Stock Selection Guide

Company	Paychex		Date	07/07/23
Prepared by	HENRIKSON		Data taken from	BI Stock Data
Where traded	NAS	Industry	Staffing & Employment Services	

Capitalization --- Outstanding Amounts		Reference		
Preferred ($M)		0.0	% Insiders	% Institution
Common (M Shares)		362.3	10.8	49.3
Debt ($M)	865.7	% to Tot Cap	19.9	% Pot Dil	0.5

Symbol: PAYX

1 VISUAL ANALYSIS of Sales, Earnings, and Price

6,860

5,007

6.03

4.30

FY 2022 Q4	Sales ($M)	Earnings Per Share
Latest Quarter	1,230	0.97
Year Ago Quarter	1,144	0.82
Percentage Change	7.5%	18.3%

13 14 15 16 17 18 19 20 21 22 23 24 25 26 27
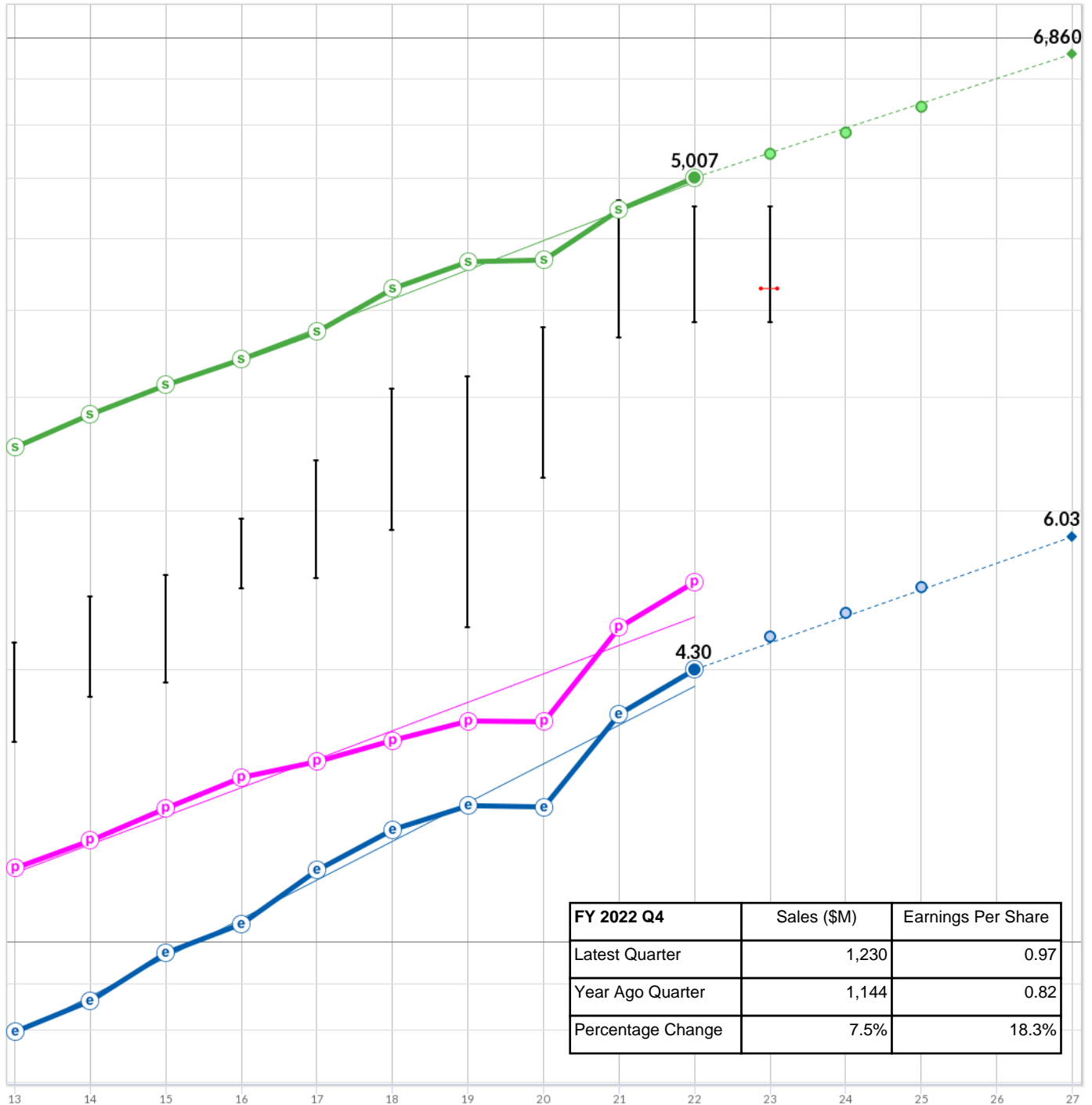
(1) Historical Sales Growth	7.7%	
(2) Estimated Future Sales Growth	6.5%	
(3) Historical Earnings Per Share Growth		10.4%
(4) Estimated Future Earnings Per Share Growth		7.0%

2 EVALUATING Management

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Last 5 Year Avg.
% Pre-tax Profit on Sales	39.2%	38.7%	39.0%	39.5%	38.3%	36.3%	35.6%	35.4%	39.6%	40.9%	37.6%
% Earned on Equity	34.7%	35.7%	40.2%	42.6%	45.3%	39.6%	39.5%	36.6%	42.1%	45.6%	40.7%
% Debt To Capital	0.0%	0.0%	0.0%	0.0%	0.0%	23.3%	24.4%	23.3%	22.2%	19.9%	22.6%

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

CLOSING PRICE 113.44 (07/07/23)   **52-WEEK HIGH** 139.47   **52-WEEK LOW** 104.09

	A	B	C	D	E	F	G	H
Year	Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
2018	87.8	61.3	2.86	30.7	21.4	2.30	80.4	3.8
2019	90.5	47.9	3.04	29.8	15.7	2.48	81.6	5.2
2020	102.6	70.0	3.03	33.9	23.1	2.52	83.2	3.6
2021	141.9	99.9	3.84	37.0	26.0	2.77	72.1	2.8
2022	139.5	104.1	4.30	32.4	24.2	3.26	75.8	3.1
AVERAGE		76.6		32.7	22.1		78.6	
CURRENT/TTM			4.30	32.4	24.2	3.56	82.8	
AVERAGE PRICE EARNINGS RATIO: 27.4					CURRENT PRICE EARNINGS RATIO: 26.4			

4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE - NEXT 5 YEARS

Avg. High P/E   27.4   X Estimate High Earnings/Share   6.03   =   Forecasted High Price $ 165.2

B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E   22.1   X Estimate Low Earnings/Share   4.30   =   Forecasted Low Price $ 95.0

(b) Avg. Low Price of Last 5 Years   76.6

(c) Recent Market Low Price   99.9

(d) Price Dividend Will Support $\dfrac{\text{Indicated Dividend}}{\text{High Yield}}$ = $\dfrac{3.56}{5.18\%}$ =   68.7

Selected Forecasted Low Price $ 104.1

C ZONING   using 25%-50%-25%

Forecasted High Price   165.2   Minus Forecasted Low Price   104.1   =   61.1   Range.   25% of Range   15.3

Buy Zone   104.1   to   119.4

Hold Zone   119.4   to   150.0

Sell Zone   150.0   to   165.2

Present Market Price of   113.44   is in the   **BUY**   Zone

D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\dfrac{\text{High Price}\quad 165.2\quad \text{Minus Present Price}\quad 113.44}{\text{Present Price}\quad 113.44\quad \text{Minus Low Price}\quad 104.1}$ = $\dfrac{51.81}{9.34}$ =   5.5   To 1

E PRICE TARGET   (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$\dfrac{\text{High Price}\quad 165.2}{\text{Closing Price}\quad 113.44}$ =   1.4567   X   100   =   145.67   -   100   =   45.7   % Appreciation

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A $\dfrac{\text{Indicated Annual Dividend}\quad 3.26}{\text{Closing Price}\quad 113.44}$ =   0.0314   =   3.1 %   Current Yield

B AVERAGE YIELD - USING FORECAST HIGH P/E

$\dfrac{\text{Avg. \% Payout}}{\text{Forecast High PE}}$ = $\dfrac{79.4 \%}{27.40}$ =   2.9 %

AVERAGE YIELD - USING FORECAST AVERAGE P/E

$\dfrac{\text{Avg. \% Payout}}{\text{Forecast Average PE}}$ = $\dfrac{79.4 \%}{24.75}$ =   3.2 %

C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation	7.8 %
Average Yield	2.9 %
Annualized Rate of Return	10.7 %

COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation	5.6 %
Average Yield	3.2 %
Annualized Rate of Return	8.9 %

Notes: PAYX 7/8/2023
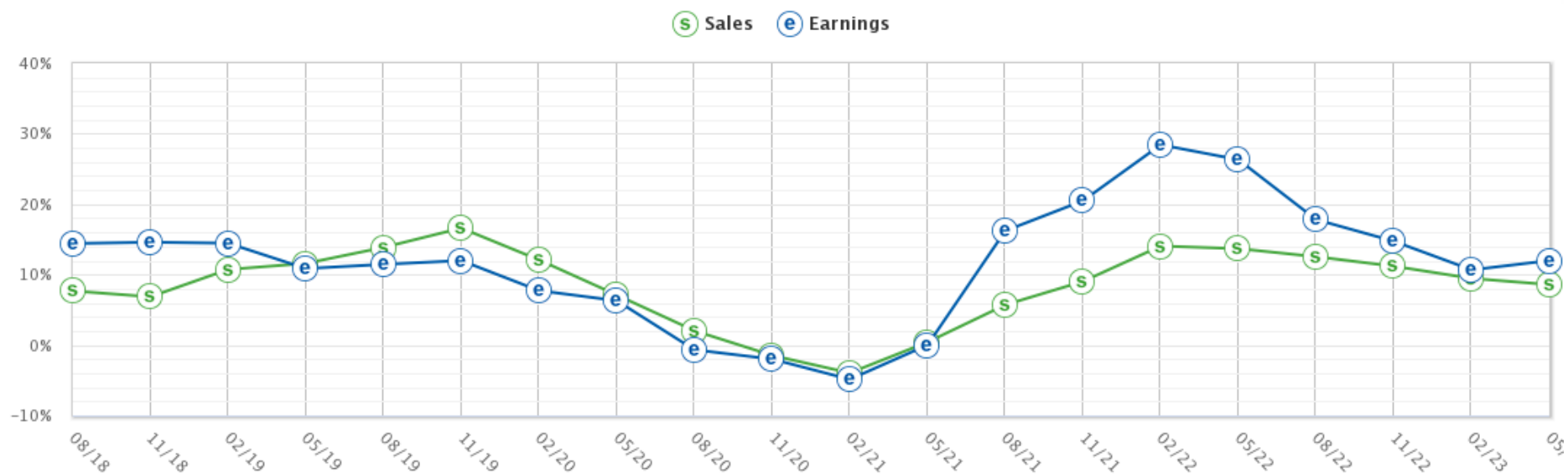
Date	Subject	Description	Type
07/08/23	Estimates for PayX as of July 2023	I used Value Line and 6 other analysts estimates to come up with average sales and earnings forecast of 7%. However, I reduced sales to 6.5% due to Mgmt sales forecast for 2024. For High Price, I used Avg PE of 27.4; for Low Price, used 52 week low. For Peers, I used those suggested by Morningstar: ADP (which, is about 3X the size of PayX), and Paylocity and Paycom (which are both small, about 1/5th the size of PayX).	Study

Company: Paychex

Symbol: PAYX

Study Audit: PAYX 7/8/2023

Review Advised	Category	Explanation
✓	Historical Earnings Growth	Is this company's earnings growth sufficiently consistent? R-Squared (5 yr): 0.88
✓	SSG Results	If purchased at the current price, this stock is not likely to double your money over the next five years. Total Return (High P/E):10.7%

Company: Paychex

Symbol: PAYX

Quarterly Growth Trend Data

Graph: Trailing 4 Quarters, Last 5 Years of Data

Ⓢ Sales Ⓔ Earnings

Quarterly Data							Last 12 Months Data								
Period	**EPS**		**Pre-Tax Profit**			**Sales**		**Income Tax Rate**	**EPS**	**Pre-Tax Profit**		**Sales**	**Income Tax**		**%Change**		
	$	%Change	$ Mil	%Sales	%Change	$ Mil	%Change		$	$ Mil	%Sales		$ Mil	%Rate	EPS	Pre-Tax Profit	Sales
05/23	0.97	18.3	463.6	37.7	19.2	1,229.6	7.5	24.4	4.30	2,048.2	40.9	5,007.1	490.7	24.0	12.0	12.3	8.6
02/23	1.29	8.4	617.4	44.7	11.4	1,381.0	8.2	24.3	4.15	1,973.4	40.1	4,921.8	469.6	23.8	10.7	10.8	9.5
11/22	0.99	8.8	475.2	39.9	8.6	1,190.3	7.4	24.2	4.05	1,910.3	39.7	4,816.8	445.0	23.3	14.7	13.0	11.2
08/22	1.05	14.1	492.0	40.8	10.8	1,206.2	11.4	22.9	3.97	1,872.7	39.6	4,735.0	435.9	23.3	17.8	16.9	12.5
05/22	0.82	12.3	388.8	34.0	12.4	1,144.3	11.2	23.8	3.84	1,824.6	39.6	4,611.7	433.5	23.8	26.3	27.2	13.7
02/22	1.19	22.7	554.3	43.4	19.8	1,276.0	14.8	22.3	3.75	1,781.7	39.6	4,496.6	424.2	23.8	28.4	29.1	14.0
11/21	0.91	21.3	437.6	39.5	25.2	1,108.5	12.7	24.1	3.53	1,690.0	39.0	4,332.3	410.5	24.3	20.5	22.3	9.0

Company: Paychex

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Graph: Trailing 4 Quarters, Last 5 Years of Data

Period	EPS $	EPS %Change	Pre-Tax Profit $ Mil	Pre-Tax Profit %Sales	Pre-Tax Profit %Change	Sales $ Mil	Sales %Change	Income Tax Rate	EPS $	Pre-Tax Profit $ Mil	Pre-Tax Profit %Sales	Sales $ Mil	Income Tax $ Mil	Income Tax %Rate	%Change EPS	%Change Pre-Tax Profit	%Change Sales
08/21	0.92	55.9	443.9	41.0	60.8	1,082.9	16.2	24.9	3.37	1,602.0	38.1	4,207.5	381.0	23.8	16.2	17.0	5.7
05/21	0.73	19.7	345.9	33.6	18.6	1,029.2	12.5	24.0	3.04	1,434.2	35.4	4,056.8	335.7	23.4	0.0	-0.2	0.4
02/21	0.97	-1.0	462.6	41.6	-0.3	1,111.7	-2.7	24.2	2.92	1,379.9	35.0	3,942.7	324.2	23.5	-4.9	-5.2	-4.0
11/20	0.75	4.2	349.6	35.5	3.7	983.7	-0.7	22.1	2.93	1,381.5	34.8	3,973.7	322.5	23.3	-2.0	-2.5	-1.5
08/20	0.59	-19.2	276.1	29.6	-19.8	932.2	-6.0	23.4	2.90	1,368.9	34.4	3,980.7	323.5	23.6	-0.7	-1.5	2.0
05/20	0.61	-4.7	291.6	31.9	-6.1	915.1	-6.7	24.3	3.04	1,437.1	35.6	4,040.5	339.3	23.6	6.3	5.1	7.1
02/20	0.98	8.9	464.2	40.6	9.1	1,142.7	6.8	23.6	3.07	1,456.0	35.5	4,105.8	349.1	24.0	7.7	5.7	12.1
11/19	0.72	10.8	337.0	34.0	9.0	990.7	15.3	23.2	2.99	1,417.4	35.1	4,033.5	340.2	24.0	12.0	13.7	16.6
08/19	0.73	9.0	344.3	34.7	6.7	992.0	15.0	23.3	2.92	1,389.7	35.6	3,901.7	335.4	24.1	11.5	9.3	13.9
05/19	0.64	1.6	310.5	31.7	-3.1	980.4	12.5	25.8	2.86	1,368.0	36.3	3,772.5	334.4	24.4	10.9	5.5	11.6
02/19	0.90	25.0	425.6	39.8	44.4	1,070.4	23.5	23.7	2.85	1,377.8	37.6	3,663.2	346.7	25.2	14.5	8.0	10.7
11/18	0.65	8.3	309.3	36.0	-7.4	858.9	3.9	23.8	2.67	1,247.0	36.0	3,459.3	276.1	22.1	14.6	-3.3	6.8
08/18	0.67	6.3	322.6	37.4	-7.1	862.8	5.6	24.5	2.62	1,271.6	37.1	3,426.9	317.4	25.0	14.4	0.3	7.7
05/18	0.63	16.7	320.3	36.8	6.6	871.1	9.1	28.7	2.58	1,296.1	38.3	3,380.9	355.5	27.4	14.2	4.1	7.3
02/18	0.72	28.6	294.8	34.0	-4.2	866.5	8.9	11.7	2.49	1,276.3	38.6	3,308.4	370.3	29.0	12.7	4.6	6.5
11/17	0.60	7.1	333.9	40.4	7.0	826.5	7.1	35.0	2.33	1,289.3	39.8	3,237.7	446.7	34.7	8.4	8.0	5.7
08/17	0.63	5.0	347.1	42.5	7.0	816.8	4.0	34.4	2.29	1,267.4	39.8	3,182.6	439.8	34.7	8.5	7.6	5.6
05/17	0.54	10.2	300.5	37.6	8.8	798.6	5.9	35.0	2.26	1,244.8	39.5	3,151.3	427.7	34.4	8.1	8.1	6.8
02/17	0.56	12.0	307.8	38.7	9.3	795.8	5.7	34.2	2.21	1,220.4	39.3	3,106.6	420.8	34.5	8.3	8.1	7.5
11/16	0.56	7.7	312.0	40.4	5.5	771.4	6.8	35.2	2.15	1,194.3	39.0	3,063.4	417.0	34.9	7.5	7.3	7.8
08/16	0.60	3.4	324.5	41.3	9.1	785.5	8.6	33.0	2.11	1,178.1	39.1	3,014.4	413.8	35.1	8.2	8.2	7.8
05/16	0.49	11.4	276.1	36.6	8.9	753.9	8.9	35.5	2.09	1,151.1	39.0	2,951.9	394.8	34.3	13.6	8.6	7.7
02/16	0.50	8.7	281.7	37.4	5.9	752.6	6.9	36.0	2.04	1,128.6	39.0	2,890.2	389.8	34.5	13.3	8.9	6.6
11/15	0.52	10.6	295.8	40.9	8.9	722.4	6.8	36.0	2.00	1,112.8	39.2	2,841.9	385.3	34.6	12.4	8.8	7.5
08/15	0.58	23.4	297.5	41.1	10.6	723.0	8.4	29.7	1.95	1,088.6	38.9	2,795.8	377.6	34.7	12.1	8.8	8.5
05/15	0.44	10.0	253.6	36.6	10.4	692.2	4.2	36.4	1.84	1,060.0	38.7	2,739.6	385.1	36.3	7.6	7.3	8.8
02/15	0.46	4.5	265.9	37.8	5.4	704.3	10.7	36.3	1.80	1,036.1	38.2	2,711.4	376.5	36.3			
11/14	0.47	9.3	271.6	40.2	8.7	676.3	10.8	36.3	1.78	1,022.4	38.7	2,643.6	372.2	36.4			
08/14	0.47	6.8	268.9	40.3	4.9	666.8	9.7	36.3	1.74	1,000.7	38.8	2,577.8	364.7	36.4			
05/14	0.40		229.7	34.6		664.0		36.5									
02/14	0.44		252.2	39.6		636.5		36.5									

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	Quarterly Data								Last 12 Months Data								
Period	EPS		Pre-Tax Profit			Sales		Income Tax Rate	EPS	Pre-Tax Profit		Sales	Income Tax		%Change		
	$	%Change	$ Mil	%Sales	%Change	$ Mil	%Change		$	$ Mil	%Sales		$ Mil	%Rate	EPS	Pre-Tax Profit	Sales
11/13	0.43		249.9	40.9		610.5		36.5									
08/13	0.44		256.3	42.2		607.9		36.5									