



Payroll • HR • Retirement • Insurance

Third Quarter Highlights and Financial Results Fiscal 2015

Forward Looking Statements

You should be aware that certain written and oral statements made by management may constitute “forward-looking statements” within the meaning of the safe-harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations, and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy, and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict and many of which are outside our control. Our actual results and financial conditions may differ materially from those indicated in the forward-looking statements. Therefore, you should not place undue reliance upon any of these forward-looking statements. The information provided in this document is based upon the facts and circumstances known at this time, and any forward-looking statement made in this document speaks only as of the date on which it was made. We undertake no obligation to update these forward-looking statements after the date of issuance of this document to reflect events or circumstances after the date of release of this information, or to reflect the occurrence of unanticipated events.

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Paychex Overview

Paychex is a leading provider of integrated payroll, human resource, insurance, and benefits outsourcing solutions for small to mid-sized businesses

- Market capitalization in excess of \$18B
- Strong financial position with no debt
- Approximately 580,000 clients at May 31, 2014

Revenue Source

Small Business Payroll

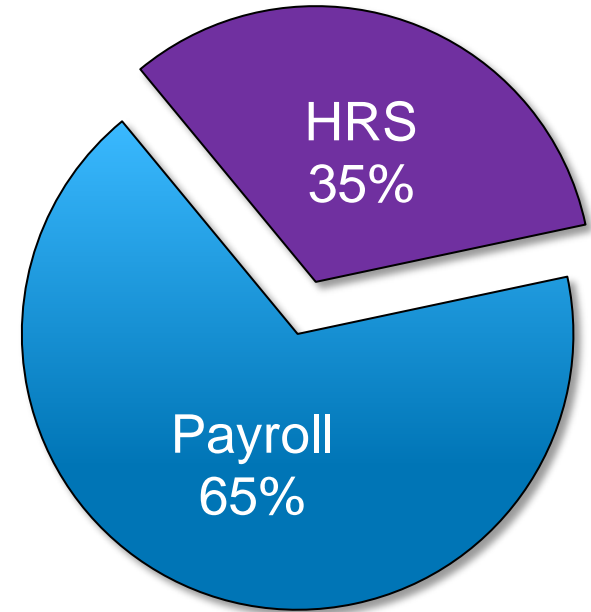
- Small business targets businesses with 1-50 employees

Mid-Market Payroll

- Mid-market targets businesses with 50-1,000 employees
- Growing portfolio of standalone services – expense management; applicant tracking; time and labor

Human Resource Services

- Market leader in complimentary services sold to payroll clients – retirement, insurance, and HR services



As of May 31, 2014

Third Quarter 2015 Highlights

- Results reflected growth and progress against key initiatives
- Continued to expand the Paychex Flex platform, an industry-leading solution that streamlines workforce management through innovative technology and flexible choice of service
- Released the newest version of our applicant tracking system, myStaffingPro®, which has expanded mobility and new features to enhance the candidate experience
- Paychex Employer Shared Responsibility services are gaining market acceptance. These services help clients navigate the complexities of the Affordable Care Act requirements

Third Quarter 2015 Financial Highlights

- Total service revenue up 8%
- Operating income, excluding interest on funds held for clients, increased 6%, with operating margin of 37%
- Average balances of funds held for clients increased 3%
- Combined interest on funds held for clients and investment income increased 3%
- Cash and total investments of \$1.0 billion

2015 Third Quarter Financial Results

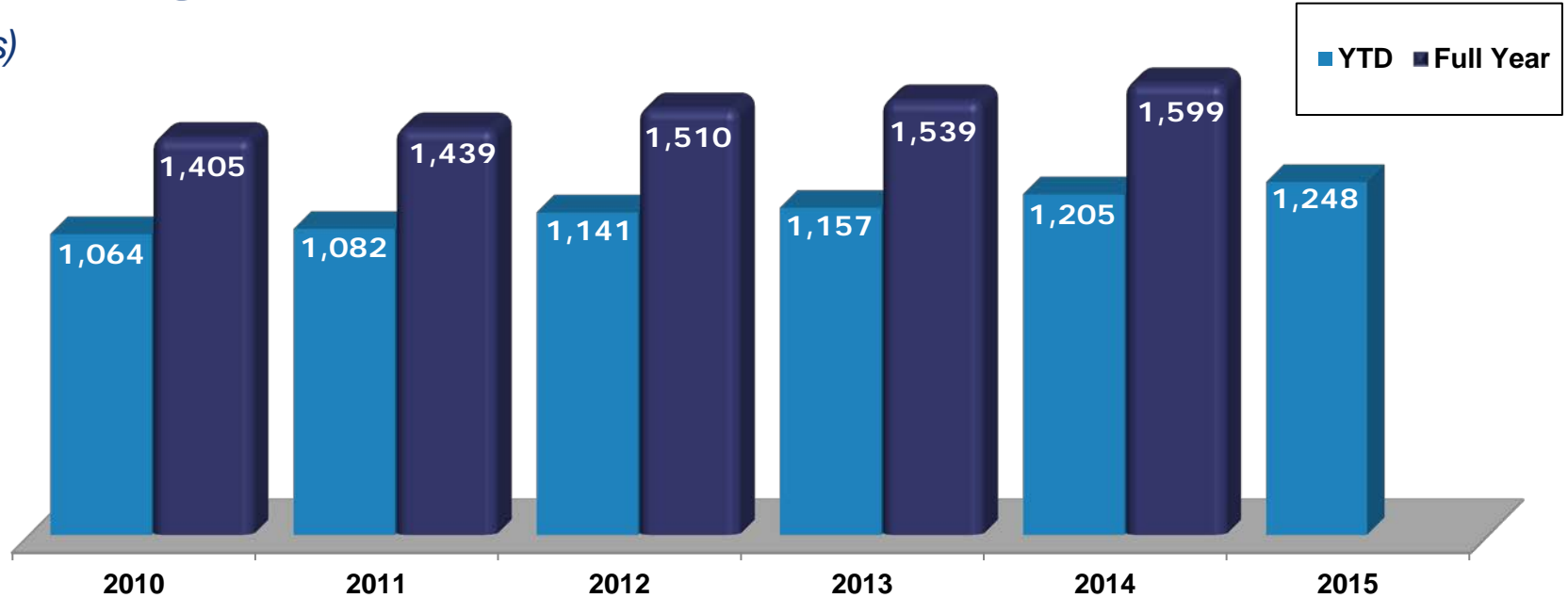
(In millions, except per share amounts)

	Three Months Ended February 28, 2015	% Change	Nine Months Ended February 28, 2015	% Change
Payroll Service Revenue	\$ 423.8	2%	\$ 1,247.8	4%
Human Resource Services Revenue	269.8	19%	768.3	19%
Total Service Revenue	693.6	8%	2,016.1	9%
Interest on Funds Held for Clients	10.7	2%	31.3	3%
Total Revenue	\$ 704.3	8%	\$ 2,047.4	9%
Net Income	\$ 169.4	6%	\$ 513.7	7%
Diluted Earnings Per Share	\$ 0.46	5%	\$ 1.41	8%
Operating Income, Net of Certain Items	\$ 253.6	6%	\$ 770.7	6%

Refer to the "Management's Discussion and Analysis" section of Paychex, Inc.'s Form 8-K or 10-Q for the period ended February 28, 2015, for further discussion of operating income, net of certain items.

Payroll Service Revenue

(In millions)

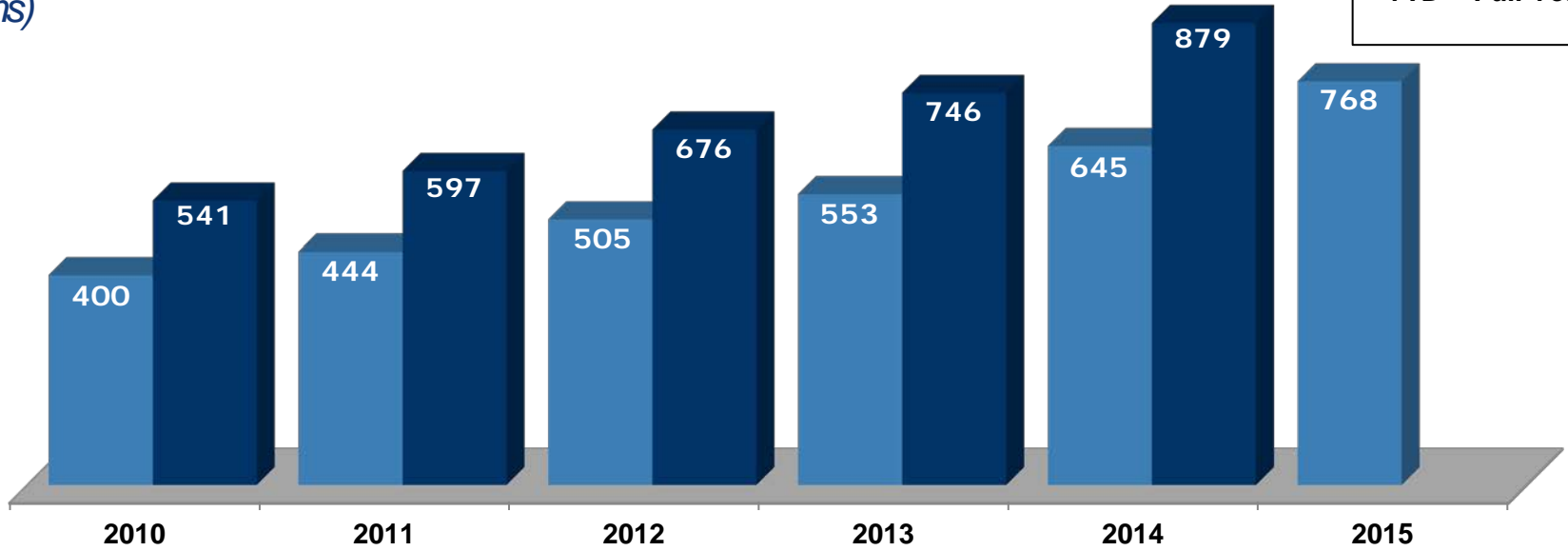


	2010	2011	2012	2013	2014	2015
% Full Year Increase	(5%)	2%	5%	2%	4%	
% of Service Revenue	72%	71%	69%	67%	65%	

Human Resource Services Revenue

(In millions)

■ YTD ■ Full Year



% Full Year Increase
% of Service Revenue

	2010	2011	2012	2013	2014	2015
% Full Year Increase	3%	10%	13%	10%	18%	
% of Service Revenue	28%	29%	31%	33%	35%	

Reflects change to classify certain PEO direct costs as operating expenses rather than a reduction in service revenue during fiscal 2014.
Refer to the "Management's Discussion and Analysis" section of Paychex, Inc.'s Form 10-K for the period ended May 31, 2014 for further discussion.

Investment Portfolios Results

Nine Months Ended

	<u>February 28,</u> <u>2015</u>	<u>February 28,</u> <u>2014</u>	<u>% Change</u>
Average Investment Portfolios (in billions):			
Funds Held for Clients	\$3.9	\$3.7	3%
Corporate Investments	\$0.9	\$0.9	3%
Average Rate of Return Earned:			
Funds Held for Clients	1.1%	1.1%	
Corporate Investments	0.8%	0.7%	
Realized Gains, Net (in millions)	\$0.2	\$0.5	
End of Period:	<u>February 28, 2015</u>	<u>May 31, 2014</u>	
Unrealized Gain, Net (in millions)	\$ 35.6	\$34.5	

Balance Sheet and Cash Flows

	<u>February 28, 2015</u>	<u>May 31, 2014</u>
Cash & Investments	\$1,029.4	\$936.8
Debt	\$0	\$0
Return on Equity	36%	35%
For the fiscal year-to-date ended:	<u>February 28, 2015</u>	<u>February 28, 2014</u>
Free Cash Flow	\$591.5	\$626.6
Dividends Paid	\$414.4	\$383.4
Dividend Coverage Ratio	1.4x	1.6x

Fiscal Year 2015 Outlook

Payroll Service Revenue	3% – 5%
Human Resource Services Revenue (HRS)*	16% – 19%
Total Service Revenue	8% – 10%
Net Income	6% – 8%
Operating Income, Net of Certain Items, as a Percent of Service Revenue	37% – 38%
Effective Income Tax Rate (approximate)	36% – 37%

* HRS revenue growth reflects the change to classify certain PEO direct costs as operating expenses rather than a reduction in service revenue. See Supplemental Schedule for further information on HRS revenue outlook.

Long-Term Capital Strategy

- Cash deployment
 - Investment for organic growth
 - Strategic, accretive acquisitions
 - Return cash to shareholders through dividends and stock repurchase
- Authorization of stock repurchase up to \$350 million through May 31, 2017. \$70 million, for 1.7 million shares, utilized through February 28, 2015.

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Supplemental Schedule

Quarterly Guidance Growth Rate Ranges

		Q1	Q2	Q3	Q4
HRS Revenue	FY15	16%-19%	20%-23%	16%-18%	13%-15%
	FY14, adjusted (in millions)	\$208	\$211	\$226	\$234
Operating Expenses	FY14, adjusted (in millions)	\$170	\$174	\$191	\$198
Operating income, net of certain items, as a % of service revenue	FY15	38%-39%	38%-39%	36%-37%	35%-36%

Note: HRS revenue growth varies by quarter due to the new PEO health insurance offering initiated in Q3 of fiscal 2014. The direct costs related to PEO gross revenue are included in operating expenses.