increase in refunds owed to our PEO clients related to tax benefits allowed under the Coronavirus Aid, Relief, and Economic Security Act; offset by â€¢A net decrease in accrued corporate compensation primarily due to the settlement of fiscal 2023 year-end bonuses; â€¢Increase in trade receivables due to timing of payroll operational cut-off and month-end and timing of cash collections on billing for ancillary services; and â€¢Net increase in prepaid income taxes due to the timing of estimated tax payments as compared to the accrual of income tax expense. Â Investing Cash Flow Activities Fiscal 2025 â€¢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; â€¢Cash used to develop and enhance our client facing internal-use software and the acquisition of third-party customer lists; and â€¢Net purchases of AFS securities related to investment in our long-term portfolio. Â Fiscal 2024 â€¢Cash used for the acquisition of Alterna Capital Solutions, LLC and settlement of its outstanding debt at closing. Refer to Note D of the Notes to Consolidated Financial Statements for additional discussion of this transaction; 26Â Table of Contents Â A â€¢Net purchase of short-term accounts receivable due to an increase in our client base, and funding to existing client base, and the timing of net cash collections; and â€¢Cash used to develop and enhance our client facing internal-use software and the acquisition of third-party customer lists; offset by â€¢Net sales from AFS securities primarily due to a shift from investing in VRDNs to reinvesting in cash and cash equivalents due to more favorable interest rates. We had no VRDN holdings as of November 30, 2023 compared to \$344.1 million as of May 31, 2023. Financing Cash Flow Activities Fiscal 2025 â€¢Cumulative dividends paid at \$1.96 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 â€¢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 repurchased shares were retired upon acquisition; offset by â€¢Increase in client fund obligations related to the timing of collections and remittances of client funds. Fiscal 2024 â€¢Increase in client fund obligations related to the timing of collections and remittances of client funds. The accrual balance as of May 31, 2023 was impacted by the deferral of semi-weekly payroll tax payments due to the Memorial Day holiday; offset by â€¢Cumulative dividends paid at \$1.78 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; and â€¢Cash used to repurchase 1.5 million shares of our common stock at a weighted average price of \$115.37 per share during the six months ended November 30, 2023. All repurchases were retired upon acquisition. MARKET RISK FACTORS Â 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; municipal bonds; U.S. government agency securities; 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. Â During the six 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. We have not and do not utilize derivative financial instruments to manage our interest rate risk. Â During the six months, the average interest rate earned on our combined funds held for clients and corporate cash equivalents and investment portfolios was 3.8% 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 November 30, 2024 had an average duration of 2.4 years, would not reflect decreases in interest rates until the investments are sold or mature and the proceeds are reinvested at lower rates. Â 27Â Table of Contents Â A The amortized cost and fair value of AFS securities that had stated maturities as of November 30, 2024 are shown below by expected maturity. Â A November 30, 2024 Â A Â Amortized Â A Fair Â In millions Â cost Â A value Â Maturity date: Â A Â A Â A Â A Â A Â Due in one year or less Â \$ Â 394.3 Â A Â \$ Â 388.6 Â Due after one year through three years Â A Â A Â 1,775.9 Â A Â A Â 1,713.1 Â Due after three years through five years Â A Â A Â 1,087.4 Â A Â A Â 1,068.7 Â Due after five years Â A Â A Â 245.2 Â A Â A Â 246.5 Â Total Â \$ Â 3,502.8 Â A Â \$ Â 3,416.9 Â A Â 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. Â As of November 30, 2024, the Federal Funds rate was in the range of 4.50% to 4.75%. Effective December 19, 2024, the Federal Reserve decreased the Federal Funds rate to a range of 4.25% to 4.50%. There continues to be uncertainty in the changing market and economic conditions, including the possibility of additional measures that could be taken by the Federal Reserve and other government agencies related to the overall macroeconomic environment. We will continue to monitor the market and economic conditions. Â Calculating the future effects of changing interest rates involves many factors. These factors include, but are not limited to: Â â€¢governmental action to address inflation and/or intervene to support financial markets; â€¢daily interest rate changes; â€¢seasonal variations in investment balances; â€¢actual duration of short-term and AFS securities; â€¢the proportion of taxable and tax-exempt investments; â€¢changes in tax-exempt municipal rates versus taxable investment rates, which are not synchronized or simultaneous; and â€¢financial market volatility and the resulting effect on benchmark and other indexing interest rates. Â 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. Â Our total investment portfolio (funds held for clients and corporate cash equivalents and investments) is expected to average approximately \$6.2 billion for

the year ending May 31, 2025. Our anticipated allocation is approximately 45% invested in short-term securities and VRDNs with an average duration of less than 30 days and 55% 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 losses of \$85.9 million as of November 30, 2024 and \$162.5 million as of May 31, 2024. During the six months, the net unrealized loss on our investment portfolios ranged from a loss of \$162.5 million to a loss of \$46.7 million. These fluctuations were driven by changes in market rates of interest. The net unrealized loss on our investment portfolio was approximately \$103.3 million as of December 18, 2024. As of November 30, 2024 and May 31, 2024, we had \$3.4 billion and \$3.3 billion, respectively, invested in AFS securities at fair value. The weighted-average yield-to-maturity was 3.1% as of November 30, 2024 and 3.0% as of May 31, 2024. 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 November 30, 2024, would be in a range of approximately \$20.0 million to \$25.0 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. 28 Table of Contents We are also exposed to interest rate risk through the use of our 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 November 30, 2024 were not impaired as a result of the previously discussed reasons. While \$2.4 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 \$95.2 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 November 30, 2024 and May 31, 2024 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 November 30, 2024. 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 client's 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 2024, filed with the SEC on July 11, 2024. 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; 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 of 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 of 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. 29 Table of Contents 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 November 30, 2024, 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 November 30, 2024. 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 November 30, 2024, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. 30 Table of Contents PART II. OTHER INFORMATION Item 2. Unregistered Sales of Equity Securities and Use of Proceeds The Company maintains a program to repurchase up to \$400.0 million of the Company's common stock with authorization that expires on May 31, 2027. The purpose of this program is to manage common stock dilution. There were no shares repurchased during the second quarter and \$296.0 million

remains available for share repurchases in total under this program. During the second quarter, the Company paid \$0.5 million in federal excise tax for net share repurchases made during the fiscal year ended May 31, 2024. Item 5. Other Information During the second 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 Exhibitnumber Description \* 31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. \* 31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. \* 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. \* 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. \* 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 31 Table of Contents \* SIGNATURES Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. PAYCHEX, INC. Date: December 19, 2024 /s/ John B. Gibson John B. Gibson President, Chief Executive Officer and Director (Principal Executive Officer) Date: December 19, 2024 /s/ Robert L. Schrader Robert L. Schrader Senior Vice President and Chief Financial Officer (Principal Financial Officer) Date: December 19, 2024 /s/ Christopher Simmons Christopher Simmons Vice President, Controller and Treasurer (Principal Accounting Officer) 32 EX-31.1 EXHIBIT 31.1 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. December 19, 2024 /s/ John B. Gibson John B. Gibson President, Chief Executive Officer and Director (Principal Executive Officer) EX-31.2 EXHIBIT 31.2 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. Â Date: December 19, 2024 /s/ Robert L. Schrader Senior Vice President and Chief Financial Officer(Principal Financial Officer) EX-32.1 EXHIBIT 32.1 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 November 30, 2024, as filed with the Securities and Exchange Commission (the "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: December 19, 2024 /s/ John B. Gibson John B. Gibson President, Chief Executive Officer and Director(Principal Executive Officer) EX-32.2 EXHIBIT 32.2 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 November 30, 2024, as filed with the Securities and Exchange Commission (the "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: December 19, 2024 /s/ Robert L. Schrader Robert L. Schrader Senior Vice President and Chief Financial Officer(Principal Financial Officer)