

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

Form 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2024

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-40640  
**PAYCOR HCM, INC.**  
(Exact Name of Registrant as Specified in its Charter)

Delaware  
(State or Other Jurisdiction of Incorporation or Organization)

4811 Montgomery Road  
Cincinnati, OH  
(Address of Principal Executive Offices)

83-1813909  
(I.R.S. Employer Identification No.)

45212  
(Zip Code)

(800) 381-0053  
Registrant's telephone number, including area code

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, par value \$0.001 per share	PYCR	The NASDAQ Stock Market LLC (Nasdaq Global Select Market)

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

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

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

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

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. o

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

As of January 29, 2025, the number of shares of the registrant's common stock outstanding was 181,771,948.

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## Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including the sections entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors,” contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, our objectives for future operations, and any statements of a general economic or industry specific nature, are forward-looking statements. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. Words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “will,” “should,” “can have,” “likely,” “outlook,” “potential,” “targets,” “contemplates,” or the negative or plural of these words and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe, based on information currently available to our management, may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, related to our operations, financial results, financial condition, business, prospects, growth strategy, and liquidity. Additionally, these forward-looking statements are subject to a number of risks, uncertainties and assumptions related to the Agreement and Plan of Merger (the “Merger Agreement”), dated as of January 7, 2025, by and among the Company, Paychex, Inc., a Delaware corporation (“Paychex”), and Skyline Merger Sub, Inc., a Delaware corporation and an indirect wholly owned subsidiary of Paychex (“Merger Sub”), pursuant to which Merger Sub will be merged with and into the Company, with the Company surviving as a wholly owned subsidiary of Paychex (the “Merger”). Accordingly, there are, or will be, important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to:

- The risk that the Merger may not be completed in a timely manner or at all, which may adversely affect our business and the price of our common stock.
- The occurrence of any event, change or other circumstance or condition that could give rise to the termination of the Merger Agreement.
- Potential litigation relating to the Merger that could be instituted against the parties to the Merger Agreement or their respective directors or officers, including the effects of any outcomes related thereto.
- Certain restrictions during the pendency of the Merger that may impact our ability to pursue certain business opportunities or strategic transactions.
- Uncertainty as to timing of completion of the Merger.
- Risks that the benefits of the Merger are not realized when and as expected.
- Our ability to manage our growth effectively.
- The resulting effects of unauthorized access to our customers’ or their employees’ personal data as a result of a breach of our or our vendors’ securities measures, including by way of computer viruses, worms, phishing and ransomware attacks, malicious software programs, and other data security threats.
- Our dependency on third-party security measures.
- The expansion and retention of our direct sales force with qualified and productive persons and the related effects on the growth of our business.
- The impact on customer expansion and retention if implementation, user experience, customer service, or performance relating to our solutions is not satisfactory.
- The timing of payments made to employees and taxing authorities relative to the timing of when a customer’s electronic funds transfers are settled to our account.
- Future acquisitions of other companies’ businesses, technologies, or customer portfolios.
- The continued service of our key executives.
- Our ability to innovate and deliver high-quality, technologically advanced products and services.
- Risks specifically associated with our development and use of artificial intelligence in our solutions.

- Our ability to attract and retain qualified personnel, including software developers and skilled IT, sales, marketing, and operation personnel.
- The proper operation of our software.
- Our relationships with third parties that provide financial and other functionality and other functionality integrated into our human capital management platform.
- Damage, failure, or disruption of our Software-as-a-Service delivery model, data centers, or our third-party providers' services.
- Our ability to protect our intellectual and proprietary rights.
- The use of open source software in our applications.
- The growth of the market for cloud-based human capital management and payroll software among mid-market businesses.
- The competitiveness of our market generally.
- The extent to which negative macroeconomic conditions persist or worsen in the markets in which we or our customers operate.
- The impact of an economic downturn or recession in the United States or global economy.
- Our customers' dependence on our solutions to comply with applicable laws.
- Our ability to comply with anti-corruption, anti-bribery and similar laws.
- Changes in laws, regulations, or requirements applicable to our software and services.
- The impact of privacy, data protection, tax and other laws and regulations.
- Our ability to maintain effective internal controls over financial reporting.
- The other risk factors set forth under Item 1A of Part I of our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on August 22, 2024.

Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations and assumptions reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We undertake no obligation to publicly update any forward-looking statement after the date of this report, whether as a result of new information, future developments or otherwise, or to conform these statements to actual results or revised expectations, except as may be required by law.

## Part I - FINANCIAL INFORMATION

### Item 1. Financial Statements

**Paycor HCM, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
(in thousands, except share amounts)

	December 31, 2024	June 30, 2024
	(Unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 114,569	\$ 117,958
Accounts receivable, net allowance for credit losses	58,252	48,164
Deferred contract costs	75,440	70,377
Prepaid expenses	13,284	12,749
Other current assets	9,397	3,458
Current assets before funds held for clients	270,942	252,706
Funds held for clients	1,333,368	1,109,136
Total current assets	1,604,310	1,361,842
Property and equipment, net	34,087	35,220
Operating lease right-of-use assets	14,308	14,417
Goodwill	765,904	766,653
Intangible assets, net	137,327	171,493
Capitalized software, net	72,046	67,376
Long-term deferred contract costs	199,450	189,826
Other long-term assets	2,770	2,566
Total assets	\$ 2,830,202	\$ 2,609,393
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 21,327	\$ 27,309
Accrued expenses and other current liabilities	24,851	26,450
Accrued payroll and payroll related expenses	36,190	44,923
Deferred revenue	13,395	13,600
Current liabilities before client fund obligations	95,763	112,282
Client fund obligations	1,333,944	1,111,373
Total current liabilities	1,429,707	1,223,655
Deferred income taxes	10,726	16,019
Long-term operating leases	12,765	13,447
Other long-term liabilities	67,986	69,346
Total liabilities	1,521,184	1,322,467
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Common stock \$0.001 par value per share, 500,000,000 shares authorized, 181,251,037 shares outstanding at December 31, 2024 and 178,210,263 shares outstanding at June 30, 2024	181	178
Treasury stock, at cost, 10,620,260 shares at December 31, 2024 and June 30, 2024	(245,074)	(245,074)
Preferred stock, \$0.001 par value, 50,000,000 shares authorized, — shares outstanding at December 31, 2024 and June 30, 2024	—	—
Additional paid-in capital	2,111,961	2,081,668
Accumulated deficit	(557,769)	(548,437)
Accumulated other comprehensive loss	(281)	(1,409)
Total stockholders' equity	1,309,018	1,286,926
Total liabilities and stockholders' equity	\$ 2,830,202	\$ 2,609,393

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.



**Paycor HCM, Inc. and Subsidiaries**  
**Unaudited Condensed Consolidated Statements of Operations**  
(in thousands, except share amounts)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Revenues:				
Recurring and other revenue	\$ 167,388	\$ 147,232	\$ 321,387	\$ 279,940
Interest income on funds held for clients	13,050	12,309	26,527	23,189
Total revenues	180,438	159,541	347,914	303,129
Cost of revenues	62,186	55,125	121,403	106,503
Gross profit	118,252	104,416	226,511	196,626
Operating expenses:				
Sales and marketing	60,137	57,753	116,926	110,531
General and administrative	38,554	56,173	86,850	104,922
Research and development	18,369	16,665	35,797	30,720
Total operating expenses	117,060	130,591	239,573	246,173
Income (loss) from operations	1,192	(26,175)	(13,062)	(49,547)
Other (expense) income:				
Interest expense	(1,135)	(1,153)	(2,273)	(2,397)
Other	780	(1,745)	2,450	(814)
Income (loss) before benefit for income taxes	837	(29,073)	(12,885)	(52,758)
Income tax expense (benefit)	2,885	(2,824)	(3,553)	(5,913)
Net loss	\$ (2,048)	\$ (26,249)	\$ (9,332)	\$ (46,845)
Basic and diluted net loss per share	\$ (0.01)	\$ (0.15)	\$ (0.05)	\$ (0.26)
Weighted average common shares outstanding:				
Basic and diluted	179,592,666	177,567,397	179,161,188	177,260,396

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

**Paycor HCM, Inc. and Subsidiaries**  
**Unaudited Condensed Consolidated Statements of Comprehensive Loss**  
(in thousands)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Net loss	\$ (2,048)	\$ (26,249)	\$ (9,332)	\$ (46,845)
Other comprehensive income (loss), net of tax:				
Unrealized (loss) gain on foreign currency translation	(434)	183	(324)	15
Unrealized (loss) gain on available-for-sale securities, net of tax	(2,642)	3,273	1,452	3,099
Other comprehensive (loss) income, net of tax	(3,076)	3,456	1,128	3,114
Comprehensive loss	<u>\$ (5,124)</u>	<u>\$ (22,793)</u>	<u>\$ (8,204)</u>	<u>\$ (43,731)</u>

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.



**Paycor HCM, Inc. and Subsidiaries**  
**Unaudited Condensed Consolidated Statements of Stockholders' Equity**  
(in thousands, except share amounts)

Three Months Ended December 31, 2023

	Preferred Stock		Common Stock			Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Loss	Total Stockholders' Equity	
	Shares	Amount	Shares	Amount	Treasury Stock					
Balance, September 30, 2023	—	\$ —	177,104,017	\$ 177	\$ (245,074)	\$ 2,027,863	\$ (510,091)	\$ (3,460)	\$ 1,269,415	
Net loss	—	—	—	—	—	—	(26,249)	—	(26,249)	
Stock-based compensation expense	—	—	—	—	—	23,049	—	—	23,049	
Net settlement for taxes	—	—	—	—	—	(1,411)	—	—	(1,411)	
Issuance of common stock under employee stock plans	—	—	530,279	1	—	—	—	—	1	
Other comprehensive income	—	—	—	—	—	—	—	3,456	3,456	
Balance, December 31, 2023	—	\$ —	177,634,296	\$ 178	\$ (245,074)	\$ 2,049,501	\$ (536,340)	\$ (4)	\$ 1,268,261	

Three months ended December 31, 2024

	Preferred Stock		Common Stock			Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Treasury Stock				
Balance, September 30, 2024	—	\$ —	178,821,615	\$ 179	\$ (245,074)	\$ 2,097,454	\$ (555,721)	\$ 2,795	\$ 1,299,633
Net loss	—	—	—	—	—	—	(2,048)	—	(2,048)
Stock-based compensation expense	—	—	—	—	—	16,141	—	—	16,141
Net settlement for taxes	—	—	—	—	—	(1,634)	—	—	(1,634)
Issuance of common stock under employee stock plans	—	—	2,429,422	2	—	—	—	—	2
Other comprehensive loss	—	—	—	—	—	—	—	(3,076)	(3,076)
Balance, December 31, 2024	—	\$ —	181,251,037	\$ 181	\$ (245,074)	\$ 2,111,961	\$ (557,769)	\$ (281)	\$ 1,309,018

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

**Paycor HCM, Inc. and Subsidiaries**  
**Unaudited Condensed Consolidated Statements of Stockholders' Equity**  
(in thousands, except share amounts)

Six Months Ended December 31, 2023

	Six months ended December 31, 2023									
	Preferred Stock		Common Stock				Accumulated			
	Shares	Amount	Shares	Amount	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Loss	Total Stockholders' Equity	
Balance, June 30, 2023	—	\$ —	176,535,236	\$ 177	\$ (245,074)	\$ 2,011,194	\$ (489,495)	\$ (3,118)	\$ 1,273,684	
Net loss	—	—	—	—	—	—	(46,845)	—	(46,845)	
Stock-based compensation expense	—	—	—	—	—	35,964	—	—	35,964	
Net settlement for taxes	—	—	—	—	—	(1,829)	—	—	(1,829)	
Issuance of common stock under employee stock plans	—	—	1,099,060	1	—	4,172	—	—	4,173	
Other comprehensive income	—	—	—	—	—	—	—	3,114	3,114	
Balance, December 31, 2023	—	\$ —	177,634,296	\$ 178	\$ (245,074)	\$ 2,049,501	\$ (536,340)	\$ (4)	\$ 1,268,261	

Six Months Ended December 31, 2024

	Six Months Ended December 31, 2024									
	Preferred Stock		Common Stock				Accumulated			
	Shares	Amount	Shares	Amount	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Loss	Total Stockholders' Equity	
Balance, June 30, 2024	—	\$ —	178,210,263	\$ 178	\$ (245,074)	\$ 2,081,668	\$ (548,437)	\$ (1,409)	\$ 1,286,926	
Net loss	—	—	—	—	—	—	(9,332)	—	(9,332)	
Stock-based compensation expense	—	—	—	—	—	28,806	—	—	28,806	
Net settlement for taxes	—	—	—	—	—	(1,957)	—	—	(1,957)	
Issuance of common stock under employee stock plans	—	—	3,040,774	3	—	3,444	—	—	3,447	
Other comprehensive income	—	—	—	—	—	—	—	1,128	1,128	
Balance, December 31, 2024	—	\$ —	181,251,037	\$ 181	\$ (245,074)	\$ 2,111,961	\$ (557,769)	\$ (281)	\$ 1,309,018	

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

**Paycor HCM, Inc. and Subsidiaries**  
**Unaudited Condensed Consolidated Statements of Cash Flows**  
**(in thousands)**

	Six Months Ended	
	December 31,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (9,332)	\$ (46,845)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	2,848	2,997
Amortization of intangible assets and software	57,533	68,312
Amortization of deferred contract costs	38,638	29,876
Stock-based compensation expense	28,806	35,964
Deferred tax benefit	(6,040)	(5,937)
Bad debt expense	3,301	2,870
Loss on sale of investments	147	142
Loss on foreign currency exchange	442	4
Gain on lease exit	—	(29)
Naming rights accretion expense	2,012	2,061
Change in fair value of deferred consideration	(112)	2,816
Other	44	44
Changes in assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(11,689)	(17,003)
Prepaid expenses and other assets	(6,055)	(7,487)
Accounts payable	(5,824)	(3,207)
Accrued liabilities and other	(12,757)	(10,892)
Deferred revenue	112	255
Deferred contract costs	(53,325)	(53,904)
Net cash provided by operating activities	28,749	37
Cash flows from investing activities:		
Purchases of client funds available-for-sale securities	(114,162)	(151,939)
Proceeds from sale and maturities of client funds available-for-sale securities	106,052	103,453
Purchase of property and equipment	(1,756)	(2,068)
Acquisition of intangible assets	(1,553)	(4,133)
Acquisition of businesses, net of cash acquired	—	(28)
Internally developed software costs	(26,484)	(25,308)
Net cash used in investing activities	(37,903)	(80,023)
Cash flows from financing activities:		
Net change in cash and cash equivalents held to satisfy client funds obligations	221,962	270,540
Payment of contingent consideration	(1,329)	—
Payment of capital expenditure financing	—	(3,689)
Repayments of debt and finance lease obligations	(597)	(536)
Withholding taxes paid related to net share settlements	(1,957)	(1,829)
Proceeds from employee stock purchase plan	3,444	4,172
Net cash provided by financing activities	221,523	268,658
Impact of foreign exchange on cash and cash equivalents	21	11
Net change in cash, cash equivalents, restricted cash and short-term investments, and funds held for clients	212,390	188,683
Cash, cash equivalents, restricted cash and short-term investments, and funds held for clients, beginning of period	910,580	879,046
Cash, cash equivalents, restricted cash and short-term investments, and funds held for clients, end of period	\$ 1,122,970	\$ 1,067,729
Supplemental disclosure of non-cash investing, financing and other cash flow information:		
Capital expenditures in accounts payable	\$ 54	\$ 39
Cash paid for interest	\$ —	\$ 145
Capital lease asset obtained in exchange for capital lease liabilities	\$ —	\$ 3,393
Reconciliation of cash, cash equivalents, restricted cash and short-term investments, and funds held for clients to the Consolidated Balance Sheets		
Cash and cash equivalents	\$ 114,569	\$ 61,719
Funds held for clients	1,008,401	1,006,010
Total cash, cash equivalents, restricted cash and short-term investments, and funds held for clients	\$ 1,122,970	\$ 1,067,729

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

**Paycor HCM, Inc. and Subsidiaries**  
**Notes to the Unaudited Condensed Consolidated Financial Statements**  
**(all amounts in thousands, except share and per share data)**

**1. ORGANIZATION AND DESCRIPTION OF BUSINESS:**

Paycor HCM, Inc. ("Paycor HCM" or the "Company") is a leading provider of human capital management ("HCM") software located primarily in the United States ("U.S."). The Company's solutions target mid-market businesses with tens to thousands of employees. Solutions provided include payroll, human resources ("HR") services, talent acquisition, talent management, workforce management, benefits administration, reporting and analytics, and other payroll-related services. Services are generally provided in a Software-as-a-Service ("SaaS") delivery model utilizing a cloud-based platform.

Paycor HCM is a holding company with no material operating assets or operations that was formed on August 24, 2018 to effect the acquisition of Paycor, Inc. and its subsidiaries ("Paycor") by certain investment funds advised by Apax Partners LLP, a leading global private equity advisory firm.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Basis of presentation and consolidation**

The accompanying interim unaudited condensed consolidated financial statements of the Company were prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and include all of the information and disclosures required by generally accepted accounting principles in the United States of America ("U.S. GAAP") for interim reporting. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes for the year ended June 30, 2024 in the Company's Annual Report on Form 10-K filed with the SEC on August 22, 2024. The unaudited condensed consolidated financial statements for interim periods do not include all disclosures required by U.S. GAAP for annual financial statements and are not necessarily indicative of results for any future interim periods and the full fiscal year ending June 30, 2025. Adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of the unaudited condensed consolidated financial position, results of operations and cash flows at the dates and for the periods presented have been included. All intercompany transactions and balances have been eliminated in consolidation.

**Use of estimates**

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the evaluation of potential impairment of goodwill and intangible assets and the valuation of stock-based compensation.

The Company's results of operations and financial condition can also be affected by economic, political, legislative, regulatory and legal actions, including but not limited to health epidemics and pandemics and their resulting economic impact. Economic conditions, such as recessionary trends, inflation, interest and monetary exchange rates, and government fiscal policies can have a significant effect on the Company's results of operations and financial condition. While the Company maintains reserves for anticipated liabilities and carries various levels of insurance, the Company could be affected by civil, criminal, regulatory or administrative actions, claims or proceedings.

**Accounts receivable, net of allowance for credit losses**

Accounts receivable balances are shown on the unaudited condensed consolidated balance sheets net of the allowance for credit losses of \$ 7,087 and \$6,358 as of December 31, 2024 and June 30, 2024, respectively. The allowance for credit losses considers factors such as historical experience, credit quality, age of the accounts receivable balance and current and forecasted economic conditions that may affect a client's ability to pay. The Company performs ongoing credit evaluations and generally requires no collateral from clients. Management reviews individual accounts as they become past due to determine collectability. The allowance for credit losses is adjusted periodically based on management's consideration of past due accounts as well as current and forecasted economic conditions. Individual accounts are charged against the allowance when all reasonable collection efforts have been exhausted.

## Sales and marketing

Sales and marketing expenses consist of costs associated with the Company's direct sales and marketing staff, including employee-related costs, marketing, advertising and promotion expenses, and other related costs. Advertising and promotion costs are expensed as incurred. Advertising and promotion expenses totaled approximately \$9,125 and \$8,440 for the three months ended December 31, 2024 and 2023, respectively. Advertising and promotion expenses totaled approximately \$17,606 and \$16,271 for the six months ended December 31, 2024 and 2023, respectively.

## Stock-based compensation

The Company recognizes all employee and director stock-based compensation as a cost in the unaudited condensed consolidated financial statements. Equity-classified awards are measured at the grant date fair value of the award and expense is recognized, net of actual forfeitures, on a straight-line basis over the requisite service period for the award.

On October 1, 2024, the Company granted performance-based restricted stock units ("PSUs") to certain executive officers and other employees. The PSUs are subject to both time-based and performance-based vesting and are eligible to performance vest based on the achievement of specific revenue and net retention performance goals, each as measured over a one-year performance period commencing on the grant date. One-third of the PSUs that performance-vest at the end of such one-year performance period will be deemed fully vested, subject to continued employment through such date, and the remaining performance-vested PSUs will be subject to continued time-vesting, with such performance-vested PSUs time-vesting quarterly over the two year period following the performance period, subject to continued employment through each such time-vesting date. The total number of shares underlying the PSUs granted on October 1, 2024 was 806,455, with a target grant date fair value of \$ 11,444 which was based on the Company's stock price as of September 30, 2024. The Company will recognize compensation expense related to the PSUs granted over the three-year vesting period.

On December 30, 2024, the Compensation and Benefits Committee approved a conversion of 1,592,220 RSUs, which has been previously granted on October 1, 2024 to certain Company employees, into the same number of shares of restricted stock. The shares of restricted stock issued upon conversion are subject to the same terms and conditions, including as to vesting, as the original RSU awards. As a result, no incremental fair value was recorded in connection with the modification of the original RSU awards.

The Company establishes the grant date fair value of RSUs and PSUs based on the fair value of the Company's underlying common stock. The Company estimates the grant date fair value of stock options, including common stock purchased as a part of the Company's Employee Stock Purchase Plan (the "ESPP"), using the Black-Scholes option pricing model, which requires management to make assumptions with respect to the fair value of the Company's award on the grant date, including the expected term of the award, the expected volatility of the Company's stock calculated based on a period of time generally commensurate with the expected term of the award, the expected risk-free rate of return, and expected dividend yields of the Company's stock. The Company recognized stock-based compensation expense for the three months ended December 31, 2024 and 2023 of \$16,141 and \$23,049, respectively. The Company recognized stock-based compensation expense for the six months ended December 31, 2024 and 2023 of \$28,806 and \$35,964, respectively.

## 3. REVENUE:

The following table disaggregates revenue from contracts by recurring fees and implementation services and other, which the Company believes depicts the nature, amount and timing of its revenue:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Recurring fees	\$ 163,145	\$ 143,330	\$ 312,700	\$ 272,511
Implementation services and other	4,243	3,902	8,687	7,429
Recurring and other revenue	<u>\$ 167,388</u>	<u>\$ 147,232</u>	<u>\$ 321,387</u>	<u>\$ 279,940</u>

## Deferred revenue

The Company recognizes deferred revenue for nonrefundable upfront fees as well as for subscription services related to certain ancillary products invoiced prior to the satisfaction of the performance obligation.

The nonrefundable upfront fees related to implementation services are typically included on the client's first invoice. Implementation fees are deferred and recognized as revenue over an estimated 24-month period to which the material right exists, which is the period the client is expected to benefit from not having to pay an additional nonrefundable implementation fee upon renewal of the service.

The following table summarizes the changes in deferred revenue related to the nonrefundable upfront fees and recurring subscription services:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Balance, beginning of period	\$ 18,701	\$ 18,712	\$ 19,318	\$ 18,697
Deferral of revenue	5,266	5,165	9,430	10,053
Revenue recognized	(4,539)	(4,950)	(9,328)	(9,794)
Impact of foreign exchange	(30)	25	(22)	(4)
Balance, end of period	\$ 19,398	\$ 18,952	\$ 19,398	\$ 18,952

Deferred revenue is recorded within deferred revenue and other long-term liabilities on the unaudited condensed consolidated balance sheets. The Company will recognize deferred revenue of \$7,787 in fiscal year 2025, \$9,313 in fiscal year 2026, and \$2,298 in fiscal year 2027.

#### **Deferred contract costs**

The following table presents the deferred contract costs balance and related amortization expense for these deferred contract costs.

As of and for the Three Months Ended December 31, 2024				
	Beginning Balance	Capitalization of Costs	Amortization	Ending Balance
Costs to obtain a contract	\$ 111,616	\$ 10,197	\$ (8,401)	\$ 113,412
Costs to fulfill a contract	156,453	16,428	(11,403)	161,478
Total	\$ 268,069	\$ 26,625	\$ (19,804)	\$ 274,890

As of and for the Three Months Ended December 31, 2023				
	Beginning Balance	Capitalization of Costs	Amortization	Ending Balance
Costs to obtain a contract	\$ 97,749	\$ 10,152	\$ (6,666)	\$ 101,235
Costs to fulfill a contract	132,076	16,666	(8,844)	139,898
Total	\$ 229,825	\$ 26,818	\$ (15,510)	\$ 241,133

As of and for the Six Months Ended December 31, 2024				
	Beginning Balance	Capitalization of Costs	Amortization	Ending Balance
Costs to obtain a contract	\$ 108,583	\$ 21,249	\$ (16,420)	\$ 113,412
Costs to fulfill a contract	151,620	32,076	(22,218)	161,478
Total	\$ 260,203	\$ 53,325	\$ (38,638)	\$ 274,890



**As of and for the Six Months Ended December 31, 2023**

	<b>Beginning Balance</b>	<b>Capitalization of Costs</b>	<b>Amortization</b>	<b>Ending Balance</b>
Costs to obtain a contract	\$ 93,317	\$ 20,805	\$ (12,887)	\$ 101,235
Costs to fulfill a contract	123,788	33,099	(16,989)	139,898
<b>Total</b>	<b>\$ 217,105</b>	<b>\$ 53,904</b>	<b>\$ (29,876)</b>	<b>\$ 241,133</b>

The Company capitalizes costs associated with obtaining and fulfilling revenue contracts. Deferred contract costs are recorded within deferred contract costs and long-term deferred contract costs on the unaudited condensed consolidated balance sheets and amortized over the expected period of benefit of six years, which the Company has determined to be the estimated average client life. Amortization of costs to fulfill a contract and costs to obtain a contract are recorded in cost of revenues and sales and marketing expenses in the unaudited condensed consolidated statements of operations, respectively. The Company regularly reviews its deferred contract costs for impairment and did not recognize any such impairment loss during any period presented in this report.

**4. FUNDS HELD FOR CLIENTS:**

Funds held for clients are as follows:

**December 31, 2024**

	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
Demand deposit accounts and other cash equivalents	\$ 1,008,401	\$ —	\$ —	\$ 1,008,401
U.S. Treasury and direct obligations of U.S. government agencies	73,075	14	(11)	73,078
Corporate bonds	227,877	71	(48)	227,900
Other securities	23,979	12	(2)	23,989
	<b>\$ 1,333,332</b>	<b>\$ 97</b>	<b>\$ (61)</b>	<b>\$ 1,333,368</b>

**June 30, 2024**

	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
Demand deposit accounts and other cash equivalents	\$ 792,622	\$ —	\$ —	\$ 792,622
U.S. Treasury and direct obligations of U.S. government agencies	91,378	18	(413)	90,983
Corporate bonds	206,981	123	(1,178)	205,926
Other securities	19,783	9	(187)	19,605
	<b>\$ 1,110,764</b>	<b>\$ 150</b>	<b>\$ (1,778)</b>	<b>\$ 1,109,136</b>

Other securities are primarily comprised of municipal obligations.

Proceeds from sales and maturities of investment securities for the three months ended December 31, 2024 and 2023 were approximately \$ 27,917 and \$79,801, respectively. Proceeds from sales and maturities of investment securities for the six months ended December 31, 2024 and 2023 were approximately \$106,052 and \$103,453, respectively.

The Company is exposed to interest rate risk as rate volatility will cause fluctuations in the earnings potential of future investments. The Company does not utilize derivative financial instruments to manage interest rate risk.

The Company reviews its investments on an ongoing basis to determine if any allowance for credit loss is warranted due to changes in credit risk or other potential valuation concerns. The Company has no material individual securities that have been in a continuous unrealized loss position greater than twelve months. The Company believes unrealized losses, to the extent they exist, generally result from changes in interest rates rather than credit risk, and therefore does not believe the related investments need to be assessed to determine whether an allowance for the credit loss is warranted. Additionally, the Company believes it will recover its cost basis in the securities with unrealized losses and has the ability to hold the securities until they recover in value and had no intent to sell them at December 31, 2024.

Expected maturities as of December 31, 2024 for client fund assets are as follows:

Due within fiscal year 2025	\$	1,036,828
Due within fiscal year 2026		83,243
Due within fiscal year 2027		118,298
Due within fiscal year 2028		56,941
Due within fiscal year 2029		23,014
Thereafter		15,044
Total	\$	<u>1,333,368</u>

#### 5. PROPERTY AND EQUIPMENT, NET:

A summary of the Company's property and equipment, net is as follows:

	December 31, 2024	June 30, 2024
Land	\$ 3,680	\$ 3,680
Land improvements	910	910
Building and improvements	22,845	22,845
Computer, equipment and software	25,439	23,824
Furniture and fixtures	2,246	2,249
Office equipment	2,942	2,902
Leasehold improvements	5,241	5,205
Construction in progress	169	174
	<u>63,472</u>	<u>61,789</u>
Accumulated depreciation and amortization	(29,385)	(26,569)
Property and equipment, net	<u>\$ 34,087</u>	<u>\$ 35,220</u>

Depreciation and amortization of property and equipment was approximately \$ 1,397 and \$1,486 for the three months ended December 31, 2024 and 2023, respectively. Depreciation and amortization of property and equipment was approximately \$2,848 and \$2,997 for the six months ended December 31, 2024 and 2023, respectively.

#### 6. CAPITALIZED SOFTWARE, NET:

A summary of the Company's capitalized software, net is as follows:

	December 31, 2024	June 30, 2024
Capitalized software	\$ 203,003	\$ 176,519
Accumulated amortization	(130,957)	(109,143)
Capitalized software, net	<u>\$ 72,046</u>	<u>\$ 67,376</u>

Amortization expense for capitalized software was approximately \$11,169 and \$9,166 for the three months ended December 31, 2024 and 2023, respectively. Amortization expense for capitalized software was approximately \$21,814 and \$17,639 for the six months ended December 31, 2024 and 2023, respectively.

The following is a schedule of future amortization expense as of December 31, 2024:

2025 (remaining six months)	\$	30,571
2026		28,916
2027		12,227
2028		332
	\$	<u>72,046</u>

## 7. GOODWILL AND INTANGIBLE ASSETS:

Changes in the carrying amount of goodwill are presented below:

Balance at June 30, 2024	\$	766,653
Foreign currency translation		(749)
Balance at December 31, 2024	\$	<u>765,904</u>

Components of intangible assets were as follows:

	December 31, 2024	June 30, 2024
Cost:		
Technology	\$ 153,854	\$ 153,562
Customer relationships	470,844	469,583
Trade name	105,670	105,670
Naming rights	66,698	66,698
Total cost	\$ 797,066	\$ 795,513
Accumulated amortization:		
Technology	\$ (146,659)	\$ (144,870)
Customer relationships	(459,392)	(431,101)
Trade name	(43,454)	(39,932)
Naming rights	(10,234)	(8,117)
Total accumulated amortization	\$ (659,739)	\$ (624,020)
Intangible assets, net	\$ <u>137,327</u>	\$ <u>171,493</u>

Amortization expense for intangible assets was approximately \$12,023 and \$24,963 for the three months ended December 31, 2024 and 2023, respectively. Amortization expense for intangible assets was approximately \$35,719 and \$50,673 for the six months ended December 31, 2024 and 2023, respectively.

The following is a schedule of future amortization expense as of December 31, 2024:

2025 (remaining six months)	\$	11,919
2026		19,650
2027		12,897
2028		12,368
2029		12,244
Thereafter		68,249
	\$	<u>137,327</u>

## 8. DEBT AGREEMENTS AND LETTERS OF CREDIT:

### *Credit Agreement*

Paycor is party to a credit agreement (as amended, the "Credit Agreement") with PNC Bank, National Association ("PNC"), Fifth Third, National Association, and other lenders, providing a \$200,000 senior secured revolving credit facility (the "Revolving Credit Facility"). The Revolving Credit Facility includes an "accordion feature" that allows the Company, under certain circumstances, to increase the size of the Revolving Credit Facility by an additional principal amount of up to \$200,000, with a resulting maximum principal amount of \$400,000, subject to the participating lenders electing to increase their commitments or new lenders being added to the Credit Agreement. The Revolving Credit Facility will mature on June 11, 2026.

The Company had no outstanding borrowings under the Revolving Credit Facility as of December 31, 2024 and June 30, 2024. Additionally, the Company had no outstanding letters of credit as of December 31, 2024 and June 30, 2024.

## 9. FAIR VALUE MEASUREMENTS:

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company can access.

Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The fair value of certain assets, such as nonfinancial assets, primarily long-lived assets, goodwill, intangible assets and certain other assets, are recognized or disclosed in connection with impairment evaluations. All non-recurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy.

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, and accounts payable approximated fair value as of December 31, 2024 and June 30, 2024, because of the relatively short maturity of these instruments.

The following table presents information on the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2024 and June 30, 2024:

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Funds held for clients—cash and cash equivalents:				
Demand deposit accounts and other cash equivalents	\$ 1,008,401	\$ —	\$ —	\$ 1,008,401
Funds held for clients—available-for-sale:				
U.S. Treasury and direct obligations of U.S. government agencies	—	73,078	—	73,078
Corporate bonds	—	227,900	—	227,900
Other securities	—	23,989	—	23,989
	<u>\$ 1,008,401</u>	<u>\$ 324,967</u>	<u>\$ —</u>	<u>\$ 1,333,368</u>

	June 30, 2024			
	Level 1	Level 2	Level 3	Total
Funds held for clients—cash and cash equivalents:				
Demand deposit accounts and other cash equivalents	\$ 792,622	\$ —	\$ —	\$ 792,622
Funds held for clients—available-for-sale:				
U.S. Treasury and direct obligations of U.S. government agencies	—	90,983	—	90,983
Corporate bonds	—	205,926	—	205,926
Other securities	—	19,605	—	19,605
	<u>\$ 792,622</u>	<u>\$ 316,514</u>	<u>\$ —</u>	<u>\$ 1,109,136</u>

Cash and cash equivalents included in Level 1 are valued using closing prices for identical instruments that are traded on active exchanges. Available-for-sale securities included in Level 2 are valued by reference to quoted prices of similar assets in active markets, adjusted for any terms specific to that asset.

#### 10. CAPITAL STOCK:

The Company's Second Amended and Restated Certificate of Incorporation authorizes the issuance of up to 500,000,000 shares of common stock with a par value of \$0.001 per share and 50,000,000 shares of preferred stock with a par value of \$ 0.001 per share. As of December 31, 2024 and June 30, 2024, there were 181,251,037 and 178,210,263 shares of common stock outstanding, respectively, and no shares of preferred stock outstanding.

#### 11. NET LOSS PER SHARE:

Basic net loss per share is calculated by dividing net loss by the weighted average shares of common stock outstanding during the period.

Diluted net income (loss) per share is computed by dividing net income (loss) adjusted as necessary for the impact of potentially dilutive securities, by the weighted average shares outstanding during the period and the impact of securities that would have a dilutive effect. Potentially dilutive securities during the three and six months ended December 31, 2024 and 2023 included RSUs, PSUs, stock options and ESPP purchase rights. Due to the net loss for both the three and six months ended December 31, 2024 and 2023, any potentially dilutive securities were excluded from the denominator in calculating diluted net loss per share because including them would have had an anti-dilutive effect. Additionally, the Company excluded the impact of stock-based compensation awards held by certain employees consisting of membership interest units in Pride Aggregator for both the three and six months ended December 31, 2024 and 2023.

Basic and diluted net loss per share was the same for each period presented, as the inclusion of all potential common shares outstanding would have been anti-dilutive. The following table sets forth the computation of basic and diluted net loss per share:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
<i>(in thousands, except per share data)</i>				
Net loss	\$ (2,048)	\$ (26,249)	\$ (9,332)	\$ (46,845)
Weighted average common shares outstanding:				
Basic and diluted	179,592,666	177,567,397	179,161,188	177,260,396
Basic and diluted net loss per share	\$ (0.01)	\$ (0.15)	\$ (0.05)	\$ (0.26)

**12. INCOME TAXES:**

The Company's effective income tax rate was 27.6% and 11.2% for the six months ended December 31, 2024 and 2023, respectively. The effective tax rate for the six months ended December 31, 2024 was higher compared to the prior year period and is primarily attributable to a lower loss before benefit for income taxes recognized for the current period, nondeductible equity compensation, and a valuation allowance primarily driven by Internal Revenue Code Section 174 amortization of research and development expenses.

**13. COMMITMENTS AND CONTINGENCIES:**

The Company is subject to various claims, litigation and regulatory compliance matters in the normal course of business. When a loss is considered probable and reasonably estimable, the Company records a liability in the amount of its best estimate for the ultimate loss. The resolution of these claims, litigation and regulatory compliance matters, individually or in the aggregate, is not expected to have a material adverse impact on the Company's unaudited condensed consolidated statements of operations, balance sheets or statements of cash flows. These matters are subject to inherent uncertainties and management's view of these matters may change in the future.

**14. SUBSEQUENT EVENT:**

On January 7, 2025, the Company entered into the Merger Agreement with Paychex and Merger Sub. Pursuant to the Merger Agreement, Merger Sub will be merged with and into the Company, with the Company surviving as a wholly owned subsidiary of Paychex. Subject to the terms and conditions set forth in the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each share of the Company's common stock (other than shares of common stock (i) held by the Company as treasury stock or owned by Paychex or Merger Sub immediately prior to the Effective Time or (ii) held by any subsidiary of either the Company or Paychex (other than Merger Sub) immediately prior to the Effective Time (in each case, other than shares of common stock held by any such person in a trustee, custodian or nominee capacity for the account of clients or customers of such persons)) issued and outstanding immediately prior to the Effective Time (other than shares held by any holder who is entitled to appraisal rights and has properly exercised such rights under Delaware law) will be converted into the right to receive \$22.50 in cash, without interest. Completion of the Merger is subject to certain customary closing conditions.

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

*The following discussion and analysis summarizes the significant factors affecting our unaudited condensed consolidated operating results, financial condition, liquidity, and cash flows as of and for the periods presented below. The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this report as well as management's discussion and analysis and audited consolidated financial statements included in our most recent Annual Report on Form 10-K. This discussion and analysis reflects our historical results of operations and financial position. The discussion contains forward-looking statements that are based on the beliefs of management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward-looking statements because of various factors, including those discussed elsewhere in this report, particularly under the caption entitled "Note Regarding Forward-Looking Statements" in this report, and Item 1A. "Risk Factors" in Part I of our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on August 22, 2024 ("2024 Form 10-K") and in our other reports filed from time to time with the SEC.*

*Unless we state otherwise or the context otherwise requires, the terms "we," "us," and "our" and similar references refer to the Company and its consolidated subsidiaries.*

### Overview

We are a leading provider of HCM software. Our solutions target mid-market businesses with 10 to 2,500 employees. Our unified, cloud-based platform is designed to empower leaders to drive business results by connecting them to people, data, and expertise. Our SaaS HCM solution automates routine management tasks so frontline leaders can focus on the key elements that drive business performance and employee engagement, such as goal setting, coaching, and talent development. Our comprehensive suite of solutions enables organizations to streamline administrative workflows and achieve regulatory compliance while serving as the single, secure system of record for employee data. Our modern, extensible platform is augmented by industry-specific domain expertise and offers award-winning ease-of-use with an intuitive user experience and deep third-party integrations. As of December 31, 2024, approximately 31,300 customers across all 50 states trusted us to empower their leaders to drive business results.

### Merger Agreement

On January 7, 2025, the Company entered into the Merger Agreement with Paychex and Merger Sub. Pursuant to the Merger Agreement, Merger Sub will be merged with and into the Company, with the Company surviving as a wholly owned subsidiary of Paychex. Subject to the terms and conditions set forth in the Merger Agreement, at the Effective Time, each share of our common stock (other than shares of common stock (i) held by the Company as treasury stock or owned by Paychex or Merger Sub immediately prior to the Effective Time or (ii) held by any subsidiary of either the Company or Paychex (other than Merger Sub) immediately prior to the Effective Time (in each case, other than shares of common stock held by any such person in a trustee, custodian or nominee capacity for the account of clients or customers of such persons)) issued and outstanding immediately prior to the Effective Time (other than shares held by any holder who is entitled to appraisal rights and has properly exercised such rights under Delaware law) will be converted into the right to receive \$22.50 in cash, without interest.

Completion of the Merger is currently expected to occur in the first half of 2025, although we cannot assure completion by any particular date, if at all. If the Merger is completed, we will become a privately held company, meaning that our common stock will be delisted from the Nasdaq Global Select Market (the "Nasdaq") and deregistered under the Exchange Act.

## Our Business Model

Our revenue is almost entirely recurring in nature and largely attributable to the sale of SaaS subscriptions of our cloud-based HCM software platform. We typically generate revenue from customers on a per-employee-per-month ("PEPM") basis whereby our revenue is derived from the number of employees of a given customer, and the amount, type, and timing of products provided to a customer's employees. As a result, we increase our recurring revenue as we add more customers and expand our HCM suite and as our customers add more employees and purchase additional product modules. Our subscription-based business model is highly recurring in nature and provides significant visibility into our future operating results. Recurring and other revenues are primarily revenues derived from the provision of our five HCM software bundles and nonrefundable implementation fees, which represented approximately 92% of total revenues for the six months ended December 31, 2024. In addition, we earn interest income on funds held for clients.

Our go-to-market strategy consists of a robust organic sales and marketing engine and broad referral network of health insurance and retirement benefits brokers. We primarily market and sell our solutions through direct sales teams, which is organized into field and inside sales teams based on customer size and geography. We also continue to expand our distribution model through embedded technology and service partnerships. Prospective customers are driven to our website through brand awareness and demand generation.

In addition, during the six months ended December 31, 2024, we launched a new Paycor Compensation Management, a collaborative solution purpose-built for leaders who want to streamline compensation planning while engaging and retaining employees, and a suite of innovative features designed to transform time-off management for the modern workforce. We also launched Paycor Assistant, an AI-powered HR companion that gives customers an easier, faster, and more intuitive way to interact with and extract value from Paycor's solutions. Lastly, we launched our Integration Platform, offering flexible solutions to make connecting data and systems easier, especially for organizations who don't have in-house IT or developer support.

The table below sets forth selected results of operations for the three and six months ended December 31, 2024 and 2023.

(in thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Total Revenues	\$ 180,438	\$ 159,541	\$ 347,914	\$ 303,129
Income (Loss) from Operations	\$ 1,192	\$ (26,175)	\$ (13,062)	\$ (49,547)
Operating Margin	0.7 %	(16.4)%	(3.8)%	(16.3)%
Adjusted Operating Income*	\$ 31,792	\$ 23,297	\$ 54,592	\$ 39,217
Adjusted Operating Income Margin*	17.6 %	14.6 %	15.7 %	12.9 %
Net Loss	\$ (2,048)	\$ (26,249)	\$ (9,332)	\$ (46,845)

\*Adjusted Operating Income and Adjusted Operating Income Margin are non-U.S. GAAP ("non-GAAP") financial measures. See Non-GAAP Financial Measures below for a definition of our non-GAAP measures and reconciliations to the most closely comparable U.S. GAAP measures.

## Key Factors Affecting Our Performance

Our historical financial performance has been, and we expect our financial performance in the future to be, driven by our ability to:

### **Expand Our Sales Footprint to Add New Customers**

Our current customer base represents a small portion of the U.S. market for HCM and payroll solutions. We believe there is substantial opportunity to continue to broaden our customer base, particularly in the 50 most populous metropolitan statistical areas in the United States, by expanding our sales headcount and Embedded HCM Solution partners. Our ability to do so will depend on several factors, including the ability to recruit and retain qualified sales staff, the effectiveness of our products, the relative pricing of our products, our competitors' offerings, and the effectiveness of our marketing efforts.



We believe the number of customer employees on our platform is a key indicator of the growth of our business. We define customer employees as the number of our customers' employees at the end of any particular period. As of December 31, 2024 and 2023, we had approximately 2,700,000 and 2,600,000 customer employees, respectively, representing a period-over-period increase of 3.8%. We define a customer as a parent company grouping, which may include multiple subsidiary client accounts with separate taxpayer identification numbers. As of December 31, 2024 and 2023, we had approximately 31,300 and 30,700 customers, respectively.

In addition, we are focused on maintaining and expanding broker relationships to drive the acquisition of new customers through mutual referrals. Insurance and benefits brokers are trusted advisors to small and medium sized businesses and are often influential in the HCM selection process. Brokers remained an integral part of our sales approach and influenced over 60% of field bookings during the six months ended December 31, 2024.

#### ***Increase Product Penetration with Existing and New Customers***

In recent years we have increasingly focused our product pricing strategy away from sales of individual products and solutions towards a simplified bundled pricing approach whereby we market multi-product offerings to our customers. We believe our cloud platform and pricing model provides much better value and predictability for our customers and for Paycor. This strategy has enabled us to effectively drive increased product penetration and PEPM growth at the initial point of sale. We define "effective PEPM" as recurring and other revenue for the period divided by the average number of customer employees, which we calculate as the sum of the number of customer employees at the end of each month over the period divided by the total number of months in the period. We intend to advance this strategy by progressively expanding the breadth of features included in our product bundles. In addition to sales to new customers, there is a substantial opportunity within our existing customer base to cross-sell additional products from our portfolio, including Workforce Management, Benefits Administration, Talent Acquisition and Talent Management.

Our ability to successfully increase revenue per customer is dependent upon several factors, including the number of employees working for our customers, the number of products purchased by each of our customers, our customers' satisfaction with our solutions and support, and our ability to add new products to our suite.

We believe our ability to retain and expand our existing customers' spending on our solutions is evidenced by our net revenue retention. We define net revenue retention as the current quarterly period recurring revenue for the cohort of customers at the beginning of the prior year quarterly period, divided by the recurring revenue in the prior year reporting period for that same cohort. In calculating the net revenue retention for a period longer than a quarter, such as a fiscal year, we use the weighted average of the retention rates (calculated in accordance with the preceding sentence) for each applicable quarter included in such period.

For the six months ended December 31, 2024, our net revenue retention has continued to trend favorably compared to the six months ended December 31, 2023, driven by strength in cross sales and pricing initiatives.

## **Ongoing Product Innovation and Optimization**

We believe that our product features and functionality are key differentiators of our offerings. We intend to continue to invest in research and development, particularly regarding the functionality of our platform, to sustain and advance our product leadership. For instance, in fiscal year 2019, we acquired Ximble's scheduling solution and in fiscal year 2020, we released Paycor Analytics. In fiscal year 2021, we launched our compensation management product and a full suite of talent management tools, including performance reviews, one-on-one coaching, objectives and key results and structured goal setting. In fiscal year 2022, we introduced OnDemand Pay, expense management and a Developer Portal to enhance Paycor's industry-leading interoperability, making it even easier for clients and partners to seamlessly integrate and sync data between HR and third-party systems. We also released a new payroll-based journal reporting platform to simplify complex staffing reporting requirements for nursing facilities and a predictive resignation feature providing leaders with actionable insights to identify the top drivers of employee resignation. In fiscal year 2023, we acquired an intelligent candidate sourcing technology, now Paycor Smart Sourcing, and Verb, Inc.'s behavioral science-based micro-learning platform, now part of Paycor Paths, to enhance our industry-leading talent solutions. We also introduced the COR Leadership Framework, empowering organizations to transform frontline managers into effective leaders through the provision of technology and expertise. In fiscal year 2024, we introduced a generative artificial intelligence analytics digital assistant, powered by Visier, that empowers leaders to quickly and easily consume people-focused analytics in a conversational chat interface. We also introduced Pay Benchmarking, which provides market salary insights to enable competitive compensation strategies, and launched Labor Forecasting, which empowers leaders to right-size their labor costs to their operations by leveraging historical data and demand data forecasts to maximize return on investment and service quality. We also launched a new Compensation Management solution, enabling frontline leaders to streamline budgeting and pay cycles. In fiscal year 2025, we launched Paycor Compensation Management, a collaborative solution purpose-built for leaders who want to streamline compensation planning while engaging and retaining employees, and Time-Off Management, a suite of innovative features designed to transform time-off management for the modern workforce. We also launched Paycor Compensation Management, a collaborative solution purpose-built for leaders who want to streamline compensation planning while engaging and retaining employees, and a suite of innovative features designed to transform time-off management for the modern workforce. We also launched Paycor Assistant, an AI-powered HR companion that gives customers an easier, faster, and more intuitive way to interact with and extract value from Paycor's solutions. Lastly, we launched our Integration Platform, offering flexible solutions to make connecting data and systems easier, especially for organizations who don't have in-house IT or developer support. As a result of these and other product launches, the total list PEPM and customer-perceived value for our full suite of products continued to increase year over year. Our ability to innovate and introduce competitive new products is dependent on our ability to recruit and retain top technical talent and invest in research and development initiatives.

## **Components of Results of Operations**

### **Basis of Presentation**

#### **Revenues**

##### *Recurring and Other Revenue*

We derive our revenue from contractual agreements, which contain recurring and non-recurring service fees. The majority of our contracts are cancellable by the customer on 60 days' notice. We recognize revenue when control of the promised goods or services is transferred to customers in an amount that reflects the consideration that we are entitled to for those goods or services. Recurring revenue consists primarily of revenues derived from the provision of our payroll and HR-related cloud-based software and related services, Workforce Management, Talent Management, Talent Acquisition and Benefits Administration. The performance obligations related to recurring services are generally satisfied monthly as services are provided, with fees charged and collected based on a PEPM basis. Recurring revenue is generally recognized as the services are provided each month.

Other revenue and non-recurring services fees consist mainly of nonrefundable implementation fees, which involve onboarding and configuring the customer within our cloud-based platform. These nonrefundable implementation fees provide certain clients with a material right to renew the contract, with revenue deferred and recognized over the period to which the material right exists. This is a period of 24 months from finalization of onboarding, which typically concludes within three to six months of the original booking. Deferred revenue also includes an immaterial portion related to recurring subscription services where revenue is recognized over the subscription period. Deferred revenue for these nonrefundable upfront fees and recurring subscription services was \$19.4 million as of December 31, 2024, with \$4.5 million and \$9.3 million of revenue recognized for the three and six months ended December 31, 2024, respectively. Deferred revenue for these nonrefundable

upfront fees and recurring subscription services was \$19.0 million as of December 31, 2023, with \$5.0 million and \$9.8 million of revenue recognized for the three and six months ended December 31, 2023, respectively.

We defer certain commission costs that meet the capitalization criteria. We also capitalize certain costs to fulfill a contract related to our proprietary products if they are identifiable, generate or enhance resources used to satisfy future performance obligations and are expected to be recovered. We utilize the portfolio approach to account for both the cost of obtaining a contract and the cost of fulfilling a contract.

Capitalized costs to fulfill a contract and cost to obtain a contract are amortized over the expected period of benefit, which is generally six years based on our average client life and other qualitative factors, including rate of technological changes. We do not incur any additional costs to obtain or fulfill contracts upon renewal. We recognize additional selling and commission costs and fulfillment costs when an existing client purchases additional services. The additional costs only relate to the additional services purchased and do not relate to the renewal of previous services. We continue to expense certain costs to obtain a contract and cost to fulfill a contract if those costs do not meet the capitalization criteria.

We expect recurring and other revenue to increase as we continue to add new customer employees and sell additional products to our existing customers.

#### *Interest Income on Funds Held for Clients*

We earn interest income on funds held for clients. We generally collect substantially all funds for employee payroll payments and related taxes in advance of remittance to employees and taxing authorities. Prior to remittance to employees and taxing authorities, we generally earn interest on these funds through demand deposit accounts with financial institutions with which we have automated clearinghouse arrangements. We also earn interest by investing a portion of funds held for clients in highly liquid, investment-grade marketable securities. We expect funds held for our clients to generally grow as the employees per customer increase and as we add customers to our platform. Interest income on funds held for clients will fluctuate based on market rates of demand deposit accounts, as well as the highly liquid, investment-grade marketable securities in which we invest the client funds.

#### **Cost of Revenues**

Cost of revenues includes costs relating to the provision of ongoing customer support and implementation activities, payroll tax filing, distribution of printed checks and other materials providing our payroll and other HCM solutions. These costs primarily consist of employee-related expenses for associates who service customers, as well as third-party processing fees, delivery costs, hosting costs, and bank fees associated with client fund transfers. Costs for recurring support are generally expensed as incurred, while such costs for onboarding and configuring our products for our customers are capitalized and amortized over a period of six years.

We amortized \$11.4 million and \$8.8 million of capitalized contract fulfillment costs during the three months ended December 31, 2024 and 2023, respectively, and \$22.2 million and \$17.0 million of capitalized contract fulfillment costs during the six months ended December 31, 2024 and 2023, respectively. We expect to realize increased amortization in future periods as the total capitalized contract fulfillment costs on our balance sheet increases.

We also capitalize a portion of our internal-use software costs including external direct costs of materials and services associated with developing or obtaining internal-use software and certain payroll and payroll-related costs for associates who are directly associated with internal-use software projects, which are then generally amortized over a period of three years into cost of revenues. We amortized \$12.1 million and \$9.8 million of capitalized internal-use and acquired software costs during the three months ended December 31, 2024 and 2023, respectively, and \$23.6 million and \$19.6 million of capitalized internal-use and acquired software costs during the six months ended December 31, 2024 and 2023, respectively.

Our cost of revenues is expected to increase in absolute dollars as we expand our customer employee base. However, in the long-term we expect cost of revenues to reduce as a percentage of total revenues as our business scales.

#### **Operating Expenses**

##### *Sales and Marketing*

Sales and marketing expenses consist primarily of employee-related expenses for our direct sales and marketing staff, marketing, advertising and promotion expenses, including amortization expense associated with the exclusive naming rights to Paycor Stadium (the "Naming Rights"), home to the Cincinnati Bengals since 2000, and other related costs. We capitalize certain commission costs related to new contracts or purchases of additional services by our existing customers and amortize such items over a period of six years.

We amortized \$8.4 million and \$6.7 million of capitalized contract acquisition costs during the three months ended December 31, 2024 and 2023, respectively, and \$16.4 million and \$12.9 million of capitalized contract acquisition costs during the six months ended December 31, 2024 and 2023, respectively. Additionally, we recorded \$1.1 million of amortization expense associated with the Naming Rights during both the three months ended December 31, 2024 and 2023, respectively, and \$2.1 million of amortization expense associated with the Naming Rights during both the six months ended December 31, 2024 and 2023, respectively. We expect to realize increased amortization in future periods as the total capitalized contract acquisition costs on our balance sheet increases.

We seek to grow our number of customer employees and upsell existing customers, and therefore our sales and marketing expenses are expected to continue to increase in absolute dollars as we grow our sales organization and expand our marketing activities.

#### *General and Administrative*

General and administrative expenses consist primarily of employee-related costs for our administrative, finance, accounting, legal, enterprise technology and human resources departments. Additional expenses include consulting and professional fees, occupancy costs, insurance, and other corporate expenses.

We amortized \$10.1 million and \$23.3 million of intangible assets, excluding acquired software amortized through cost of revenues and the Naming Rights amortized through sales and marketing expenses, during the three months ended December 31, 2024 and 2023, respectively, and \$31.8 million and \$46.5 million of intangible assets, excluding acquired software amortized through cost of revenues and the Naming Rights amortized through sales and marketing, during the six months ended December 31, 2024 and 2023, respectively.

We expect our general and administrative expenses to increase in absolute dollars as we grow and scale our business.

#### *Research and Development*

Research and development expenses consist primarily of employee-related expenses for our software development and product management staff. Additional expenses include costs related to the development, maintenance, quality assurance and testing of new technologies, and ongoing refinement of our existing solutions. Research and development expenses, other than internal-use software costs qualifying for capitalization, including costs associated with preliminary project stage activities, training, maintenance, and all other post-implementation stage activities are expensed as incurred.

We capitalize a portion of our development costs related to internal-use software, which are amortized over a period of three years into cost of revenues. The timing of our capitalized development projects may affect the amount of development costs expensed in any given period. The table below sets forth the amounts of capitalized and expensed research and development costs for the following periods:

(in thousands)	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Capitalized software	\$ 12,964	\$ 11,470	\$ 25,674	\$ 24,028
Research and development expenses	\$ 18,369	\$ 16,665	\$ 35,797	\$ 30,720

We expect to increase our research and development expenses in absolute dollars as we continue to broaden our product offerings and extend our technological leadership by investing in the development of new technologies and introducing them to new and existing customers.

### Interest Expense

Interest expense consists primarily of interest payments and accruals relating to outstanding borrowings as well as accretion expense associated with the Naming Rights liability. We expect interest expense to vary each reporting period depending on the amount of outstanding borrowings and prevailing interest rates.

### Other Income (Expense)

Other income (expense) generally consists of other income and expense items outside of our normal operations, such as interest income on operating cash, realized gains or losses on the sale of certain positions of funds held for clients, change in fair value of contingent consideration, gains or losses on the extinguishment of debt and expenses relating to our financing arrangements.

### Results of Operations

The following table sets forth our unaudited condensed consolidated statements of operations for the periods indicated.

	Three Months Ended		Six Months Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
(in thousands)				
<b>Consolidated Statement of Operations Data:</b>				
Revenues:				
Recurring and other revenue	\$ 167,388	\$ 147,232	\$ 321,387	\$ 279,940
Interest income on funds held for clients	13,050	12,309	26,527	23,189
Total revenues	180,438	159,541	347,914	303,129
Cost of revenues	62,186	55,125	121,403	106,503
Gross profit	118,252	104,416	226,511	196,626
Operating expenses:				
Sales and marketing	60,137	57,753	116,926	110,531
General and administrative	38,554	56,173	86,850	104,922
Research and development	18,369	16,665	35,797	30,720
Total operating expenses	117,060	130,591	239,573	246,173
Income (loss) from operations	1,192	(26,175)	(13,062)	(49,547)
Interest expense	(1,135)	(1,153)	(2,273)	(2,397)
Other income (expense)	780	(1,745)	2,450	(814)
Income (loss) before benefit for income taxes	837	(29,073)	(12,885)	(52,758)
Income tax expense (benefit)	2,885	(2,824)	(3,553)	(5,913)
Net loss	\$ (2,048)	\$ (26,249)	\$ (9,332)	\$ (46,845)

### Comparison of the Three Months Ended December 31, 2024 and December 31, 2023

#### Revenues

	Three Months Ended			
(in thousands)	December 31, 2024	December 31, 2023	\$ Change	% Change
Revenues:				
Recurring and other revenue	\$ 167,388	\$ 147,232	\$ 20,156	14 %
Interest income on funds held for clients	13,050	12,309	741	6 %
Total revenues	\$ 180,438	\$ 159,541	\$ 20,897	13 %

Total revenues for the three months ended December 31, 2024 and 2023 were \$180.4 million and \$159.5 million, respectively. For the three months ended December 31, 2024 and 2023, recurring and other revenue accounted for \$167.4 million and \$147.2 million, respectively, of total revenues. Additionally, interest income on funds held for clients accounted for \$13.1 million and \$12.3 million, respectively, for the three months ended December 31, 2024 and 2023. Total revenues increased over the prior year period primarily as a result of an increase in effective PEPM and in the customer employees, driving \$15.8 million and \$4.3 million of increased revenue, respectively, as well as a \$0.7 million increase in interest income on funds held for clients.

Interest income on funds held for clients increased primarily as a result of higher average daily balances for funds held due to the addition of customer employees partially offset by moderately lower average interest rates across our portfolio of debt-security investments. Average client funds balances for the three months ended December 31, 2024 and 2023 were \$1,168.6 million and \$1,092.9 million, respectively.

#### **Cost of Revenues**

(in thousands)	Three Months Ended		\$ Change	% Change
	December 31, 2024	December 31, 2023		
Cost of revenues	\$ 62,186	\$ 55,125	\$ 7,061	13 %
Percentage of total revenues	34 %	35 %		
Gross profit	\$ 118,252	\$ 104,416	\$ 13,836	13 %
Percentage of total revenues	66 %	65 %		

Total cost of revenues for the three months ended December 31, 2024 and 2023 were \$62.2 million and \$55.1 million, respectively. Our total cost of revenues increased primarily as a result of a \$2.6 million increase in amortization of deferred contract costs, a \$2.3 million increase in amortization expense relating to capitalized software and intangible assets, a \$1.6 million increase in employee-related costs to support new customers, and a \$0.4 million increase in licensing fees.

#### **Operating Expenses**

##### *Sales and Marketing*

(in thousands)	Three Months Ended		\$ Change	% Change
	December 31, 2024	December 31, 2023		
Sales and marketing	\$ 60,137	\$ 57,753	\$ 2,384	4 %
Percentage of total revenues	33 %	36 %		

Sales and marketing expenses for the three months ended December 31, 2024 and 2023 were \$60.1 million and \$57.8 million, respectively. The increase in sales and marketing expenses was primarily the result of a \$1.2 million increase in employee-related costs, a \$0.7 million increase in advertising expenses, and a \$0.6 million increase in expenses associated with travel and events.

##### *General and Administrative*

(in thousands)	Three Months Ended		\$ Change	% Change
	December 31, 2024	December 31, 2023		
General and administrative	\$ 38,554	\$ 56,173	\$ (17,619)	(31) %
Percentage of total revenues	21 %	35 %		

General and administrative expenses for the three months ended December 31, 2024 and 2023 were \$38.6 million and \$56.2 million, respectively. The decrease in general and administrative expenses was primarily driven by a \$13.2 million decrease in intangible amortization expense, a \$6.4 million decrease in employee-related costs, offset by a \$1.0 million increase in client funds bad debt expense and a \$0.8 million increase in professional services, consulting fees and other costs.

#### Research and Development

(in thousands)	Three Months Ended		\$ Change	% Change
	December 31, 2024	December 31, 2023		
Research and development	\$ 18,369	\$ 16,665	\$ 1,704	10 %
Percentage of total revenues	10 %	10 %		

Research and development expenses for the three months ended December 31, 2024 and 2023 were \$18.4 million and \$16.7 million, respectively. The increase in research and development expenses was primarily the result of a \$0.6 million increase in licensing fees, a \$0.5 million increase in employee-related costs, and a \$0.5 million increase in professional services, consulting fees and other costs.

#### Interest Expense

(in thousands)	Three Months Ended		\$ Change	% Change
	December 31, 2024	December 31, 2023		
Interest expense	\$ 1,135	\$ 1,153	\$ (18)	(2) %
Percentage of total revenues	<1 %	<1 %		

Interest expense for the three months ended December 31, 2024 and 2023 was \$1.1 million and \$1.2 million, respectively. Interest expense primarily consists of accretion expense associated with the Naming Rights Agreement.

#### Other income (expense)

(in thousands)	Three Months Ended		\$ Change	% Change
	December 31, 2024	December 31, 2023		
Other income (expense)	\$ 780	\$ (1,745)	\$ 2,525	(145) %

Other income for the three months ended December 31, 2024 was \$0.8 million and other expense for the three months ended December 31, 2023 was \$1.7 million. Other income during the three months ended December 31, 2024 primarily consists of interest income earned on operating cash.

#### Income tax expense (benefit)

Income tax expense for the three months ended December 31, 2024 was \$2.9 million, reflecting an effective income tax rate for the current period of 344.7%. Income tax benefit for the three months ended December 31, 2023 was \$2.8 million, reflecting an effective income tax rate for the prior year period of 9.7%. The change in income tax expense (benefit) was primarily attributable to increase in US earnings for the current period, nondeductible equity compensation, non-deductible transaction costs, and a valuation allowance primarily driven by Internal Revenue Code Section 174 amortization of research and development expenses.

## Comparison of the Six Months Ended December 31, 2024 and December 31, 2023

### Revenues

(in thousands)	Six Months Ended		\$ Change	% Change
	December 31, 2024	December 31, 2023		
Revenues:				
Recurring and other revenue	\$ 321,387	\$ 279,940	\$ 41,447	15 %
Interest income on funds held for clients	26,527	23,189	3,338	14 %
Total revenues	\$ 347,914	\$ 303,129	\$ 44,785	15 %

Total revenues for the six months ended December 31, 2024 and 2023 were \$347.9 million and \$303.1 million, respectively. For the six months ended December 31, 2024 and 2023, recurring and other revenue accounted for \$321.4 million and \$279.9 million, respectively, of total revenues. Additionally, interest income on funds held for clients accounted for \$26.5 million and \$23.2 million, respectively, for the six months ended December 31, 2024 and 2023. Total revenues increased over the prior year period primarily as a result of an increase in effective PEPM and in the customer employees, driving \$30.9 million and \$10.5 million of increased revenue, respectively, as well as a \$3.3 million increase in interest income on funds held for clients.

Interest income on funds held for clients increased primarily as a result of higher average daily balances for funds held due to the addition of customer employees partially offset by moderately lower average interest rates across our portfolio of debt-security investments. Average client funds balance for the six months ended December 31, 2024 and 2023 were \$1,136.2 million and \$1,054.9 million, respectively.

### Cost of Revenues

(in thousands)	Six Months Ended		\$ Change	% Change
	December 31, 2024	December 31, 2023		
Cost of revenues	\$ 121,403	\$ 106,503	\$ 14,900	14 %
Percentage of total revenues	35 %	35 %		
Gross profit	\$ 226,511	\$ 196,626	\$ 29,885	15 %
Percentage of total revenues	65 %	65 %		

Total cost of revenues for the six months ended December 31, 2024 and 2023 were \$121.4 million and \$106.5 million, respectively. Total cost of revenues increased primarily as a result of a \$5.2 million increase in amortization of deferred contract costs, a \$4.4 million increase in employee-related costs to support new customers, a \$4.2 million increase in amortization expense relating to capitalized software, and a \$0.9 million increase in licensing fees.

### Operating Expenses

#### Sales and Marketing

(in thousands)	Six Months Ended		\$ Change	% Change
	December 31, 2024	December 31, 2023		
Sales and marketing	\$ 116,926	\$ 110,531	\$ 6,395	6 %
Percentage of total revenues	34 %	36 %		

Sales and marketing expenses for the six months ended December 31, 2024 and 2023 were \$116.9 million and \$110.5 million, respectively. The increase in sales and marketing expenses was primarily the result of a \$3.7 million increase in employee-related costs, a \$1.3 million increase in advertising expenses, and a \$0.9 million increase in expenses associated with travel and events.



## General and Administrative

(in thousands)	Six Months Ended		\$ Change	% Change
	December 31, 2024	December 31, 2023		
General and administrative	\$ 86,850	\$ 104,922	\$ (18,072)	(17) %
Percentage of total revenues	25 %	35 %		

General and administrative expenses for the six months ended December 31, 2024 and 2023 were \$86.9 million and \$104.9 million, respectively. The decrease in general and administrative expenses was primarily driven by a \$14.7 million decrease in intangible amortization expense, a \$6.8 million decrease in employee-related costs, offset by a \$0.9 million increase in professional services, consulting fees and other costs, a \$0.8 million increase in licensing fees, and a \$0.4 million increase in client funds bad debt expense.

## Research and Development

(in thousands)	Six Months Ended		\$ Change	% Change
	December 31, 2024	December 31, 2023		
Research and development	\$ 35,797	\$ 30,720	\$ 5,077	17 %
Percentage of total revenues	10 %	10 %		

Research and development expenses for the six months ended December 31, 2024 and 2023 were \$35.8 million and \$30.7 million, respectively. The increase in research and development expenses was primarily the result of a \$3.3 million increase in employee-related costs, a \$0.8 million increase in professional services, consulting fees and other costs, and a \$0.8 million increase in licensing fees.

## Interest Expense

(in thousands)	Six Months Ended		\$ Change	% Change
	December 31, 2024	December 31, 2023		
Interest expense	\$ 2,273	\$ 2,397	\$ (124)	(5) %
Percentage of total revenues	<1 %	<1 %		

Interest expense for both of the six months ended December 31, 2024 and 2023 was \$2.3 million and \$2.4 million, respectively. Interest expense primarily consisted of accretion expense associated with the Naming Rights Agreement.

## Other income (expense)

(in thousands)	Six Months Ended		\$ Change	% Change
	December 31, 2024	December 31, 2023		
Other income (expense)	\$ 2,450	\$ (814)	\$ 3,264	(401) %

Other income for the six months ended December 31, 2024 was \$2.5 million and other expense for the six months ended December 31, 2023 was \$0.8 million. Other income for the six months ended December 31, 2024 primarily consisted of interest income earned on operating cash. Other expense for the six months ended December 31, 2023 primarily consisted of the change in fair value of the contingent consideration related to the acquisition of Talenya, partially offset by interest income earned on operating cash.

### ***Income tax benefit***

Income tax benefit for the six months ended December 31, 2024 and 2023 was \$3.6 million and \$5.9 million, respectively, reflecting effective tax rates for those periods of 27.6% and 11.2%, respectively. The decrease in income tax benefit is primarily attributable to increase in US earnings for the current period, nondeductible equity compensation, and a valuation allowance primarily driven by Internal Revenue Code Section 174 amortization of research and development expenses.

### **Non-GAAP Financial Measures**

In addition to our results determined in accordance with U.S. GAAP, we believe the following non-GAAP financial measures are useful in evaluating our operating performance. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with our past financial performance and assists in comparisons with other companies, some of which may use similar non-GAAP financial measures to supplement their U.S. GAAP results. The non-GAAP financial information is presented for supplemental informational purposes only and should not be considered a substitute for financial information presented in accordance with U.S. GAAP and may be different from similarly titled non-GAAP measures used by other companies. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with U.S. GAAP. Investors are encouraged to review the related U.S. GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable U.S. GAAP financial measures.

#### ***Adjusted Gross Profit and Adjusted Gross Profit Margin***

We define Adjusted Gross Profit as gross profit before amortization of intangible assets, stock-based compensation expense, and other certain corporate expenses in each case that are included in costs of revenues. We define Adjusted Gross Profit Margin as Adjusted Gross Profit divided by total revenues.

We use Adjusted Gross Profit and Adjusted Gross Profit Margin to understand and evaluate our core operating performance and trends. We believe these metrics are useful measures to us and to our investors to assist in evaluating our core operating performance because it provides consistency and direct comparability with our past financial performance and between fiscal periods, as the metrics eliminate the effects of variability of items, such as stock-based compensation expense and amortization of intangible assets, which are non-cash expenses that may fluctuate for reasons unrelated to overall operating performance.

Adjusted Gross Profit and Adjusted Gross Profit Margin have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP and should not be considered as replacements for gross profit and gross profit margin, as determined by U.S. GAAP, or as measures of our profitability. We compensate for these limitations by relying primarily on our U.S. GAAP results and using non-GAAP measures only for supplemental purposes.

Adjusted Gross Profit was \$121.1 million and \$107.5 million, or 67.1% and 67.4% of total revenue, for the three months ended December 31, 2024 and 2023, respectively. Adjusted Gross Profit was \$231.8 million and \$202.6 million, or 66.6% and 66.8% of total revenues, for the six months ended December 31, 2024 and 2023, respectively. Adjusted Gross Profit increased for the three and six months ended December 31, 2024, primarily driven by the increase in revenue from PEPM expansion and employee customer growth, partially offset by additional employee-related costs to support new customers, amortization of costs to fulfill contracts within cost of revenues and amortization of capitalized software.

	Three Months Ended		Six Months Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
(in thousands)				
Gross Profit*	\$ 118,252	\$ 104,416	\$ 226,511	\$ 196,626
Gross Profit Margin	65.5 %	65.4 %	65.1 %	64.9 %
Amortization of intangible assets	914	634	1,789	2,009
Stock-based compensation expense	1,954	2,404	3,456	3,999
Corporate adjustments	—	—	21	—
Adjusted Gross Profit*	\$ 121,120	\$ 107,454	\$ 231,777	\$ 202,634
Adjusted Gross Profit Margin	67.1 %	67.4 %	66.6 %	66.8 %

\* Gross Profit and Adjusted Gross Profit were burdened by depreciation expense of \$0.5 million and \$0.6 million for the three months ended December 31, 2024 and 2023, respectively, and \$1.1 million and \$1.2 million for the six months ended December 31, 2024 and 2023, respectively. Gross Profit and Adjusted Gross Profit were burdened by amortization of capitalized software of \$11.2 million and \$9.2 million for the three months ended December 31, 2024 and 2023, respectively, and \$21.8 million and \$17.6 million for the six months ended December 31, 2024 and 2023, respectively. Gross Profit and Adjusted Gross Profit were burdened by amortization of deferred contract costs of \$11.4 million and \$8.8 million for the three months ended December 31, 2024 and 2023, respectively, and \$22.2 million and \$17.0 million for the six months ended December 31, 2024 and 2023, respectively.

### Adjusted Operating Income

We define Adjusted Operating Income as income (loss) from operations before amortization of acquired intangible assets and Naming Rights, stock-based compensation expense, exit costs due to exiting leases of certain facilities and certain other corporate expenses, such as costs related to secondary offerings by our controlling stockholder, professional, consulting and other costs associated with strategic initiatives and transaction expenses. We define Adjusted Operating Income Margin as Adjusted Operating Income divided by total revenues.

We use Adjusted Operating Income and Adjusted Operating Income Margin to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget, and to develop short-term and long-term operating plans. We believe that Adjusted Operating Income and Adjusted Operating Income Margin facilitate comparison of our operating performance on a consistent basis between periods, and when viewed in combination with our results prepared in accordance with U.S. GAAP, help provide a broader picture of factors and trends affecting our results of operations. While the amortization expense relating to intangible assets is excluded from Adjusted Operating Income, the revenue related to such intangible assets is reflected in Adjusted Operating Income as these assets contribute to our revenue generation.

Adjusted Operating Income and Adjusted Operating Income Margin have limitations as analytical tools, and you should not consider them in isolation, or as substitutes for analysis of our results as reported under U.S. GAAP. Because of these limitations, Adjusted Operating Income and Adjusted Operating Income Margin should not be considered as replacements for operating income (loss) and operating income (loss) margin, as determined by U.S. GAAP, or as measures of our profitability. We compensate for these limitations by relying primarily on our U.S. GAAP results and using non-GAAP measures only for supplemental purposes.

Adjusted Operating Income was \$31.8 million and \$23.3 million for the three months ended December 31, 2024 and 2023, respectively. Adjusted Operating Income was \$54.6 million and \$39.2 million for the six months ended December 31, 2024 and 2023, respectively. Adjusted Operating Income increased for the three and six months ended December 31, 2024 primarily driven by an increase in total revenues, partially offset by continued investment in employee-related costs to support new customers, expand our sales coverage, and develop our products, as well as increased amortization related to deferred contract costs and capitalized software.

	Three Months Ended		Six Months Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
(in thousands)				
Income (Loss) from Operations	\$ 1,192	\$ (26,175)	\$ (13,062)	\$ (49,547)
Operating Margin	0.7 %	(16.4)%	(3.8)%	(16.3)%
Amortization of intangible assets	12,023	24,963	35,719	50,673
Stock-based compensation expense	16,141	23,049	28,806	35,964
(Gain) loss on lease exit*	(6)	115	—	(29)
Corporate adjustments**	2,442	1,345	3,129	2,156
Adjusted Operating Income	\$ 31,792	\$ 23,297	\$ 54,592	\$ 39,217
Adjusted Operating Income Margin	17.6 %	14.6 %	15.7 %	12.9 %

\* Represents exit costs due to exiting leases of certain facilities.

\*\* Corporate adjustments for the three and six months ended December 31, 2024 relate to professional costs associated with the Paychex merger of \$1.7 million for both periods and professional, consulting, and other costs associated with strategic initiatives of \$0.7 million and \$1.4 million, respectively. Corporate adjustments for the three and six months ended December 31, 2023 relate to costs associated with the secondary offering completed in December 2023 ("December 2023 Secondary Offering") of \$0.6 million and \$0.6 million, respectively, and professional, consulting, and other costs of \$0.7 million and \$1.5 million, respectively.

### Adjusted Operating Expenses

We define Adjusted Sales and Marketing expenses as sales and marketing expenses before amortization of Naming Rights and allocated stock-based compensation expense. We define Adjusted General and Administrative expenses as general and administrative expenses before amortization of acquired intangible assets, allocated stock-based compensation expense, exit costs due to exiting leases of certain facilities and certain other corporate expenses, such as costs related to secondary offerings by our controlling stockholder, professional, consulting and other costs associated with strategic initiatives and transaction expenses. We define Adjusted Research and Development expenses as research and development expenses before allocated stock-based compensation expense.

We use Adjusted Sales and Marketing expenses, Adjusted General and Administrative expenses and Adjusted Research and Development expenses (collectively, "Adjusted Operating Expenses") to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget, and to develop short-term and long-term operating plans. We believe that Adjusted Operating Expenses facilitate comparison of our operating performance on a consistent basis between periods, and when viewed in combination with our results prepared in accordance with U.S. GAAP, help provide a broader picture of factors and trends affecting our results of operations.

Adjusted Operating Expenses have limitations as analytical tools, and you should not consider them in isolation, or as substitutes for analysis of our results as reported under U.S. GAAP. Because of these limitations, Adjusted Operating Expenses should not be considered as replacements for operating expenses, as determined by U.S. GAAP. We compensate for these limitations by relying primarily on our U.S. GAAP results and using non-GAAP measures only for supplemental purposes.

Adjusted Sales and Marketing expense was \$53.7 million and \$49.5 million for the three months ended December 31, 2024 and 2023, respectively, and \$105.3 million and \$96.9 million for the six months ended December 31, 2024 and 2023, respectively. Adjusted Sales and Marketing expense increased for the three and six months ended December 31, 2024, primarily driven by expanding our sales coverage, an increase in advertising expense and an increase in amortization of costs to obtain contracts.

Adjusted General and Administrative expense was \$20.0 million and \$21.5 million for the three months ended December 31, 2024 and 2023, respectively, and \$41.1 million and \$41.2 million for the six months ended December 31, 2024 and 2023, respectively. Adjusted General and Administrative expense decreased for the three and six months ended December 31, 2024, primarily driven by a decrease in amortization related to customer relationships and employee-related costs.

Adjusted Research and Development expense was \$15.6 million and \$13.2 million for the three months ended December 31, 2024 and 2023, respectively, and \$30.8 million and \$25.3 million for the six months ended December 31, 2024

and 2023, respectively. Adjusted Research and Development expense increased for the three and six months ended December 31, 2024, primarily driven by an increase in employee-related costs and an increase in licensing fees.

	Three Months Ended		Six Months Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
(in thousands)				
Sales and Marketing expenses	\$ 60,137	\$ 57,753	\$ 116,926	\$ 110,531
Amortization of intangible assets	(1,058)	(1,058)	(2,117)	(2,117)
Stock-based compensation expense	(5,330)	(7,224)	(9,515)	(11,542)
Adjusted Sales and Marketing expenses	\$ 53,749	\$ 49,471	\$ 105,294	\$ 96,872
General and Administrative expenses	\$ 38,554	\$ 56,173	\$ 86,850	\$ 104,922
Amortization of intangible assets	(10,051)	(23,272)	(31,813)	(46,548)
Stock-based compensation expense	(6,051)	(9,951)	(10,837)	(15,023)
Gain (loss) on lease exit*	6	(115)	—	29
Corporate adjustments**	(2,442)	(1,345)	(3,108)	(2,156)
Adjusted General and Administrative expenses	\$ 20,016	\$ 21,490	\$ 41,092	\$ 41,224
Research and Development expenses	\$ 18,369	\$ 16,665	\$ 35,797	\$ 30,720
Stock-based compensation expense	(2,806)	(3,470)	(4,998)	(5,400)
Adjusted Research and Development expenses	\$ 15,563	\$ 13,195	\$ 30,799	\$ 25,320

\* Represents exit costs due to exiting leases of certain facilities.

\*\* Corporate adjustments for the three and six months ended December 31, 2024 relate to professional costs associated with the Paychex merger of \$1.7 million for both periods and professional, consulting, and other costs associated with strategic initiatives of \$0.7 million and \$1.4 million, respectively. Corporate adjustments for the three and six months ended December 31, 2023 relate to costs associated with the secondary offering completed in December 2023 ("December 2023 Secondary Offering") of \$0.6 million and \$0.6 million, respectively, and professional, consulting, and other costs of \$0.7 million and \$1.5 million, respectively.

#### Adjusted Net Income and Adjusted Net Income Per Share

We define Adjusted Net Income as income (loss) before expense (benefit) for income tax after adjusting for amortization of acquired intangible assets and Naming Rights, accretion expense associated with the Naming Rights, stock-based compensation expense, change in fair value of contingent consideration, exit costs due to exiting leases of certain facilities and certain other corporate expenses, such as costs related to secondary offerings by our controlling stockholder, professional, consulting, and other costs associated with strategic initiatives and transaction expenses, all of which are tax effected by applying an adjusted effective income tax rate. We define Adjusted Net Income Per Share as Adjusted Net Income divided by adjusted shares outstanding. Adjusted shares outstanding includes potentially dilutive securities excluded from the U.S. GAAP dilutive net loss per share calculation.

We use Adjusted Net Income and Adjusted Net Income Per Share to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget, and to develop short-term and long-term operating plans. We believe that Adjusted Net Income and Adjusted Net Income Per Share facilitate comparison of our operating performance on a consistent basis between periods, and when viewed in combination with our results prepared in accordance with U.S. GAAP, help provide a broader picture of factors and trends affecting our results of operations. While the amortization expense relating to intangible assets is excluded from Adjusted Net Income, the revenue related to such intangible assets is reflected in Adjusted Net Income as these assets contribute to our revenue generation.

Adjusted Net Income and Adjusted Net Income Per Share have limitations as analytical tools, and you should not consider these in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Because of these limitations, Adjusted Net Income should not be considered as a replacement for Net Income (Loss), and Adjusted Net Income Per Share should not be considered as a replacement for diluted net income (loss) per share, as determined by U.S. GAAP, or as a measure of our profitability. We compensate for these limitations by relying primarily on our U.S. GAAP results and using non-GAAP measures only for supplemental purposes.

Adjusted Net Income was \$25.0 million and \$18.7 million for the three months ended December 31, 2024 and 2023, respectively, and was \$43.6 million and \$31.5 million for the six months ended December 31, 2024 and 2023, respectively. Adjusted Net Income increased for both the three and six months ended December 31, 2024, primarily driven by an increase in total revenues, partially offset by continued investment in employee-related costs to support new customers, expand our sales coverage, and develop our products, as well as increased amortization related to deferred contract costs and capitalized software.

(in thousands)	Three Months Ended		Six Months Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Net gain (loss) before benefit for income taxes	\$ 837	\$ (29,073)	\$ (12,885)	\$ (52,758)
Amortization of intangible assets	12,023	24,963	35,719	50,673
Naming rights accretion expense	1,006	1,031	2,012	2,061
Change in fair value of deferred consideration	—	2,816	(112)	2,816
Stock-based compensation expense	16,141	23,049	28,806	35,964
(Gain) loss on lease exit*	(6)	115	—	(29)
Corporate adjustments**	2,442	1,345	3,129	2,156
Non-GAAP adjusted income before applicable income taxes	32,443	24,246	56,669	40,883
Income tax effect on adjustments***	(7,462)	(5,577)	(13,034)	(9,403)
Adjusted Net Income	\$ 24,981	\$ 18,669	\$ 43,635	\$ 31,480
Adjusted Net Income Per Share	\$ 0.14	\$ 0.11	\$ 0.24	\$ 0.18
Adjusted shares outstanding****	180,681,049	177,740,047	179,772,462	177,537,308

\* Represents exit costs due to exiting leases of certain facilities.

\*\* Corporate adjustments for the three and six months ended December 31, 2024 relate to professional costs associated with the Paychex merger of \$1.7 million for both periods and professional, consulting, and other costs associated with strategic initiatives of \$0.7 million and \$1.4 million, respectively. Corporate adjustments for the three and six months ended December 31, 2023 relate to costs associated with the secondary offering completed in December 2023 ("December 2023 Secondary Offering") of \$0.6 million and \$0.6 million, respectively, and professional, consulting, and other costs of \$0.7 million and \$1.5 million, respectively.

\*\*\* Non-GAAP adjusted income before applicable income taxes is tax effected using an adjusted effective income tax rate of 23.0% for each of the three and six months ended December 31, 2024 and 2023, respectively.

\*\*\*\* Adjusted shares outstanding for the three and six months ended December 31, 2024 and 2023 are based on the if-converted method and include potentially dilutive securities that are excluded from the U.S. GAAP dilutive net income per share calculation because including them in the computation of net income per share would have an anti-dilutive effect.

## Liquidity and Capital Resources

### General

As of December 31, 2024, our principal sources of liquidity were cash and cash equivalents totaling \$114.6 million, which was held for working capital purposes, as well as \$200.0 million of borrowing capacity available under our revolving credit facility, described further below. As of December 31, 2024, our cash and cash equivalents principally included demand deposit accounts. We expect our operating cash flows to further improve as we increase our operational efficiency and experience economies of scale.

We have historically financed our operations primarily through cash received from operations and debt financing and, more recently, with the issuance of equity in our initial public offering. We believe our existing cash and cash equivalents, borrowings available under our revolving credit facility and cash provided by sales of our solutions and services will be sufficient to meet our working capital and capital expenditure needs for at least the next twelve months. Our future capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, and the introduction of new and enhanced products and services offerings. In the future, we may enter into arrangements to acquire or invest in complementary businesses, services, and technologies, including intellectual property rights.

We may be required to seek additional equity or debt financing. If additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies, this could reduce our ability to compete successfully and harm our results of operations.

The majority of the Company's recurring fees are satisfied over time as the services are provided and invoiced by the customer payroll processing period or by month. The Company recognizes deferred revenue for nonrefundable upfront fees as well as for subscription services related to certain ancillary products invoiced prior to the satisfaction of the performance obligation. As of December 31, 2024, we had deferred revenue of \$19.4 million, of which \$13.4 million was recorded as a current liability and is expected to be recorded as revenue in the next twelve months, provided all other revenue recognition criteria have been met.

#### *Revolving Credit Facility*

Paycor, Inc. is party to a credit agreement (as amended, the "Credit Agreement") with PNC Bank, National Association ("PNC"), Fifth Third, National Association, and other lenders, providing a \$200.0 million senior secured revolving credit facility (the "Revolving Credit Facility"). The Revolving Credit Facility includes an "accordion feature" that allows us, under certain circumstances, to increase the size of the Revolving Credit Facility by an additional principal amount of up to \$200.0 million, with a resulting maximum principal amount of \$400.0 million, subject to the participating lenders electing to increase their commitments or new lenders being added to the Credit Agreement. The Revolving Credit Facility will mature on June 11, 2026.

Borrowings under the Revolving Credit Facility, if any, have variable interest rates. During the periods covered by this report, the variable interest rates were equal to, at our option, either, (i) in the case of ABR borrowings, the highest of (a) the PNC prime rate and (b) the Federal funds rate plus 0.50% or (ii) in the case of Eurocurrency borrowings, the applicable term Secured Overnight Financing Rate (as adjusted, "Benchmark Replacement SOFR"), plus, in each case, an applicable margin of (i) in the case of ABR borrowings, 0.375% per annum or (ii) in the case of Eurocurrency borrowings, 1.375% per annum, in each case, with step downs based on achievement of certain total leverage ratios.

The Credit Agreement contains financial covenants, which are reviewed for compliance on a quarterly basis, including a total leverage ratio financial covenant of 3.50 to 1.00 and an interest coverage ratio financial covenant of 3.00 to 1.00. As of December 31, 2024, the Company was compliant with all covenants under the Credit Agreement.

## Cash Flows

The following table presents a summary of our unaudited condensed consolidated cash flows from operating, investing and financing activities for the six months ended December 31, 2024 and 2023.

(in thousands)	Six Months Ended	
	December 31, 2024	December 31, 2023
Net cash provided by operating activities	\$ 28,749	\$ 37
Net cash used in investing activities	(37,903)	(80,023)
Net cash provided by financing activities	221,523	268,658
Impact of foreign exchange on cash and cash equivalents	21	11
Net change in cash and cash equivalents	212,390	188,683
Cash and cash equivalents at beginning of period	910,580	879,046
Cash and cash equivalents at end of period	\$ 1,122,970	\$ 1,067,729

### Operating Activities

Net cash provided by operating activities was \$28.7 million and \$— million for the six months ended December 31, 2024 and 2023, respectively. The increase in net cash provided by operating activities for the six months ended December 31, 2024 is primarily due to a decrease in net loss along with improved operating results after adjusting for non-cash items including stock-based compensation expense accompanied by net changes in operating assets and liabilities.

### Investing Activities

Net cash used in investing activities was \$37.9 million and \$80.0 million, for the six months ended December 31, 2024 and 2023, respectively. The decrease in net cash used in investing activities for the six months ended December 31, 2024 was primarily attributable to the timing of proceeds and purchases within our client funds portfolio.

### Financing Activities

Net cash provided by financing activities was \$221.5 million and \$268.7 million for the six months ended December 31, 2024 and 2023, respectively. The decrease in net cash provided by financing activities for the six months ended December 31, 2024 was primarily due to a decrease in funds held to satisfy client fund obligations.

### Contractual Obligations and Commitments

Our principal commitments at December 31, 2024 primarily consist of leases for office space and obligations associated with the Naming Rights. There have been no material changes to our contractual obligations disclosed in the contractual obligations and commitments section of Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of our 2024 Form 10-K. For additional information regarding our leases, see "Note 10. Leases" in the notes to our audited consolidated financial statements included in the 2024 Form 10-K and for additional information regarding our long-term debt and commitments and contingencies, see "Note 8. Debt Agreements and Letters of Credit" and "Note 13. Commitments and Contingencies" in the notes to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that may be material to investors.



## Critical Accounting Policies and Significant Judgments and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these unaudited condensed consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenue and expenses and related disclosures of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions, impacting our reported results of operations and financial condition.

Certain accounting policies involve significant judgments and assumptions by management, which have a material impact on the carrying value of assets and liabilities and the recognition of income and expenses. Management considers these accounting policies to be critical accounting policies. The estimates and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. The significant accounting policies which we believe are the most critical to aid in fully understanding and evaluating our reported financial results are described in the critical accounting policies and estimates section of Management's Discussion and Analysis of Financial Condition and Results of Operations in the 2024 Form 10-K. There have been no material changes to the critical accounting policies disclosed in the 2024 Form 10-K, except as described in Note 2 to our unaudited condensed consolidated financial statements: "Summary of Significant Accounting Policies."

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of exposure due to potential changes in inflation or interest rates. We do not hold financial instruments for trading purposes.

### *Foreign Currency Exchange Risk*

The functional currencies of our foreign subsidiaries are generally the respective local currencies. Most of our sales are denominated in U.S. dollars, and therefore our revenue is not currently subject to significant foreign currency risk. Our operating expenses are denominated in the currencies of the countries in which our operations are located, which are primarily in the United States, Canada, and Serbia. Our unaudited condensed consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative financial instruments. During the three and six months ended December 31, 2024, a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our unaudited condensed consolidated financial statements.

### *Interest Rate Risk*

As of December 31, 2024, we had cash and cash equivalents totaling \$114.6 million and funds held for clients of \$1,333.4 million. We deposit our cash and cash equivalents and significant portions of our funds held for clients in demand deposit accounts with various financial institutions. We invest funds held for clients in debt-security investments classified as available-for-sale consisting of U.S. Treasury Notes, direct obligations of U.S. government agencies such as the Federal Home Loan Bank, the Federal National Mortgage Association and the Federal Farm Credit Bank, high grade corporate bonds, FDIC insured certificates of deposit, and other short-term and long-term investments.

Our cash and cash equivalents and funds held for clients are subject to market risk due to changes in interest rates. A decline in interest rates would decrease our interest income earned. Additionally, an increase in interest rates may cause the market value of our investments in fixed-rate available-for-sale securities to decline. We may incur losses on our fixed-rate available-for-sale securities if we are forced to sell some or all of these securities at lower market values. However, as a result of us classifying all marketable securities as available-for-sale, no gains or losses are recognized due to changes in interest rates until such securities are sold or decreases in fair value are deemed due to expected credit losses. We have not recorded any allowance for credit impairment losses on available-for-sale securities. A 100-basis point change in interest rates would have had an immaterial effect on the market value of our available-for-sale securities as of December 31, 2024.

We are also exposed to changing Eurodollar-based interest rates. Interest rate risk is highly sensitive due to many factors, including European Union and U.S. monetary and tax policies, U.S. and international economic factors and other factors beyond our control. Borrowings under the Revolving Credit Facility bear interest at a variable rate at the Company's option based on certain benchmark interest rates (e.g., the Federal funds rate or Benchmark Replacement SOFR), plus an applicable margin (as described in the liquidity and capital resources section of Management's Discussion and Analysis of Financial Condition and Results of Operations above).

At December 31, 2024, we had no outstanding borrowings under the Revolving Credit Facility and, as a result, a 100-basis point increase or decrease in market interest rates over a twelve-month period would result in no change to interest expense.

#### **Impact of Inflation**

While inflation may impact our revenues and costs of revenues, we believe the effects of inflation, if any, have not had a direct, material impact on our results of operations and financial condition to date. Nonetheless, if our costs become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. There can be no assurance that our results of operations and financial condition will not be materially impacted by inflation in the future.

In the event the Federal Reserve were to raise interest rates to temper the rate of inflation (or for other reasons), we could potentially benefit from increased interest income on our funds held for clients balance invested at higher interest rates. However, the cost to us of any future borrowings under the Revolving Credit Facility would increase in a rising interest rate environment since borrowings under the Revolving Credit Facility bear interest at a variable rate at the Company's option based on certain benchmark interest rates (e.g., the Federal funds rate or Benchmark Replacement SOFR), plus an applicable margin. As of December 31, 2024, we had no outstanding borrowings under the Revolving Credit Facility.

## **Item 4. Controls and Procedures**

### ***Disclosure Controls and Procedures***

The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to a company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

We have established disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance that material information relating to us, including our consolidated subsidiaries, is made known on a timely basis to management and the Board of Directors. No control system, no matter how well designed and operated, can provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (the “Certifying Officers”), evaluated the design and operating effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2024. Based on this evaluation, the Certifying Officers concluded that, as of December 31, 2024, our disclosure controls and procedures were effective.

### ***Changes in Internal Control over Financial Reporting***

There were no changes to our internal control over financial reporting during the three months ended December 31, 2024, that materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

## Part II - Other Information

### Item 1. Legal Proceedings

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, we believe would, individually or taken together, have a material adverse effect on our business, financial condition, or liquidity. For additional information, see "Note 13 Commitments and Contingencies" in the notes to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

### Item 1A. Risk Factors

Other than as set forth below, there have been no material changes from the information set forth in "Item 1A. Risk Factors" of Part I in our Annual Report on Form 10-K filed with the SEC on August 22, 2024.

#### Risks Related to our Proposed Acquisition by Paychex

***Uncertainties associated with the Merger, including the risk that the Merger may not close on the anticipated timeframe or at all due to one or more of the closing conditions to the Merger not being satisfied or waived, may have an adverse effect on our business, financial condition, results of operations and stock price.***

On January 7, 2025, we entered into the Merger Agreement with Paychex and Merger Sub. Pursuant to the Merger Agreement, Merger Sub will be merged with and into the Company, with the Company surviving as a wholly owned subsidiary of Paychex. If the Merger is completed, we will become a privately held company, meaning that our common stock will be delisted from the Nasdaq and deregistered under the Exchange Act.

Completion of the Merger is subject to certain customary closing conditions, including, among other things, (i) the absence of any order, injunction or law issues or enforced by any court or governmental authority of competent jurisdiction that prohibits, makes illegal or enjoins the consummation of the Merger or applicable law enacted that prohibits or makes illegal the Merger, (ii) the expiration or termination of any waiting period applicable to the consummation of the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and (iii) certain approvals under U.S. state laws in respect of money transmitter and insurance licenses having been obtained. The regulatory agencies have broad discretion in administering the antitrust laws and could seek to impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of the parties' business as a condition to the expiration or termination of the applicable waiting period under the HSR Act. Although each party is required to use their respective reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable law to consummate the transactions contemplated by the Merger Agreement as soon as reasonably practicable, these requirements, limitations, costs, divestitures or restrictions (many of which have certain factors that are not in our control) could jeopardize or delay the consummation of the Merger. Further, if the Merger has not been consummated on or before October 7, 2025, then the Merger Agreement may be terminated by either party. There is no assurance that expiration or termination of the applicable waiting period under the HSR Act will occur, or that all of the other closing conditions will be satisfied or waived (where permissible under applicable law), or that the Merger will be completed on the terms reflected in the Merger Agreement, within the expected timeframe, or at all.

The announcement and pendency of the Merger may create disruption in and uncertainties for our business, current plans and operations, which could have an adverse effect on our ability to retain qualified personnel and customers and to maintain relationships with our business partners and vendors. These business partners, vendors or customers could attempt to negotiate changes in existing business relationships, consider entering into business relationships with companies other than us, delay or defer decisions concerning their business with us, or terminate their existing business relationships with us during pendency of the Merger. Adverse changes in our relationships with employees, business partners, vendors and customers may continue or intensify in the event the Merger is not consummated or is significantly delayed. As a result, there can be no assurance that our business, financial condition and results of operations will not be adversely affected, as compared to prior to the announcement of the Merger Agreement. Our management's time and attention may also be disrupted from ongoing business operations and diverted toward activities focused on completing the Merger, which could further impact these relationships and also the execution of our business strategy and plans, user experience, customer service or the performance of our solutions.

If the Merger Agreement is terminated and the Merger is not completed, we and our stockholders may face other adverse consequences. To the extent that the current market price of our common stock reflects an assumption that the Merger will be completed, the price of our common stock could decrease if the Merger is not completed and you may not recover your investment or receive a price for your shares of our common stock similar to what has been offered under the Merger Agreement. Further, investor confidence in us could decline, and stockholder litigation could be brought against us. In addition, we will have incurred significant costs, expenses and fees for professional services and other transaction costs in connection with the Merger, including for activities that we would have not undertaken other than to complete the Merger. As a result, to the extent the Merger is not completed, we will receive little or no benefit from incurring these costs, and in the absence of the Merger, these costs may have been allocated elsewhere, all of which could have adverse effect on our business, financial condition and results of operations.

Even if successfully completed, there are certain risks to our stockholders from the Merger, including: we may experience a departure of employees prior to the closing of the Merger; the amount of cash per outstanding share of our common stock to be paid under the Merger Agreement is fixed and will not be adjusted for changes in our business, assets, liabilities, prospects, outlook, financial condition or operating results or in the event of any change in the market price of, analyst estimates of, or projections relating to, our common stock; receipt of the all-cash per share Merger consideration under the Merger Agreement is taxable to stockholders that are treated as U.S. holders for U.S. federal income tax purposes; and if the Merger is completed, our stockholders will forego the opportunity to realize the potential long-term value of the successful execution of our current business strategy as an independent company.

***The Merger Agreement contains provisions that limit our ability to pursue alternatives to the Merger.***

Under the Merger Agreement, we are restricted from soliciting, initiating or taking any action to knowingly facilitate or encourage the submission of any Acquisition Proposal (as such term is defined in the Merger Agreement) and/or enter into or participate in any discussion or negotiations with, furnish any information relating to the Company or any of its subsidiaries or afford access to the business, properties, assets, books or records of the Company or any of its subsidiaries to, or otherwise knowingly cooperate with any third party, in each case, relating to an Acquisition Proposal or any inquiry, proposal or request that would reasonably be expected to lead to an Acquisition Proposal. These provisions could discourage a third party that may have an interest in acquiring all or a significant part of the Company from considering or proposing that acquisition, even if such third party were prepared to pay consideration with a higher value than the value of the consideration in the Merger.

***We are subject to certain restrictions on the conduct of our business under the terms of the Merger Agreement.***

Under the terms of the Merger Agreement, we have agreed to certain covenants in the Merger Agreement restricting the conduct of our business that could harm our business relationships, financial condition, results of operations and cash flows, including restrictions with respect to our ability to, among other things and subject to certain specified exceptions: establish, adopt, enter into, terminate or materially amend any Employee Plans (as such term is defined in the Merger Agreement); increase the compensation, remuneration or benefits to or for any individual service provider, or hire, engage, promote, transfer, change the title, position or duties, temporarily layoff, furlough or terminate (other than termination for cause) any individual service provider, in each case earning above a certain salary or wage or above the level of Vice President of the Company; settle, or offer or propose to settle, certain legal proceedings; change methods of financial accounting; incur capital expenditures above specified thresholds; freely issue securities; and incur indebtedness. Because of these restrictions, we may be prevented from undertaking certain actions with respect to the conduct of our business that we might otherwise have taken if not for the Merger Agreement. Such restrictions could prevent us from pursuing certain business opportunities that arise prior to the completion of the Merger and are outside the ordinary course of business, and could otherwise adversely affect our business, financial condition and results of operations prior to completion of the Merger.

***Lawsuits may arise in connection with the Merger, which could delay or prevent completion of the Merger and adversely affect our business, financial condition and results of operations.***

Lawsuits relating to the Merger could be filed against the Company, Paychex, or our or its board of directors, including by stockholders of the Company or Paychex. Although litigation is common in connection with acquisitions of public companies, regardless of any merits related to the underlying acquisition, the outcome of any lawsuits filed against the Company, Paychex, or our or its board of directors is uncertain and could delay or prevent completion of the Merger. While we plan to vigorously defend any such lawsuits, we may not be successful in defending against any such claims. Additionally, the costs of defense of such litigation, including costs associated with the indemnification of directors and officers, and other effects, such as negative publicity or damage to our relationships with business partners, suppliers and customers, could have an adverse effect on our business, financial condition and results of operations.

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

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

*Insider Trading Arrangements*

None of the Company's directors or officers (as defined in Section 16 of the Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (each as defined in Item 408(a) and (c) of Regulation S-K) during the Company's fiscal quarter ended December 31, 2024.

## Item 6. Exhibits

The following exhibits are incorporated herein by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K):

<a href="#"><u>2.1*</u></a>	<a href="#"><u>Agreement and Plan of Merger, dated as of January 7, 2025, by and among Paycor HCM, Inc., Paychex, Inc. and Skyline Merger Sub, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 7, 2025)</u></a>
<a href="#"><u>3.1</u></a>	<a href="#"><u>Second Amended and Restated Certificate of Incorporation of Paycor HCM, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 26, 2021)</u></a>
<a href="#"><u>3.2</u></a>	<a href="#"><u>Amended and Restated Bylaws of Paycor HCM, Inc., effective July 23, 2021 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 26, 2021)</u></a>
<a href="#"><u>10.14</u></a>	<a href="#"><u>Paycor HCM, Inc. Performance Stock Unit Award Agreement Form (Named Executive Officers)</u></a>
<a href="#"><u>10.15</u></a>	<a href="#"><u>Paycor HCM, Inc. Performance Stock Unit Award Agreement Form (Chief Executive Officer)</u></a>
<a href="#"><u>31.1</u></a>	<a href="#"><u>Certification of Principal Executive Officer, Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002</u></a>
<a href="#"><u>31.2</u></a>	<a href="#"><u>Certification of Principal Financial Officer, Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002</u></a>
<a href="#"><u>32.1**</u></a>	<a href="#"><u>Certification of the Chief Executive Officer, Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
<a href="#"><u>32.2**</u></a>	<a href="#"><u>Certification of the Chief Financial Officer, Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

\* All schedules to the Merger Agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to furnish supplementally a copy of any omitted schedule to the Securities and Exchange Commission upon request.

\*\* This exhibit is furnished herewith and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

### Paycor HCM, Inc.

Date: February 6, 2025

By: /s/ ADAM ANTE  
Name: Adam Ante  
Title: Chief Financial Officer (Principal Financial Officer)

Date: February 6, 2025

By: /s/ SARAH HAINES  
Name: Sarah Haines  
Title: Chief Accounting Officer (Principal Accounting Officer)



**PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT  
PURSUANT TO THE  
PAYCOR HCM, INC. 2021 OMNIBUS INCENTIVE PLAN**

\*\*\*\*\*

**Participant:** Set forth in the attached award notice (the "Award Notice")

**Grant Date:** Set forth in the Award Notice

**Number of Performance-Based Restricted Stock Units Granted:** Set forth in the Award Notice

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**THIS PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT** (this "Agreement"), dated as of the Grant Date specified above, is entered into by and between Paycor HCM, Inc., a corporation organized in the State of Delaware (the "Company"), and the Participant specified above, pursuant to the Paycor HCM, Inc. 2021 Omnibus Incentive Plan, as in effect and as amended from time to time (the "Plan"), which is administered by the Committee; and

**WHEREAS**, it has been determined under the Plan that it would be in the best interests of the Company to grant to the Participant the target number of performance-based Restricted Stock Units set forth above (the "PSUs").

**NOW, THEREFORE**, in consideration of the mutual covenants and promises hereinafter set forth and for other good and valuable consideration, the parties hereto hereby mutually covenant and agree as follows:

1 . Incorporation By Reference: Plan Document Receipt. This Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly intended not to apply to the Award provided hereunder), all of which terms and provisions are made a part of and incorporated in this Agreement as if they were each expressly set forth herein. Any capitalized term not defined in this Agreement will have the same meaning as is ascribed thereto in the Plan. The Participant hereby acknowledges receipt of a true copy of the Plan and that the Participant has read the Plan carefully and fully understands its content. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan will control.

2 . Grant of Performance-Based Restricted Stock Unit Award. The Company hereby grants to the Participant, as of the Grant Date specified above, the target number of PSUs specified above. Except as otherwise provided by the Plan, the Participant agrees and understands that nothing contained in this Agreement provides, or is intended to provide, the Participant with any protection against potential future dilution of the Participant's interest in the Company for any reason, and no adjustments will be made for dividends in cash or other property, distributions or other rights in respect of the shares of Common Stock underlying the PSUs, except as otherwise specifically provided for in the Plan or this Agreement.

3. Vesting; Forfeiture. Subject to the terms and conditions set forth herein and in the Plan, the PSUs shall be subject to the performance-vesting, time-vesting and forfeiture conditions set forth on Exhibit A attached hereto, the provisions of which are hereby incorporated by reference.

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4. Delivery of Shares.

( a ) General. Subject to the provisions of Section 4(b) hereof, to the extent that any of the PSUs fully vest in accordance with the terms and conditions set forth on Exhibit A attached hereto, within thirty (30) days following the applicable vesting date, the Participant will receive the number of shares of Common Stock that correspond to the number of PSUs that have become vested on such applicable vesting date. Without limiting the foregoing, in lieu of delivering only shares of Common Stock, the Committee may, in its sole discretion, settle any vested PSUs by payment to the Participant in cash of an amount equal to the Fair Market Value of the number of shares of Common Stock that correspond to the number of PSUs that have become vested on the applicable vesting date. The Participant acknowledges and agrees to notify the Company in writing if he or she sells any shares of Common Stock acquired pursuant to such settlement within one year of any such sale.

( b ) Blackout Periods. If the Participant is subject to any Company "blackout" policy or other trading restriction imposed by the Company on the date such distribution would otherwise be made pursuant to Section 4(a) hereof, the Company may defer such distribution until the earlier of (i) the date that the Participant is not subject to any such policy or restriction and (ii) the later of (A) the end of the calendar year in which such distribution would otherwise have been made and (B) a date that is immediately prior to the expiration of two and one-half months following the applicable vesting date.

5. Dividends; Rights as Stockholder. Cash dividends on shares of Common Stock issuable hereunder will be credited to a dividend book entry account on behalf of the Participant with respect to each PSU granted to the Participant and will be held uninvested and without interest and paid in cash at the same time that the shares of Common Stock (or cash payments, if applicable) underlying the PSUs are delivered to the Participant in accordance with the provisions hereof. Stock dividends on shares of Common Stock will be credited to a dividend book entry account on behalf of the Participant with respect to each PSU granted to the Participant; provided that, such stock dividends will be paid in shares of Common Stock at the same time that the shares of Common Stock underlying the PSUs are delivered to the Participant in accordance with the provisions hereof. Except as otherwise provided herein, the Participant will have no rights as a stockholder with respect to any shares of Common Stock covered by any PSU unless and until the Participant has become the holder of record of such shares.

6. Non-Transferability. No portion of the PSUs may be sold, assigned, transferred, encumbered, hypothecated or pledged by the Participant, other than to the Company as a result of forfeiture of the PSUs as provided herein, unless and until payment is made in respect of vested PSUs in accordance with the provisions hereof and the Participant has become the holder of record of the vested shares of Common Stock issuable hereunder.

7. Restrictive Covenant Agreement. In consideration for, and as a condition to, the grant of PSUs herein, the Participant agrees to comply with and be bound by the Confidentiality, Non-Solicitation and Non-Competition Agreement (the "RCA") attached hereto as Exhibit B, the provisions of which are hereby incorporated by reference. The Participant affirms that the Participant has read and understands the RCA, including, specifically, the scope and duration of the restrictive covenants set forth therein, and acknowledges and agrees that the terms of such RCA are in consideration for the Participant's receipt of the grant of the PSUs under this Agreement.

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8. Governing Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to the choice of law principles thereof.

9. Withholding of Tax. The Company will have the power and the right to deduct or withhold, or require the Participant to remit to the Company, an amount sufficient to satisfy any federal, state, local and foreign taxes of any kind (including, but not limited to, the Participant's FICA and SDI obligations) which the Company, in its sole discretion, deems necessary to be withheld or remitted to comply with the Code and/or any other applicable law, rule or regulation with respect to the PSUs and, if the Participant fails to do so, the Company may otherwise refuse to issue or transfer any shares of Common Stock otherwise required to be issued pursuant to this Agreement. **With the consent of the Committee, any minimum statutorily required withholding obligation incurred in connection with the settlement of the PSUs may be satisfied by reducing the amount of cash or shares of Common Stock otherwise deliverable upon settlement of the PSUs.**

10. Entire Agreement; Amendment. This Agreement, together with the Plan, the Award Notice, and the exhibits hereto, contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties relating to such subject matter. The Committee will have the right, in its sole discretion, to modify or amend this Agreement from time to time in accordance with and as provided in the Plan. The Company will give written notice to the Participant of any such modification or amendment of this Agreement as soon as practicable after the adoption thereof. This Agreement may also be modified or amended by a writing signed by both the Company and the Participant.

11. Notices. Any notice hereunder by the Participant will be given to the Company in writing and such notice will be deemed duly given only upon receipt thereof by the General Counsel of the Company. Any notice hereunder by the Company will be given to the Participant in writing and such notice will be deemed duly given only upon receipt thereof at such address as the Participant may have on file with the Company.

12. No Right to Employment or Service. Any questions as to whether and when there has been a Termination and the cause of such Termination will be determined in the sole discretion of the Committee. Nothing in this Agreement will interfere with or limit in any way the right of the Company, its Subsidiaries or its Affiliates to terminate the Participant's employment or service at any time, for any reason and with or without Cause.

13. Transfer of Personal Data. The Participant authorizes, agrees and unambiguously consents to the transmission by the Company (or any Subsidiary) of any personal data information related to the PSUs awarded under this Agreement for legitimate business purposes (including, without limitation, the administration of the Plan). This authorization and consent is freely given by the Participant.

14. Compliance with Laws. The grant of PSUs and the issuance of shares of Common Stock hereunder will be subject to, and will comply with, any applicable requirements of any foreign and U.S. federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act, the Exchange Act and in each case any respective rules and regulations promulgated thereunder) and any other law, rule regulation or exchange requirement applicable thereto. The Company will not be obligated to issue the PSUs or any shares of Common Stock pursuant to this Agreement if any such issuance would violate any such requirements. As a condition to the settlement of the PSUs, the

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Company may require the Participant to satisfy any qualifications that may be necessary or appropriate to evidence compliance with any applicable law or regulation.

15. Section 409A. Notwithstanding anything herein or in the Plan to the contrary, the PSUs are intended to be compliant with or exempt from the applicable requirements of Section 409A of the Code and will be limited, construed and interpreted in accordance with such intent.

16. Binding Agreement; Assignment. This Agreement will inure to the benefit of, be binding upon, and be enforceable by the Company and its successors and assigns. The Participant will not assign (except in accordance with Section 6 hereof) any part of this Agreement without the prior express written consent of the Company.

17. Headings. The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and will not be deemed to be a part of this Agreement.

18. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which will constitute one and the same instrument.

19. Further Assurances. Each party hereto will do and perform (or will cause to be done and performed) all such further acts and will execute and deliver all such other agreements, certificates, instruments and documents as either party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan and the consummation of the transactions contemplated thereunder.

20. Severability. The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction will not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder will be enforceable to the fullest extent permitted by law.

21. Acquired Rights. The Participant acknowledges and agrees that: (a) the Company may terminate or amend the Plan at any time in accordance with Article XIII of the Plan; (b) the Award of PSUs made under this Agreement is completely independent of any other award or grant and is made at the sole discretion of the Company; (c) neither this Award nor any past grants or awards give the Participant any right to any grants or awards in the future whatsoever; and (d) any benefits granted under this Agreement are not part of the Participant's ordinary salary, and will not be considered as part of such salary in the event of severance, redundancy or resignation.

22. Acceptance. The Participant hereby acknowledges receipt of a copy of the Plan, this Agreement, the Award Notice, and the exhibits hereto. As a condition the grant of PSUs herein, the Participant will execute a separate form of grant acknowledgement within thirty (30) days of the Grant Date provided by the Company.

23. Clawback. The Participant's rights with respect to the PSUs and the shares of Common Stock issued hereunder shall in all events be subject to (a) any right that the Company may have under any Company clawback policy or any other agreement or arrangement with the Participant, and (b) any right or obligation that the Company may have regarding the clawback of "incentive-based compensation" under Section 10D of the Exchange Act and any applicable rules and regulations promulgated thereunder from time to time by the U.S. Securities and Exchange Commission, the listing

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standards of any national securities exchange or association on which the Company's securities are listed, or any other applicable law.

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## **EXHIBIT A**

### **VESTING AND FORFEITURE CONDITIONS**

This Exhibit A sets forth the performance-vesting conditions (including the methodology applicable to such performance-vesting conditions), the time-vesting conditions and the forfeiture conditions applicable to the PSUs granted hereunder. The PSUs are subject to both performance-vesting and time-vesting conditions, and will only be deemed fully vested when both (i) the performance-vesting conditions set forth in Section 1 below and (ii) the time-vesting conditions set forth in Section 2 below have, in each case, been fully satisfied. Capitalized terms used but not defined herein shall have the same meaning as is ascribed thereto in the Agreement or the Plan, as applicable.

#### **1. Performance-Vesting Conditions.**

(a) General. Subject to the terms and conditions set forth in the Agreement and the Plan, the portion of the PSUs that become performance-vested during the period commencing on July 1, 2024 and ending on June 30, 2025 (such period, the “Performance Period”), if any, will be determined upon the Committee’s certification of the achievement of the performance conditions in accordance with this Exhibit A, which shall occur within sixty (60) days following the end of the Performance Period (the actual date of such certification, the “Certification Date”). The performance-vesting conditions applicable to the PSUs are as follows: (x) seventy-five percent (75%) of the PSUs shall be eligible to performance-vest based on achievement of the Revenue targets set forth below (the “Revenue PSUs”), and (y) the remaining twenty-five percent (25%) of the PSUs shall be eligible to performance-vest based on achievement of the Net Revenue Retention targets set forth below (the “Net Revenue Retention PSUs”), in each case, as measured during the Performance Period. For purposes of this Exhibit A:

(i) “Revenue” means Total Revenues for the applicable fiscal year as reported in the Company’s Annual Report on Form 10-K as filed with the Securities and Exchange Commission, including recurring and other revenue (which is comprised of recurring fees and implementation services, and interest income on funds held for clients), subject to any adjustments approved by the Committee at the time of certification; and

(ii) “Net Revenue Retention” means the current quarterly period recurring revenue for the cohort of customers at the beginning of the applicable prior year quarterly period, divided by the recurring revenue in the prior year reporting period for that same cohort, subject to any adjustments approved by the Committee at the time of certification. In calculating the Net Revenue Retention for a period longer than a quarter, such as a fiscal year, the Company uses the weighted average of the retention rates (calculated in accordance with the immediately preceding sentence) for each applicable quarter included in such period.

(b) Certification of Performance-Vesting Conditions. On the Certification Date, the Committee shall certify the Revenue and Net Revenue Retention achievement for the Performance Period and, based on such Revenue and Net Revenue Retention achievement, the percentage of the Revenue PSUs and the Net Revenue Retention PSUs that performance-vest shall be determined in accordance with the respective tables below, with Revenue and Net Revenue Retention achievement linearly interpolated

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between the Threshold and Target performance levels and the Target and Maximum performance levels listed below.

Revenue		
Performance Level	Revenue Achievement	Percentage of Revenue PSUs that Performance-Vest
Maximum	\$803,000,000	200%
Target	\$765,000,000	100%
Threshold	\$727,000,000	50%
Below Threshold	Less than \$727,000,000	0%

Net Revenue Retention		
Performance Level	Net Revenue Retention Achievement	Percentage of Net Revenue Retention PSUs that Performance-Vest
Maximum	99.9%	200%
Target	97.0%	100%
Threshold	94.1%	50%
Below Threshold	Less than 94.1%	0%

1. **Time-Vesting Conditions.** Any PSUs that are deemed performance-vested as of the Certification Date in accordance with this Exhibit A shall hereinafter be referred to as the “Earned PSUs.” The Earned PSUs (if any), will be subject to the following time-vesting conditions: (i) 33.33% of the Earned PSUs shall be deemed fully time-vested as of the Certification Date; and (ii) the remaining 66.67% of the Earned PSUs shall be deemed fully time-vested on a substantially equal quarterly basis during the period commencing as of the last day of the Performance Period and ending on the second anniversary of such date; provided, that the Participant has not incurred a Termination for any reason or no reason prior to each such time-vesting date.

2. **Forfeiture.** All PSUs that are outstanding as of the date immediately following the Certification Date shall be automatically and immediately forfeited and cancelled for no consideration if such PSUs do not become performance-vested as set forth above. For the avoidance of doubt, in the event that the Participant incurs a Termination for any reason or no reason (i) prior to the Certification Date, then one-hundred percent (100%) of the PSUs will be automatically and immediately forfeited for no consideration therefor, or (ii) on or following the Certification Date, any Earned PSUs that are outstanding and have not become time-vested as of such date of termination in accordance with Section 2 above will be automatically and immediately forfeited for no consideration therefor.

3. **Committee Authority.** Consistent with the terms of the Plan, all designations, determinations, interpretations and other decisions under or with respect to the terms of the Plan or the Agreement, including this Exhibit A, shall be within the sole discretion of the Committee, and shall be final, conclusive and binding upon all persons.

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## **EXHIBIT B**

### **CONFIDENTIALITY, NON-SOLICITATION AND NON-COMPETITION AGREEMENT**

This Confidentiality, Non-Solicitation and Non-Competition Agreement (the "Agreement") is entered into as of the date on which Employee was granted his or her equity award to which this Exhibit A is attached, by and between Paycor HCM, Inc., a Delaware corporation (the "Company"), and the Participant set forth in the attached notice ("Employee").

In consideration of the employment or continued employment of Employee by the Company or a subsidiary or affiliate of the Company (any such subsidiary or affiliate a "Related Company," and all such subsidiaries or affiliates, collectively, the "Related Companies") and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged; the Company and Employee covenant and agree as follows:

1. Condition of Employment. Employee acknowledges that employment with the Company is conditioned upon Employee agreeing to the covenants and restrictions contained herein.
  2. At Will Employment. The Company hereby employs and/or continues to employ Employee on an at-will basis. As an at-will employee, the parties specifically agree that Employee's employment with the Company can be terminated by either party at any time for any reason.
  3. Duties of Employee. While employed by the Company, Employee shall serve the Company in such position as the Company may from time to time designate. Employee shall perform those duties which the Company's Officers and/or Board of Directors may from time to time request.
  4. Company's Business. The Company is in the business of providing human capital management software and services, including (without limitation) payroll processing services, payroll tax filing services, benefits administration services, time and attendance solutions, applicant tracking systems, talent development, human capital management data analytics and related services (individually and collectively, "Paycor Business"). Employee will learn valuable trade secrets of Company and, as an employee of Company, will work with and in some instances create new inventions, software, information technology, and creative works to be used by Company.
  5. Confidential Information. "Confidential Information" shall mean any non-public or secret information, knowledge, or data with respect to the Company's and/or any of the Related Companies' (collectively, the Company and the Related Companies are referred to herein as the "Paycor Companies") business, services, trade secrets, technologies, systems, clients, prospects, and sales, marketing and service methods, including, but not limited to, discoveries, ideas, concepts, designs, drawings, specifications, equipment, techniques, computer flow charts and programs, computer software (whether owned or licensed by any of the Paycor Companies), hardware, firmware, models, data, documentation, manuals, diagrams, research and development, performance information, know-how, business pricing policies and other internal policies, data systems, methods, systems documentation, practices, inventions, processes, procedures, formulae, employee lists or resumes, financial information (including financial statements), tax returns, client lists, prospect lists, information relating to past, present or prospective clients, information
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belonging to any of the Paycor Companies' clients, personally identifiable information of clients' employees, market analysis, strategies, plans and projections for future growth and development, and compilations of information which are not readily available to the general public. Confidential Information includes all non-public or secret: software development information, source and object codes, all information stored or maintained in any computer system or program used or maintained by the Paycor Companies, all information stored or maintained in any laptop computer or handheld device provided by any of the Paycor Companies, all client files, prospect files, legal contracts, purchase orders, and all information relating to client or vendor pricing. All of the foregoing information, whether oral, written, memorized, or electronically stored, together with analyses, compilations, studies, notes of conversations, or other documents prepared for or by any of the Paycor Companies or Employee that contain or otherwise reflect Confidential Information, is also included within the term Confidential Information. Confidential Information does not include (i) any information in the public domain; or (ii) any information received unsolicited from a third party under no obligation of secrecy.

6. Confidentiality. Employee hereby acknowledges and agrees that Employee will acquire access to some or all of the Confidential Information, that the Confidential Information is regarded as valuable to the Paycor Companies and that the Paycor Companies have a legitimate right and business need to protect the Confidential Information. Employee acknowledges that keeping the Confidential Information confidential is essential to the growth and stability of the Paycor Companies. Employee therefore agrees to hold the Confidential Information in strictest confidence and shall not at any time, directly or indirectly, disclose such information to any third party or use such information other than for the benefit of the Paycor Companies or in the performance of Employee's employment duties with respect to the Company. Employee shall disclose such information only to employees, representatives, and agents of the Paycor Companies with a need to know such information, except as may be reasonably required in the performance of Employee's duties with respect to the Company. The restrictions set forth in this paragraph shall apply during the period of Employee's employment with the Company and following the termination of employment until the end of time, whether the termination of employment is voluntary or involuntary. In accordance with the Defend Trade Secrets Act, 18 U.S.C. § 1833(b), and other applicable law, nothing in this Agreement or any other agreement or policy shall prevent Employee from, or expose Employee to criminal or civil liability under federal or state trade secret law for, (i) directly or indirectly sharing any Paycor Company trade secrets or other Confidential Information (except information protected by any of the Paycor Companies' attorney-client or work product privilege) with an attorney or with any federal, state, or local government agencies, regulators, or officials, for the purpose of investigating or reporting a suspected violation of law, whether in response to a subpoena or otherwise, without notice to the Paycor Companies, or (ii) disclosing trade secrets in a complaint or other document filed in connection with a legal claim, provided that the filing is made under seal. Further, nothing herein shall prevent Employee from discussing or disclosing information related to Employee's general job duties, responsibilities, or compensation. Employee also may disclose Confidential Information as required in response to a subpoena or other legal process, in accordance with the terms and procedures set forth in this Paragraph [6](#).
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7. Return of Confidential Information; Return of Paycor Equipment and Property. Upon termination of Employee's employment with any of the Paycor Companies for any reason whatsoever or upon the written request of any of the Paycor Companies, Employee shall immediately destroy, delete and/or return to the Paycor Companies all Confidential Information and all copies, abstracts, handwritten records and electronic records thereof, and Employee shall certify in writing to the Company that Employee does not retain originals, copies, abstracts, handwritten records or electronic records of any Confidential Information. Employee agrees that retention of any such Confidential Information in Employee's memory does not permit Employee to use or disclose such information following Employee's termination of employment with the Company. Employee acknowledges and agrees that the Paycor Companies shall retain all ownership rights in and to the Confidential Information disclosed by it, and nothing contained in this Agreement or in any disclosure of the Confidential Information shall be construed to grant Employee any license or other rights in or to the Confidential Information. Further, upon the termination of Employee's employment, Employee agrees to immediately return to the Company all property and information belonging to the Company, such as (without limitation) office equipment, computers, printers, phones, key cards, company credit cards, and storage devices.
  8. Assignment of Intellectual Property. Any inventions, improvements, discoveries, or ideas(including without limitation software and programming) conceived, developed, or made by Employee in whole or in part during Employee's employment with any of the Paycor Companies, whether during business hours or otherwise, which relate to any of the Paycor Companies' businesses or which are made using any of the Paycor Companies' equipment, facilities, materials, labor, money, time or other resources or which result from any work performed by Employee, or by other employees, representatives or agents of any of the Paycor Companies for any of the Paycor Companies, shall be owned by and shall belong exclusively to the Paycor Companies and shall also be deemed Confidential Information for purposes of this Agreement. Any copyrightable works made by Employee within the scope of Employee's employment with the Paycor Companies shall be deemed works made for hire, and all copyrights therein shall belong to the Paycor Companies. Employee agrees to promptly advise the Company of any and all such inventions, improvements, discoveries, works, and ideas, and, upon request, to execute U.S. and foreign patent applications, copyright applications and any other legal documents necessary to transfer title therein to the Company (or the Related Company designated by the Company), and to assist the Paycor Companies in any proper manner in obtaining and enforcing such patents and copyrights at the Paycor Companies' expense.
  9. Covenant Not to Compete. Employee acknowledges that because of Employee's position of trust with the Company, in the course of Employee's employment with the Company, Employee will be given access to or will become familiar with their trade secrets and with other Confidential Information, and that Employee's services have been and shall be of special, unique and extraordinary value to the Paycor Companies. Employee further acknowledges and agrees that the Paycor Companies conduct business in every state in the United States as well as in Serbia and Canada. Therefore, Employee agrees that during Employee's employment by Company, Employee will not, either directly or indirectly, without prior written authorization from Company, own, manage, operate, control, be employed by, perform services for, consult with, solicit business for, participate in, or be connected with the ownership, management, operation,
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or control of any business which is competitive with the Paycor Business, as defined in Paragraph 4 herein. Employee further agrees that for a period of 12 months after Employee is no longer employed by Company, Employee shall not, in any capacity, directly or indirectly, in the Restricted Territory own, manage, assist or engage in the ownership, management or control of, or be employed or engaged by or otherwise affiliated or associated as a consultant, independent contractor or otherwise, with any other business, entity, company or person where Employee will provide similar services to a "Competing Business" (defined in the subsequent sentence) as those which Employee provided to Paycor while employed. "Competing Business" means any party (sole proprietor, corporation, limited liability company, partnership, joint venture, association or other entity, regardless of form) that is engaged in any business that is the same as, or substantially the same as, that part of the Paycor Business in which Employee will have worked or to which Employee will have been exposed during the last two years of Employee's employment at the Company. The restrictions set forth herein do not prevent Employee from owning, as an inactive investor, securities of any Competing Business that is listed on a national securities exchange. For purposes of this Agreement, "Restricted Territory" means any territory within the United States, Canada, Serbia or any other geographical region in which the Paycor Companies do or begin to do business during Employee's employment with the Company and in which Employee has or had responsibility (including supervisory responsibility) at any time during Employee's employment with the Company.

10. Customer, Business Partner and Employee Restrictions. Employee acknowledges that the Paycor Companies' Customers, Prospective Customers, Business Partners, and employees now or hereafter employed by the Paycor Companies are an integral part of the Paycor Companies' businesses, that non-public information relating to such Customers, Prospective Customers, Business Partners, and employees are part of the Paycor Companies' Confidential Information, that because of Employee's relationship of trust at the Company, Employee will have access to Confidential Information regarding the Paycor Companies' Customers, Prospective Customers, Business Partners, and employees, and that the loss of such Customers, Prospective Customers, Business Partners, and/or employees will have a substantial adverse effect on the Paycor Companies' businesses. Therefore, Employee agrees as follows:
    - A. During the term of Employee's employment with the Company and for a period of 12 months following termination of Employee's employment with the Company for any reason, Employee agrees that Employee will not, either directly or indirectly, for any purpose other than for the benefit of the Paycor Companies solicit, provide sales or service to, or otherwise accept business of the type being offered by the Paycor Companies from any person, partnership, corporation, limited liability company, or other entity who or which is a Customer or Prospective Customer.
    - B. In the case of a Customer or Prospective Customer with multiple locations, this Paragraph 10 applies to all locations where the Paycor Companies have provided or will reasonably be expected to provide sales or service now or in the future to such Customer or Prospective Customer (as applicable). Employee further agrees that, during the term of Employee's employment with the Company and for a period of 12 months following termination of
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Employee's employment with the Company for any reason, Employee will not directly or indirectly, cause or attempt to cause any Customer or Prospective Customer to divert its business away from any of the Paycor Companies to any other person or entity, whether or not Employee is affiliated with such person or entity. For purposes of this Agreement, "Customer" means any business, entity, company or person who or which is or was a customer or client of the Paycor Companies while Employee was employed by the Company and/or during the 12 months preceding termination of Employee's employment and with whom or which Employee had Material Contact or about whom or which Employee obtained Confidential Information because of Employee's employment with the Company, "Prospective Customer" means any business, entity, company or person who or which is or was a prospective customer or client of the Paycor Companies while Employee was employed by the Company and/or during the 12 months preceding Employee's termination of employment and with whom or which Employee had Material Contact or about whom or which Employee obtained Confidential Information because of Employee's employment with the Company, and "Material Contact" means actual contact (whether in person, virtual, or by email, text or phone) between Employee and a Customer or Prospective Customer with whom or which Employee dealt on behalf of the Paycor Companies; or whose dealings with the Paycor Companies were coordinated or supervised by Employee; or who or which received goods or services from the Paycor Companies that resulted in payment of commissions or other compensation to Employee; or about whom Employee obtained Confidential Information because of Employee's employment with the Company.

- C. During the term of Employee's employment with the Company and for a period of 12 months following termination of Employee's employment with the Company for any reason, Employee agrees that Employee will not, directly or indirectly, solicit or induce or attempt to solicit or induce any employee or independent contractor of any of the Paycor Companies to leave the employ or engagement of such Paycor Companies, or to directly or indirectly hire or engage any employee or independent contractor of Company to work for Employee or any entity with whom Employee is or becomes affiliated.
  - D. During the term of Employee's employment with the Company and for a period of 12 months following termination of Employee's employment with the Company for any reason, Employee agrees that Employee will not, directly or indirectly, interfere or attempt to interfere with a contractual relationship between any of the Paycor Companies and any Business Partner with whom Employee had material contact during the 12 month period immediately prior to Employee's termination of employment with the Company. For the purposes of this subparagraph [C](#) a "Business Partner" means an actual or prospective supplier, vendor, referral partner, strategic partner, or other third party with whom a Paycor Company has a contractual relationship other than Customers and employees, or about which Employee has learned or been provided any Confidential Information during Employee's employment with the Company.
11. Duty of Loyalty. Employee agrees that at all times during Employee's employment with the Company, Employee owes the Company a duty of loyalty and a duty to act in good faith. While employed by the Company, Employee agrees to devote their best efforts to the business of the Company, to perform conscientiously all duties and obligations required or assigned, and not to usurp, for personal gain, any opportunities in the Company's line of business. Employee agrees
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that during Employee's employment, Employee will not individually, or in combination with any other employee, individual, Competing Business, or competitor of the Company, violate or breach the terms of this Agreement.

12. Reasonableness and Modifications of Restrictions. Employee further acknowledges and agrees that the provisions set forth in Paragraphs [9](#) and [10](#) are reasonable in scope, duration, and area, and are reasonably necessary to protect the legitimate business interests of the Paycor Companies, and particularly the Paycor Companies' interest in protecting its Confidential Information. If any provision of Paragraphs [9](#) or [10](#) are held to be unenforceable due to the scope, duration or area of its application, the parties intend and agree that the court making such determination shall modify such scope, duration, or area, or all of them to what the court considers reasonable, and such provision shall then be enforced in such modified form.
  13. Irreparable Harm. Because of the unique nature of the Confidential Information, Employee acknowledges and agrees that the Paycor Companies will suffer irreparable harm in the event that Employee fails to comply with any of Employee's obligations set forth herein and that monetary damages will be inadequate to compensate the Paycor Companies for such breach. Accordingly, Employee agrees that the Company and/or any Related Company, in addition to any other remedies available to it at law or in equity, will be entitled to temporary, preliminary and permanent injunctive relief to enforce the terms hereof. Employee further agrees to reimburse Company for all costs incurred by Company in any successful legal proceeding for equitable, monetary, or other relief to enforce or protect its rights under this Agreement, including but not limited to, reasonable attorney fees.
  14. Representation. The Employee represents and warrants that the Employee is not under any pre- existing obligations that are inconsistent with the provisions of this Agreement or the employment of the Employee by the Company or any of the Related Companies.
  15. Governing Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Ohio (regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies. Any action, suit or proceeding brought by any party with respect to, or to enforce the terms of, this Agreement shall be brought by such party exclusively in the Common Pleas Court of Hamilton County, Ohio, or in the courts of the United States of America for the Southern District of Ohio, Western Division in Cincinnati, Ohio, and each party, by its execution of this Agreement irrevocably submits to the exclusive jurisdiction of such courts. In the event of any action by a party to enforce its or his rights hereunder, the prevailing party in such action shall be entitled to an award of its or his costs and expenses incurred in connection therewith, including all reasonable attorneys' fees and costs.
  16. Severability. In the event that any term or provision of this Agreement is unenforceable, the remaining terms and provisions of this Agreement shall to the extent possible, remain in full force and effect and be fully binding upon both parties hereto.
  17. Entire Agreement. This Agreement constitutes the entire understanding and agreement among the Company and Employee with regard to all matters contained herein and no representations,
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promises, agreements or understandings, written or oral, not herein contained shall be of any force or effect. This Agreement may be amended, supplemented, or interpreted at any time only by written instrument duly executed by both parties. No valid waiver of any provision of this Agreement shall be deemed a waiver of any other provisions of this Agreement or will be deemed a valid waiver of such provision at any other time. Each of the Related Companies are intended third party beneficiaries of this Agreement and the Company and the Employee acknowledge, understand, and agree that the terms of this Agreement may be enforced by the Company or any of the Related Companies.

18. Assignment. The Company shall have the right to assign its rights hereunder to any successor in interest, whether by merger, consolidation, sale of assets, or otherwise.

**PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT  
PURSUANT TO THE  
PAYCOR HCM, INC. 2021 OMNIBUS INCENTIVE PLAN**

\* \* \* \* \*

**Participant:** Set forth in the attached award notice (the "Award Notice")

**Grant Date:** Set forth in the Award Notice

**Number of Performance-Based Restricted Stock Units Granted:** Set forth in the Award Notice

\* \* \* \* \*

**THIS PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT** (this "Agreement"), dated as of the Grant Date specified above, is entered into by and between Paycor HCM, Inc., a corporation organized in the State of Delaware (the "Company"), and the Participant specified above, pursuant to the Paycor HCM, Inc. 2021 Omnibus Incentive Plan, as in effect and as amended from time to time (the "Plan"), which is administered by the Committee; and

**WHEREAS**, it has been determined under the Plan that it would be in the best interests of the Company to grant to the Participant the target number of performance-based Restricted Stock Units set forth above (the "PSUs").

**NOW, THEREFORE**, in consideration of the mutual covenants and promises hereinafter set forth and for other good and valuable consideration, the parties hereto hereby mutually covenant and agree as follows:

1 . Incorporation By Reference: Plan Document Receipt. This Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly intended not to apply to the Award provided hereunder), all of which terms and provisions are made a part of and incorporated in this Agreement as if they were each expressly set forth herein. Any capitalized term not defined in this Agreement will have the same meaning as is ascribed thereto in the Plan. The Participant hereby acknowledges receipt of a true copy of the Plan and that the Participant has read the Plan carefully and fully understands its content. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan will control.

2 . Grant of Performance-Based Restricted Stock Unit Award. The Company hereby grants to the Participant, as of the Grant Date specified above, the target number of PSUs specified above. Except as otherwise provided by the Plan, the Participant agrees and understands that nothing contained in this Agreement provides, or is intended to provide, the Participant with any protection against potential future dilution of the Participant's interest in the Company for any reason, and no adjustments will be made for dividends in cash or other property, distributions or other rights in respect of the shares of Common Stock underlying the PSUs, except as otherwise specifically provided for in the Plan or this Agreement.

3. Vesting; Forfeiture. Subject to the terms and conditions set forth herein and in the Plan, the PSUs shall be subject to the performance-vesting, time-vesting and forfeiture conditions set forth on Exhibit A attached hereto, the provisions of which are hereby incorporated by reference.

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4. Delivery of Shares.

( a ) General. Subject to the provisions of Section 4(b) hereof, to the extent that any of the PSUs fully vest in accordance with the terms and conditions set forth on Exhibit A attached hereto, within thirty (30) days following the applicable vesting date, the Participant will receive the number of shares of Common Stock that correspond to the number of PSUs that have become vested on such applicable vesting date. Without limiting the foregoing, in lieu of delivering only shares of Common Stock, the Committee may, in its sole discretion, settle any vested PSUs by payment to the Participant in cash of an amount equal to the Fair Market Value of the number of shares of Common Stock that correspond to the number of PSUs that have become vested on the applicable vesting date. The Participant acknowledges and agrees to notify the Company in writing if he or she sells any shares of Common Stock acquired pursuant to such settlement within one year of any such sale.

( b ) Blackout Periods. If the Participant is subject to any Company "blackout" policy or other trading restriction imposed by the Company on the date such distribution would otherwise be made pursuant to Section 4(a) hereof, the Company may defer such distribution until the earlier of (i) the date that the Participant is not subject to any such policy or restriction and (ii) the later of (A) the end of the calendar year in which such distribution would otherwise have been made and (B) a date that is immediately prior to the expiration of two and one-half months following the applicable vesting date.

5. Dividends; Rights as Stockholder. Cash dividends on shares of Common Stock issuable hereunder will be credited to a dividend book entry account on behalf of the Participant with respect to each PSU granted to the Participant and will be held uninvested and without interest and paid in cash at the same time that the shares of Common Stock (or cash payments, if applicable) underlying the PSUs are delivered to the Participant in accordance with the provisions hereof. Stock dividends on shares of Common Stock will be credited to a dividend book entry account on behalf of the Participant with respect to each PSU granted to the Participant; provided that, such stock dividends will be paid in shares of Common Stock at the same time that the shares of Common Stock underlying the PSUs are delivered to the Participant in accordance with the provisions hereof. Except as otherwise provided herein, the Participant will have no rights as a stockholder with respect to any shares of Common Stock covered by any PSU unless and until the Participant has become the holder of record of such shares.

6. Non-Transferability. No portion of the PSUs may be sold, assigned, transferred, encumbered, hypothecated or pledged by the Participant, other than to the Company as a result of forfeiture of the PSUs as provided herein, unless and until payment is made in respect of vested PSUs in accordance with the provisions hereof and the Participant has become the holder of record of the vested shares of Common Stock issuable hereunder.

7. Restrictive Covenant Agreement. In consideration for, and as a condition to, the grant of PSUs herein, the Participant agrees to comply with and be bound by the Confidentiality, Non-Solicitation and Non-Competition Agreement (the "RCA") attached hereto as Exhibit B, the provisions of which are hereby incorporated by reference. The Participant affirms that the Participant has read and understands the RCA, including, specifically, the scope and duration of the restrictive covenants set forth therein, and acknowledges and agrees that the terms of such RCA are in consideration for the Participant's receipt of the grant of the PSUs under this Agreement.

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8. Governing Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to the choice of law principles thereof.

9. Withholding of Tax. The Company will have the power and the right to deduct or withhold, or require the Participant to remit to the Company, an amount sufficient to satisfy any federal, state, local and foreign taxes of any kind (including, but not limited to, the Participant's FICA and SDI obligations) which the Company, in its sole discretion, deems necessary to be withheld or remitted to comply with the Code and/or any other applicable law, rule or regulation with respect to the PSUs and, if the Participant fails to do so, the Company may otherwise refuse to issue or transfer any shares of Common Stock otherwise required to be issued pursuant to this Agreement. **With the consent of the Committee, any minimum statutorily required withholding obligation incurred in connection with the settlement of the PSUs may be satisfied by reducing the amount of cash or shares of Common Stock otherwise deliverable upon settlement of the PSUs.**

10. Entire Agreement; Amendment. This Agreement, together with the Plan, the Award Notice, and the exhibits hereto, contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties relating to such subject matter. The Committee will have the right, in its sole discretion, to modify or amend this Agreement from time to time in accordance with and as provided in the Plan. The Company will give written notice to the Participant of any such modification or amendment of this Agreement as soon as practicable after the adoption thereof. This Agreement may also be modified or amended by a writing signed by both the Company and the Participant.

11. Notices. Any notice hereunder by the Participant will be given to the Company in writing and such notice will be deemed duly given only upon receipt thereof by the General Counsel of the Company. Any notice hereunder by the Company will be given to the Participant in writing and such notice will be deemed duly given only upon receipt thereof at such address as the Participant may have on file with the Company.

12. No Right to Employment or Service. Any questions as to whether and when there has been a Termination and the cause of such Termination will be determined in the sole discretion of the Committee. Nothing in this Agreement will interfere with or limit in any way the right of the Company, its Subsidiaries or its Affiliates to terminate the Participant's employment or service at any time, for any reason and with or without Cause.

13. Transfer of Personal Data. The Participant authorizes, agrees and unambiguously consents to the transmission by the Company (or any Subsidiary) of any personal data information related to the PSUs awarded under this Agreement for legitimate business purposes (including, without limitation, the administration of the Plan). This authorization and consent is freely given by the Participant.

14. Compliance with Laws. The grant of PSUs and the issuance of shares of Common Stock hereunder will be subject to, and will comply with, any applicable requirements of any foreign and U.S. federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act, the Exchange Act and in each case any respective rules and regulations promulgated thereunder) and any other law, rule regulation or exchange requirement applicable thereto. The Company will not be obligated to issue the PSUs or any shares of Common Stock pursuant to this Agreement if any such issuance would violate any such requirements. As a condition to the settlement of the PSUs, the

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Company may require the Participant to satisfy any qualifications that may be necessary or appropriate to evidence compliance with any applicable law or regulation.

15. Section 409A. Notwithstanding anything herein or in the Plan to the contrary, the PSUs are intended to be compliant with or exempt from the applicable requirements of Section 409A of the Code and will be limited, construed and interpreted in accordance with such intent.

16. Binding Agreement; Assignment. This Agreement will inure to the benefit of, be binding upon, and be enforceable by the Company and its successors and assigns. The Participant will not assign (except in accordance with Section 6 hereof) any part of this Agreement without the prior express written consent of the Company.

17. Headings. The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and will not be deemed to be a part of this Agreement.

18. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which will constitute one and the same instrument.

19. Further Assurances. Each party hereto will do and perform (or will cause to be done and performed) all such further acts and will execute and deliver all such other agreements, certificates, instruments and documents as either party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan and the consummation of the transactions contemplated thereunder.

20. Severability. The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction will not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder will be enforceable to the fullest extent permitted by law.

21. Acquired Rights. The Participant acknowledges and agrees that: (a) the Company may terminate or amend the Plan at any time in accordance with Article XIII of the Plan; (b) the Award of PSUs made under this Agreement is completely independent of any other award or grant and is made at the sole discretion of the Company; (c) neither this Award nor any past grants or awards give the Participant any right to any grants or awards in the future whatsoever; and (d) any benefits granted under this Agreement are not part of the Participant's ordinary salary, and will not be considered as part of such salary in the event of severance, redundancy or resignation.

22. Acceptance. The Participant hereby acknowledges receipt of a copy of the Plan, this Agreement, the Award Notice, and the exhibits hereto. As a condition the grant of PSUs herein, the Participant will execute a separate form of grant acknowledgement within thirty (30) days of the Grant Date provided by the Company.

23. Clawback. The Participant's rights with respect to the PSUs and the shares of Common Stock issued hereunder shall in all events be subject to (a) any right that the Company may have under any Company clawback policy or any other agreement or arrangement with the Participant, and (b) any right or obligation that the Company may have regarding the clawback of "incentive-based compensation" under Section 10D of the Exchange Act and any applicable rules and regulations promulgated thereunder from time to time by the U.S. Securities and Exchange Commission, the listing

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standards of any national securities exchange or association on which the Company's securities are listed, or any other applicable law.

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## **EXHIBIT A**

### **VESTING AND FORFEITURE CONDITIONS**

This Exhibit A sets forth the performance-vesting conditions (including the methodology applicable to such performance-vesting conditions), the time-vesting conditions and the forfeiture conditions applicable to the PSUs granted hereunder. The PSUs are subject to both performance-vesting and time-vesting conditions, and will only be deemed fully vested when both (i) the performance-vesting conditions set forth in Section 1 below and (ii) the time-vesting conditions set forth in Section 2 below have, in each case, been fully satisfied. Capitalized terms used but not defined herein shall have the same meaning as is ascribed thereto in the Agreement or the Plan, as applicable.

#### **1. Performance-Vesting Conditions.**

(a) General. Subject to the terms and conditions set forth in the Agreement and the Plan, the portion of the PSUs that become performance-vested during the period commencing on July 1, 2024 and ending on June 30, 2025 (such period, the “Performance Period”), if any, will be determined upon the Committee’s certification of the achievement of the performance conditions in accordance with this Exhibit A, which shall occur within sixty (60) days following the end of the Performance Period (the actual date of such certification, the “Certification Date”). The performance-vesting conditions applicable to the PSUs are as follows: (x) fifty percent (50%) of the PSUs shall be eligible to performance-vest based on achievement of the Revenue targets set forth below (the “Revenue PSUs”), and (y) the remaining fifty percent (50%) of the PSUs shall be eligible to performance-vest based on achievement of the Net Revenue Retention targets set forth below (the “Net Revenue Retention PSUs”), in each case, as measured during the Performance Period. For purposes of this Exhibit A:

(i) “Revenue” means Total Revenues for the applicable fiscal year as reported in the Company’s Annual Report on Form 10-K as filed with the Securities and Exchange Commission, including recurring and other revenue (which is comprised of recurring fees and implementation services, and interest income on funds held for clients), subject to any adjustments approved by the Committee at the time of certification; and

(ii) “Net Revenue Retention” means the current quarterly period recurring revenue for the cohort of customers at the beginning of the applicable prior year quarterly period, divided by the recurring revenue in the prior year reporting period for that same cohort, subject to any adjustments approved by the Committee at the time of certification. In calculating the Net Revenue Retention for a period longer than a quarter, such as a fiscal year, the Company uses the weighted average of the retention rates (calculated in accordance with the immediately preceding sentence) for each applicable quarter included in such period.

(b) Certification of Performance-Vesting Conditions. On the Certification Date, the Committee shall certify the Revenue and Net Revenue Retention achievement for the Performance Period and, based on such Revenue and Net Revenue Retention achievement, the percentage of the Revenue PSUs and the Net Revenue Retention PSUs that performance-vest shall be determined in accordance with the respective tables below, with Revenue and Net Revenue Retention achievement linearly interpolated

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between the Threshold and Target performance levels and the Target and Maximum performance levels listed below.

Revenue		
Performance Level	Revenue Achievement	Percentage of Revenue PSUs that Performance-Vest
Maximum	\$803,000,000	200%
Target	\$765,000,000	100%
Threshold	\$727,000,000	50%
Below Threshold	Less than \$727,000,000	0%

Net Revenue Retention		
Performance Level	Net Revenue Retention Achievement	Percentage of Net Revenue Retention PSUs that Performance-Vest
Maximum	99.9%	200%
Target	97.0%	100%
Threshold	94.1%	50%
Below Threshold	Less than 94.1%	0%

1. **Time-Vesting Conditions.** Any PSUs that are deemed performance-vested as of the Certification Date in accordance with this Exhibit A shall hereinafter be referred to as the “Earned PSUs.” The Earned PSUs (if any), will be subject to the following time-vesting conditions: (i) 33.33% of the Earned PSUs shall be deemed fully time-vested as of the Certification Date; and (ii) the remaining 66.67% of the Earned PSUs shall be deemed fully time-vested on a substantially equal quarterly basis during the period commencing as of the last day of the Performance Period and ending on the second anniversary of such date; provided, that the Participant has not incurred a Termination for any reason or no reason prior to each such time-vesting date.

2. **Forfeiture.** All PSUs that are outstanding as of the date immediately following the Certification Date shall be automatically and immediately forfeited and cancelled for no consideration if such PSUs do not become performance-vested as set forth above. For the avoidance of doubt, in the event that the Participant incurs a Termination for any reason or no reason (i) prior to the Certification Date, then one-hundred percent (100%) of the PSUs will be automatically and immediately forfeited for no consideration therefor, or (ii) on or following the Certification Date, any Earned PSUs that are outstanding and have not become time-vested as of such date of termination in accordance with Section 2 above will be automatically and immediately forfeited for no consideration therefor.

3. **Committee Authority.** Consistent with the terms of the Plan, all designations, determinations, interpretations and other decisions under or with respect to the terms of the Plan or the Agreement, including this Exhibit A, shall be within the sole discretion of the Committee, and shall be final, conclusive and binding upon all persons.

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## **EXHIBIT B**

### **CONFIDENTIALITY, NON-SOLICITATION AND NON-COMPETITION AGREEMENT**

This Confidentiality, Non-Solicitation and Non-Competition Agreement (the "Agreement") is entered into as of the date on which Employee was granted his or her equity award to which this Exhibit A is attached, by and between Paycor HCM, Inc., a Delaware corporation (the "Company"), and the Participant set forth in the attached notice ("Employee").

In consideration of the employment or continued employment of Employee by the Company or a subsidiary or affiliate of the Company (any such subsidiary or affiliate a "Related Company," and all such subsidiaries or affiliates, collectively, the "Related Companies") and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged; the Company and Employee covenant and agree as follows:

1. Condition of Employment. Employee acknowledges that employment with the Company is conditioned upon Employee agreeing to the covenants and restrictions contained herein.
  2. At Will Employment. The Company hereby employs and/or continues to employ Employee on an at-will basis. As an at-will employee, the parties specifically agree that Employee's employment with the Company can be terminated by either party at any time for any reason.
  3. Duties of Employee. While employed by the Company, Employee shall serve the Company in such position as the Company may from time to time designate. Employee shall perform those duties which the Company's Officers and/or Board of Directors may from time to time request.
  4. Company's Business. The Company is in the business of providing human capital management software and services, including (without limitation) payroll processing services, payroll tax filing services, benefits administration services, time and attendance solutions, applicant tracking systems, talent development, human capital management data analytics and related services (individually and collectively, "Paycor Business"). Employee will learn valuable trade secrets of Company and, as an employee of Company, will work with and in some instances create new inventions, software, information technology, and creative works to be used by Company.
  5. Confidential Information. "Confidential Information" shall mean any non-public or secret information, knowledge, or data with respect to the Company's and/or any of the Related Companies' (collectively, the Company and the Related Companies are referred to herein as the "Paycor Companies") business, services, trade secrets, technologies, systems, clients, prospects, and sales, marketing and service methods, including, but not limited to, discoveries, ideas, concepts, designs, drawings, specifications, equipment, techniques, computer flow charts and programs, computer software (whether owned or licensed by any of the Paycor Companies), hardware, firmware, models, data, documentation, manuals, diagrams, research and development, performance information, know-how, business pricing policies and other internal policies, data systems, methods, systems documentation, practices, inventions, processes, procedures, formulae, employee lists or resumes, financial information (including financial statements), tax returns, client lists, prospect lists, information relating to past, present or prospective clients, information
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belonging to any of the Paycor Companies' clients, personally identifiable information of clients' employees, market analysis, strategies, plans and projections for future growth and development, and compilations of information which are not readily available to the general public. Confidential Information includes all non-public or secret: software development information, source and object codes, all information stored or maintained in any computer system or program used or maintained by the Paycor Companies, all information stored or maintained in any laptop computer or handheld device provided by any of the Paycor Companies, all client files, prospect files, legal contracts, purchase orders, and all information relating to client or vendor pricing. All of the foregoing information, whether oral, written, memorized, or electronically stored, together with analyses, compilations, studies, notes of conversations, or other documents prepared for or by any of the Paycor Companies or Employee that contain or otherwise reflect Confidential Information, is also included within the term Confidential Information. Confidential Information does not include (i) any information in the public domain; or (ii) any information received unsolicited from a third party under no obligation of secrecy.

6. Confidentiality. Employee hereby acknowledges and agrees that Employee will acquire access to some or all of the Confidential Information, that the Confidential Information is regarded as valuable to the Paycor Companies and that the Paycor Companies have a legitimate right and business need to protect the Confidential Information. Employee acknowledges that keeping the Confidential Information confidential is essential to the growth and stability of the Paycor Companies. Employee therefore agrees to hold the Confidential Information in strictest confidence and shall not at any time, directly or indirectly, disclose such information to any third party or use such information other than for the benefit of the Paycor Companies or in the performance of Employee's employment duties with respect to the Company. Employee shall disclose such information only to employees, representatives, and agents of the Paycor Companies with a need to know such information, except as may be reasonably required in the performance of Employee's duties with respect to the Company. The restrictions set forth in this paragraph shall apply during the period of Employee's employment with the Company and following the termination of employment until the end of time, whether the termination of employment is voluntary or involuntary. In accordance with the Defend Trade Secrets Act, 18 U.S.C. § 1833(b), and other applicable law, nothing in this Agreement or any other agreement or policy shall prevent Employee from, or expose Employee to criminal or civil liability under federal or state trade secret law for, (i) directly or indirectly sharing any Paycor Company trade secrets or other Confidential Information (except information protected by any of the Paycor Companies' attorney-client or work product privilege) with an attorney or with any federal, state, or local government agencies, regulators, or officials, for the purpose of investigating or reporting a suspected violation of law, whether in response to a subpoena or otherwise, without notice to the Paycor Companies, or (ii) disclosing trade secrets in a complaint or other document filed in connection with a legal claim, provided that the filing is made under seal. Further, nothing herein shall prevent Employee from discussing or disclosing information related to Employee's general job duties, responsibilities, or compensation. Employee also may disclose Confidential Information as required in response to a subpoena or other legal process, in accordance with the terms and procedures set forth in this Paragraph [6](#).
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7. Return of Confidential Information; Return of Paycor Equipment and Property. Upon termination of Employee's employment with any of the Paycor Companies for any reason whatsoever or upon the written request of any of the Paycor Companies, Employee shall immediately destroy, delete and/or return to the Paycor Companies all Confidential Information and all copies, abstracts, handwritten records and electronic records thereof, and Employee shall certify in writing to the Company that Employee does not retain originals, copies, abstracts, handwritten records or electronic records of any Confidential Information. Employee agrees that retention of any such Confidential Information in Employee's memory does not permit Employee to use or disclose such information following Employee's termination of employment with the Company. Employee acknowledges and agrees that the Paycor Companies shall retain all ownership rights in and to the Confidential Information disclosed by it, and nothing contained in this Agreement or in any disclosure of the Confidential Information shall be construed to grant Employee any license or other rights in or to the Confidential Information. Further, upon the termination of Employee's employment, Employee agrees to immediately return to the Company all property and information belonging to the Company, such as (without limitation) office equipment, computers, printers, phones, key cards, company credit cards, and storage devices.
  8. Assignment of Intellectual Property. Any inventions, improvements, discoveries, or ideas(including without limitation software and programming) conceived, developed, or made by Employee in whole or in part during Employee's employment with any of the Paycor Companies, whether during business hours or otherwise, which relate to any of the Paycor Companies' businesses or which are made using any of the Paycor Companies' equipment, facilities, materials, labor, money, time or other resources or which result from any work performed by Employee, or by other employees, representatives or agents of any of the Paycor Companies for any of the Paycor Companies, shall be owned by and shall belong exclusively to the Paycor Companies and shall also be deemed Confidential Information for purposes of this Agreement. Any copyrightable works made by Employee within the scope of Employee's employment with the Paycor Companies shall be deemed works made for hire, and all copyrights therein shall belong to the Paycor Companies. Employee agrees to promptly advise the Company of any and all such inventions, improvements, discoveries, works, and ideas, and, upon request, to execute U.S. and foreign patent applications, copyright applications and any other legal documents necessary to transfer title therein to the Company (or the Related Company designated by the Company), and to assist the Paycor Companies in any proper manner in obtaining and enforcing such patents and copyrights at the Paycor Companies' expense.
  9. Covenant Not to Compete. Employee acknowledges that because of Employee's position of trust with the Company, in the course of Employee's employment with the Company, Employee will be given access to or will become familiar with their trade secrets and with other Confidential Information, and that Employee's services have been and shall be of special, unique and extraordinary value to the Paycor Companies. Employee further acknowledges and agrees that the Paycor Companies conduct business in every state in the United States as well as in Serbia and Canada. Therefore, Employee agrees that during Employee's employment by Company, Employee will not, either directly or indirectly, without prior written authorization from Company, own, manage, operate, control, be employed by, perform services for, consult with, solicit business for, participate in, or be connected with the ownership, management, operation,
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or control of any business which is competitive with the Paycor Business, as defined in Paragraph 4 herein. Employee further agrees that for a period of 12 months after Employee is no longer employed by Company, Employee shall not, in any capacity, directly or indirectly, in the Restricted Territory own, manage, assist or engage in the ownership, management or control of, or be employed or engaged by or otherwise affiliated or associated as a consultant, independent contractor or otherwise, with any other business, entity, company or person where Employee will provide similar services to a "Competing Business" (defined in the subsequent sentence) as those which Employee provided to Paycor while employed. "Competing Business" means any party (sole proprietor, corporation, limited liability company, partnership, joint venture, association or other entity, regardless of form) that is engaged in any business that is the same as, or substantially the same as, that part of the Paycor Business in which Employee will have worked or to which Employee will have been exposed during the last two years of Employee's employment at the Company. The restrictions set forth herein do not prevent Employee from owning, as an inactive investor, securities of any Competing Business that is listed on a national securities exchange. For purposes of this Agreement, "Restricted Territory" means any territory within the United States, Canada, Serbia or any other geographical region in which the Paycor Companies do or begin to do business during Employee's employment with the Company and in which Employee has or had responsibility (including supervisory responsibility) at any time during Employee's employment with the Company.

10. Customer, Business Partner and Employee Restrictions. Employee acknowledges that the Paycor Companies' Customers, Prospective Customers, Business Partners, and employees now or hereafter employed by the Paycor Companies are an integral part of the Paycor Companies' businesses, that non-public information relating to such Customers, Prospective Customers, Business Partners, and employees are part of the Paycor Companies' Confidential Information, that because of Employee's relationship of trust at the Company, Employee will have access to Confidential Information regarding the Paycor Companies' Customers, Prospective Customers, Business Partners, and employees, and that the loss of such Customers, Prospective Customers, Business Partners, and/or employees will have a substantial adverse effect on the Paycor Companies' businesses. Therefore, Employee agrees as follows:
    - A. During the term of Employee's employment with the Company and for a period of 12 months following termination of Employee's employment with the Company for any reason, Employee agrees that Employee will not, either directly or indirectly, for any purpose other than for the benefit of the Paycor Companies solicit, provide sales or service to, or otherwise accept business of the type being offered by the Paycor Companies from any person, partnership, corporation, limited liability company, or other entity who or which is a Customer or Prospective Customer.
    - B. In the case of a Customer or Prospective Customer with multiple locations, this Paragraph 10 applies to all locations where the Paycor Companies have provided or will reasonably be expected to provide sales or service now or in the future to such Customer or Prospective Customer (as applicable). Employee further agrees that, during the term of Employee's employment with the Company and for a period of 12 months following termination of
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Employee's employment with the Company for any reason, Employee will not directly or indirectly, cause or attempt to cause any Customer or Prospective Customer to divert its business away from any of the Paycor Companies to any other person or entity, whether or not Employee is affiliated with such person or entity. For purposes of this Agreement, "Customer" means any business, entity, company or person who or which is or was a customer or client of the Paycor Companies while Employee was employed by the Company and/or during the 12 months preceding termination of Employee's employment and with whom or which Employee had Material Contact or about whom or which Employee obtained Confidential Information because of Employee's employment with the Company, "Prospective Customer" means any business, entity, company or person who or which is or was a prospective customer or client of the Paycor Companies while Employee was employed by the Company and/or during the 12 months preceding Employee's termination of employment and with whom or which Employee had Material Contact or about whom or which Employee obtained Confidential Information because of Employee's employment with the Company, and "Material Contact" means actual contact (whether in person, virtual, or by email, text or phone) between Employee and a Customer or Prospective Customer with whom or which Employee dealt on behalf of the Paycor Companies; or whose dealings with the Paycor Companies were coordinated or supervised by Employee; or who or which received goods or services from the Paycor Companies that resulted in payment of commissions or other compensation to Employee; or about whom Employee obtained Confidential Information because of Employee's employment with the Company.

- C. During the term of Employee's employment with the Company and for a period of 12 months following termination of Employee's employment with the Company for any reason, Employee agrees that Employee will not, directly or indirectly, solicit or induce or attempt to solicit or induce any employee or independent contractor of any of the Paycor Companies to leave the employ or engagement of such Paycor Companies, or to directly or indirectly hire or engage any employee or independent contractor of Company to work for Employee or any entity with whom Employee is or becomes affiliated.
  - D. During the term of Employee's employment with the Company and for a period of 12 months following termination of Employee's employment with the Company for any reason, Employee agrees that Employee will not, directly or indirectly, interfere or attempt to interfere with a contractual relationship between any of the Paycor Companies and any Business Partner with whom Employee had material contact during the 12 month period immediately prior to Employee's termination of employment with the Company. For the purposes of this subparagraph [C](#) a "Business Partner" means an actual or prospective supplier, vendor, referral partner, strategic partner, or other third party with whom a Paycor Company has a contractual relationship other than Customers and employees, or about which Employee has learned or been provided any Confidential Information during Employee's employment with the Company.
11. Duty of Loyalty. Employee agrees that at all times during Employee's employment with the Company, Employee owes the Company a duty of loyalty and a duty to act in good faith. While employed by the Company, Employee agrees to devote their best efforts to the business of the Company, to perform conscientiously all duties and obligations required or assigned, and not to usurp, for personal gain, any opportunities in the Company's line of business. Employee agrees
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that during Employee's employment, Employee will not individually, or in combination with any other employee, individual, Competing Business, or competitor of the Company, violate or breach the terms of this Agreement.

12. Reasonableness and Modifications of Restrictions. Employee further acknowledges and agrees that the provisions set forth in Paragraphs [9](#) and [10](#) are reasonable in scope, duration, and area, and are reasonably necessary to protect the legitimate business interests of the Paycor Companies, and particularly the Paycor Companies' interest in protecting its Confidential Information. If any provision of Paragraphs [9](#) or [10](#) are held to be unenforceable due to the scope, duration or area of its application, the parties intend and agree that the court making such determination shall modify such scope, duration, or area, or all of them to what the court considers reasonable, and such provision shall then be enforced in such modified form.
  13. Irreparable Harm. Because of the unique nature of the Confidential Information, Employee acknowledges and agrees that the Paycor Companies will suffer irreparable harm in the event that Employee fails to comply with any of Employee's obligations set forth herein and that monetary damages will be inadequate to compensate the Paycor Companies for such breach. Accordingly, Employee agrees that the Company and/or any Related Company, in addition to any other remedies available to it at law or in equity, will be entitled to temporary, preliminary and permanent injunctive relief to enforce the terms hereof. Employee further agrees to reimburse Company for all costs incurred by Company in any successful legal proceeding for equitable, monetary, or other relief to enforce or protect its rights under this Agreement, including but not limited to, reasonable attorney fees.
  14. Representation. The Employee represents and warrants that the Employee is not under any pre- existing obligations that are inconsistent with the provisions of this Agreement or the employment of the Employee by the Company or any of the Related Companies.
  15. Governing Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Ohio (regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies. Any action, suit or proceeding brought by any party with respect to, or to enforce the terms of, this Agreement shall be brought by such party exclusively in the Common Pleas Court of Hamilton County, Ohio, or in the courts of the United States of America for the Southern District of Ohio, Western Division in Cincinnati, Ohio, and each party, by its execution of this Agreement irrevocably submits to the exclusive jurisdiction of such courts. In the event of any action by a party to enforce its or his rights hereunder, the prevailing party in such action shall be entitled to an award of its or his costs and expenses incurred in connection therewith, including all reasonable attorneys' fees and costs.
  16. Severability. In the event that any term or provision of this Agreement is unenforceable, the remaining terms and provisions of this Agreement shall to the extent possible, remain in full force and effect and be fully binding upon both parties hereto.
  17. Entire Agreement. This Agreement constitutes the entire understanding and agreement among the Company and Employee with regard to all matters contained herein and no representations,
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promises, agreements or understandings, written or oral, not herein contained shall be of any force or effect. This Agreement may be amended, supplemented, or interpreted at any time only by written instrument duly executed by both parties. No valid waiver of any provision of this Agreement shall be deemed a waiver of any other provisions of this Agreement or will be deemed a valid waiver of such provision at any other time. Each of the Related Companies are intended third party beneficiaries of this Agreement and the Company and the Employee acknowledge, understand, and agree that the terms of this Agreement may be enforced by the Company or any of the Related Companies.

18. Assignment. The Company shall have the right to assign its rights hereunder to any successor in interest, whether by merger, consolidation, sale of assets, or otherwise.

**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Raul Villar Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Paycor HCM, 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 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 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.

February 6, 2025

/s/ RAUL VILLAR JR.

Raul Villar Jr.

Chief Executive Officer

**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Adam Ante, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Paycor HCM, 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 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 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.

February 6, 2025

/s/ ADAM ANTE

Adam Ante

Chief Financial Officer

**Certification of the Chief Executive Officer**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Paycor HCM, Inc. (the "Company") for the period ended December 31, 2024, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Raul Villar Jr., Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

February 6, 2025

/s/ RAUL VILLAR JR.

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Raul Villar Jr.

Chief Executive Officer

**Certification of the Chief Financial Officer**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Paycor HCM, Inc. (the "Company") for the period ended December 31, 2024, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Adam Ante, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

February 6, 2025

/s/ ADAM ANTE

Adam Ante

Chief Financial Officer