

The logo for PAYCHEX, featuring the word "PAYCHEX" in a bold, blue, sans-serif font with a registered trademark symbol (®) to the upper right of the "X".

PAYCHEX[®]

Payroll • HR • Retirement • Insurance

Highlights and Financial Results Fiscal 2017

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, 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 human capital management solutions for payroll, HR, retirement, and insurance services for small to mid-sized businesses.

- Market capitalization of over \$21B
- Strong financial position
- Approximately 605,000 payroll clients as of May 31, 2017

Revenue Source

Small Business Payroll

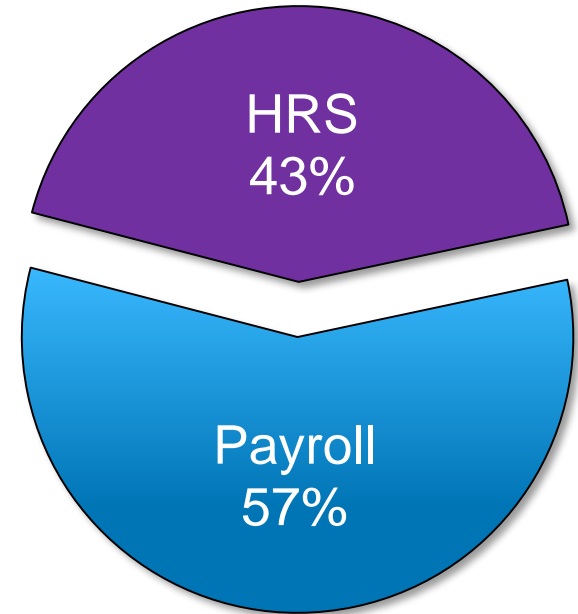
- Small business targets businesses with 1-50 employees

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, 2017

Product Highlights

Payroll

605,000 clients

10M
Employees paid

#1 Small Business (1-50 EE's)
#2 Mid-Market (50-500 EE's)

HR Outsourcing

37,000 clients

1,021,000
WSEs

Top ASO/PEO for Small
Business

Retirement

78,000 plans

850,000
participants

#1 Recordkeeper – # Plans

Insurance

122,000 clients

162,000
H&B covered lives

Top 23 Agency

Data as of May 31, 2017

Fiscal 2017 Highlights

- Results reflected growth and progress against key initiatives, with positive results across our major human capital management (HCM) solutions.
- Continued investment in user experience and flexibility of Paychex Flex[®]. Shift to mobile-first design, robust mobility offerings for both administrative users and employee self-service that allow access to our entire HCM suite from a single mobile application.
- During fiscal 2017 added Paychex Flex[®] Time Essentials, TrueShift[™] time clock, and enhanced analytics and reports within the Paychex Flex[®] platform.
- Enhanced ESR services offering an all-new dashboard for ease of predictive workforce analysis and risk monitoring, as well as, year-end reporting.
- One of the first to be certified to provide PEO services under the Small Business Efficiency Act.

Fiscal 2017 Financial Highlights

- Total service revenue up 7%
- Operating income increased 8%, with operating margin of approximately 39%
- Combined interest on funds held for clients and investment income increased 10%
- Dividends as percent of net income of 81%
- Cash and total investments of \$777 million as of May 31, 2017

Fiscal 2017 Financial Results

(In Millions, Except Per Share Amounts)

	Three Months Ended May 31, 2017	% Change	Twelve Months Ended May 31, 2017	% Change
Payroll Service Revenue	\$ 440.9	2%	\$ 1,779.3	3%
Human Resource Services Revenue	343.7	10%	1,321.4	12%
Total Service Revenue	784.6	6%	3,100.7	7%
Interest on Funds Held for Clients	14.0	14%	50.6	10%
Total Revenue	\$ 798.6	6%	\$ 3,151.3	7%
Operating Income	\$ 298.9	8%	\$ 1,239.6	8%
Net Income	\$ 195.3	10%	\$ 817.3	8%
Adjusted Net Income ⁽¹⁾	\$ 194.3	9%	\$ 799.0	9%
Diluted Earnings Per Share	\$ 0.54	10%	\$ 2.25	8%
Adjusted Diluted Earnings per Share ⁽¹⁾	\$ 0.54	10%	\$ 2.20	8%

(1) Adjusted net income and adjusted diluted earnings per share are non-GAAP measures, which exclude certain discrete tax items recognized within the respective periods of fiscal years 2017 and 2016. Refer to a reconciliation of non-GAAP measures to the most relevant GAAP measure on next slide along with further discussion in the Management's Discussion and Analysis section in our Annual Report on Form 10-K.

Non-GAAP Financial Measures

(In Millions, Except Per Share Amounts)

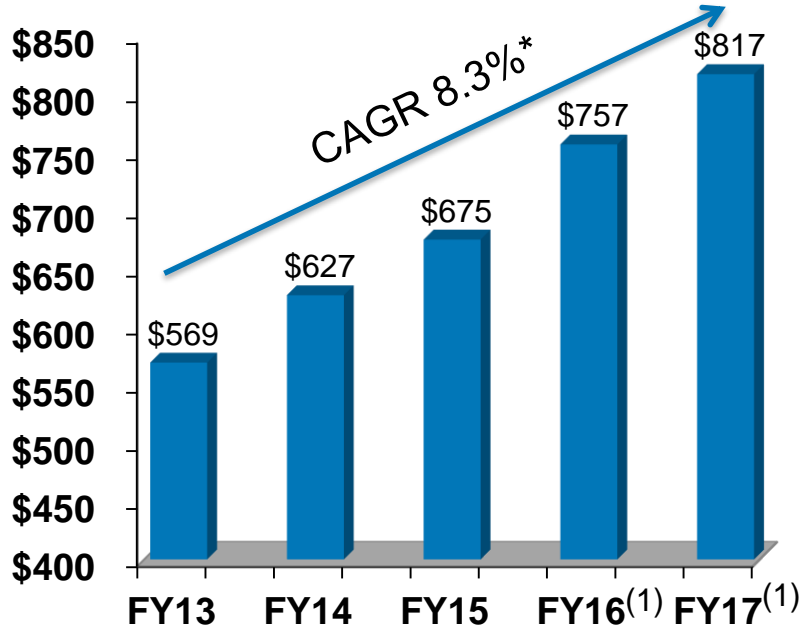
	Three Months Ended May 31			Twelve Months Ended May 31		
	2017	2016	% Change	2017	2016	% Change
Net Income	\$ 195.3	\$ 178.1	10%	\$ 817.3	\$ 756.8	8%
Non-GAAP Adjustments:						
Excess tax benefit related to employee stock-based compensation payments	(1.0)	—		(18.3)	—	
Net tax benefit on income derived from prior tax years for customer-facing software	—	—		—	(21.1)	
Adjusted Net Income ⁽¹⁾	\$ 194.3	\$ 178.1	9%	\$ 799.0	\$ 735.7	9%
Diluted Earnings per Share	\$ 0.54	\$ 0.49	10%	\$ 2.25	\$ 2.09	8%
Non-GAAP Adjustments:						
Excess tax benefit related to employee stock-based compensation payments	—	—		(0.05)	—	
Net tax benefit on income derived from prior tax years for customer-facing software	—	—		—	(0.06)	
Adjusted Diluted Earnings per Share ⁽¹⁾	\$ 0.54	\$ 0.49	10%	\$ 2.20	\$ 2.03	8%

(1) Adjusted net income and adjusted diluted earnings per share are non-GAAP measures, which exclude certain discrete tax items recognized within the respective periods of fiscal years 2017 and 2016. Refer to further discussion in the Management's Discussion and Analysis section of our Annual Report on Form 10-K.

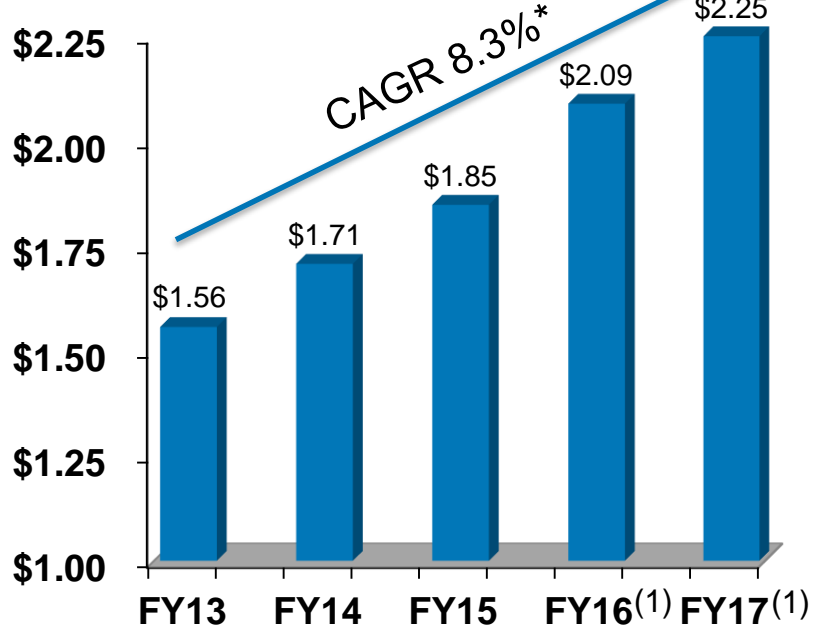
Strong Earnings History

* 5-Year CAGR

Net Income (in millions)



Diluted EPS



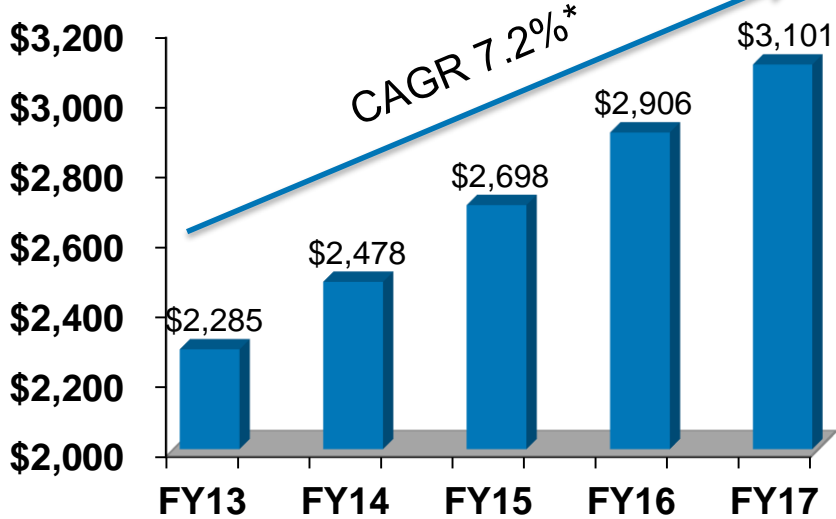
(1) Net income and diluted earnings per share were impacted by certain net tax benefits recognized during the respective periods. Refer to further discussion in the Management's Discussion and Analysis section of our Annual Report on Form 10-K.

Accelerating Performance

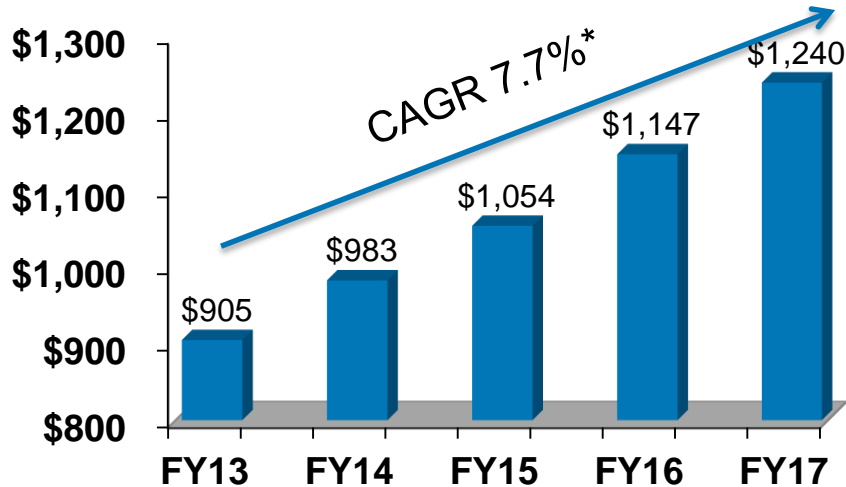
(in millions)

* 5-Year CAGR

Service Revenue (1)



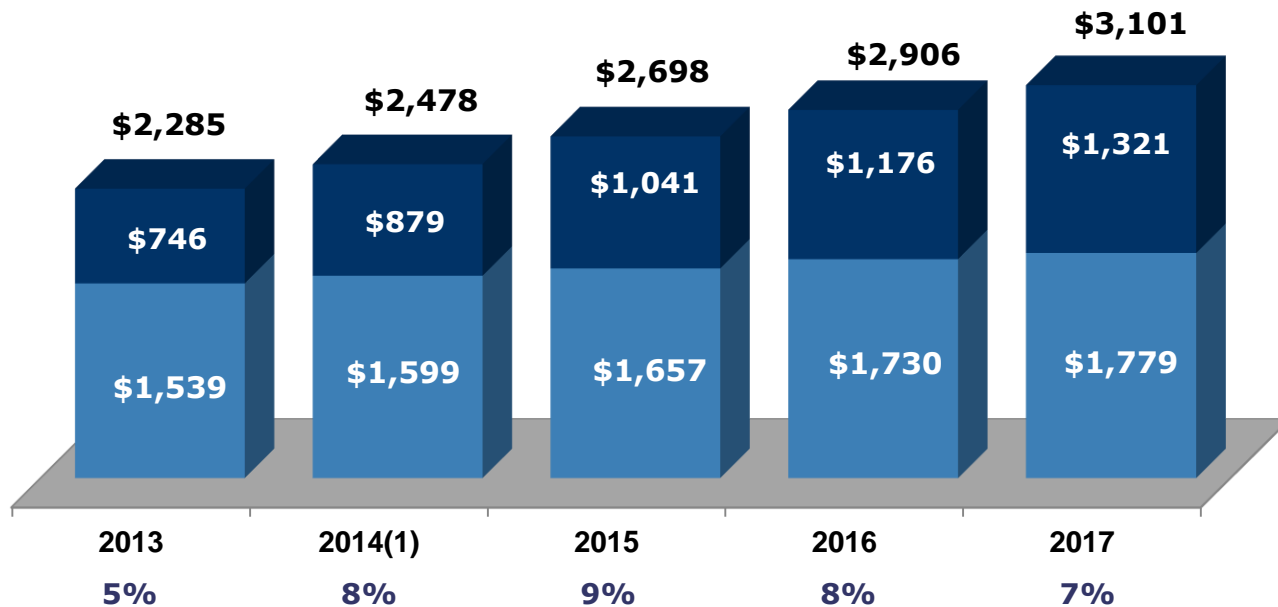
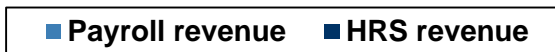
Operating Income



(1) Reflects change to classify certain PEO direct costs as operating expenses rather than a reduction in service revenue starting in FY14.

Total Service Revenue Year to Date

(In millions)



(1) 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

	<u>May 31, 2017</u>	<u>May 31, 2016</u>	<u>% Change</u>
Average Investment Portfolios (in billions):			
Funds Held for Clients	\$4.1	\$4.1	(1)%
Corporate Investments	\$0.9	\$0.9	(2)%
Average Rate of Return Earned:			
Funds Held for Clients	1.2%	1.1%	
Corporate Investments	1.1%	0.9%	
Realized Gains, Net (in millions)	\$0.1	\$0.1	
End of Period:	<u>May 31, 2017</u>	<u>May 31, 2016</u>	
Unrealized Gain, Net (in millions)	\$32.0	\$ 47.6	

Balance Sheet and Cash Flows

(\$ in Millions)

	<u>May 31, 2017</u>	<u>May 31, 2016</u>
Cash & Investments	\$777	\$793
Debt	\$0	\$0
Return on Equity	42%	40%
For the fiscal year-to-date ended:	<u>May 31, 2017</u>	<u>May 31, 2016</u>
Operating Cash Flow	\$960.4	\$1,018.2
Dividends Paid	\$662.3	\$606.5
Dividend Coverage Ratio*	1.3x	1.0x

* Ratio is calculated based on free cash flow of \$857.5M and \$ \$615.4M for fiscal 2017 and 2016, respectively.

Fiscal Year 2018 Outlook

	Year-over-Year Growth
Payroll Service Revenue	1% – 2%
HRS Revenue	8% – 10%
Interest on funds held for clients	Mid- to Upper-teens
Total Revenue	Approximately 5%
Net Income	Approximately 5%
Adjusted Net Income ⁽¹⁾	Approximately 7%
Adjusted Diluted Earnings per Share ⁽¹⁾	7% - 8%
	Anticipated Result
Operating Income, as a Percent of Total Revenue	Approximately 40%
Investment Income, Net	\$9.0M - \$11.0M
Effective Income Tax Rate	35.5% - 36.0%

(1) Adjusted net income and adjusted diluted earnings per share are non-GAAP measures, which exclude the impact of certain discrete tax items. Fiscal 2018 growth rates for these non-GAAP measures are based on fiscal 2017 adjusted net income of \$799.0 million and adjusted diluted earnings per share of \$2.20. No assumptions were made in regards to future discrete tax items for employee stock-based compensation payments in our fiscal 2018 guidance. Refer to the reconciliation for fiscal 2017 results on the Non-GAAP Financial Measures slide earlier in this presentation as well as further discussion in the Management's Discussion and Analysis section of our Annual Report on Form 10-K.

Long-Term Capital Strategy

- Cash deployment
 - Investment for organic growth
 - Strategic acquisitions
 - Return cash to shareholders through dividends and stock repurchase
- In July 2016, the Board of Directors authorized a new stock repurchase plan to purchase up to \$350 million of Paychex common stock, with authorization for this program expiring in May 2019. During Fiscal 2017, we repurchased 2.9 million shares of common stock for a total of \$166.2 million, of which \$59.7 million was under a previously authorized repurchase plan.



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