Stock Selection Guide

Company	Paychex			Date	06/08/23
Prepared by	HAAS		Data taken from	BI Stock Data	
Where traded	NAS	Industry	Staffing & Employment Services		
Capitalization --- Outstanding Amounts			Reference		

Preferred ($M)		0.0	% Insiders	% Institution
Common (M Shares)		362.3	10.8	50.4
Debt ($M)	871.2	% to Tot Cap	20.4	% Pot Dil	0.5

Symbol: PAYX

1 VISUAL ANALYSIS of Sales, Earnings, and Price

FY 2022 Q3	Sales ($M)	Earnings Per Share
Latest Quarter	1,381	1.29
Year Ago Quarter	1,276	1.19
Percentage Change	8.2%	8.4%
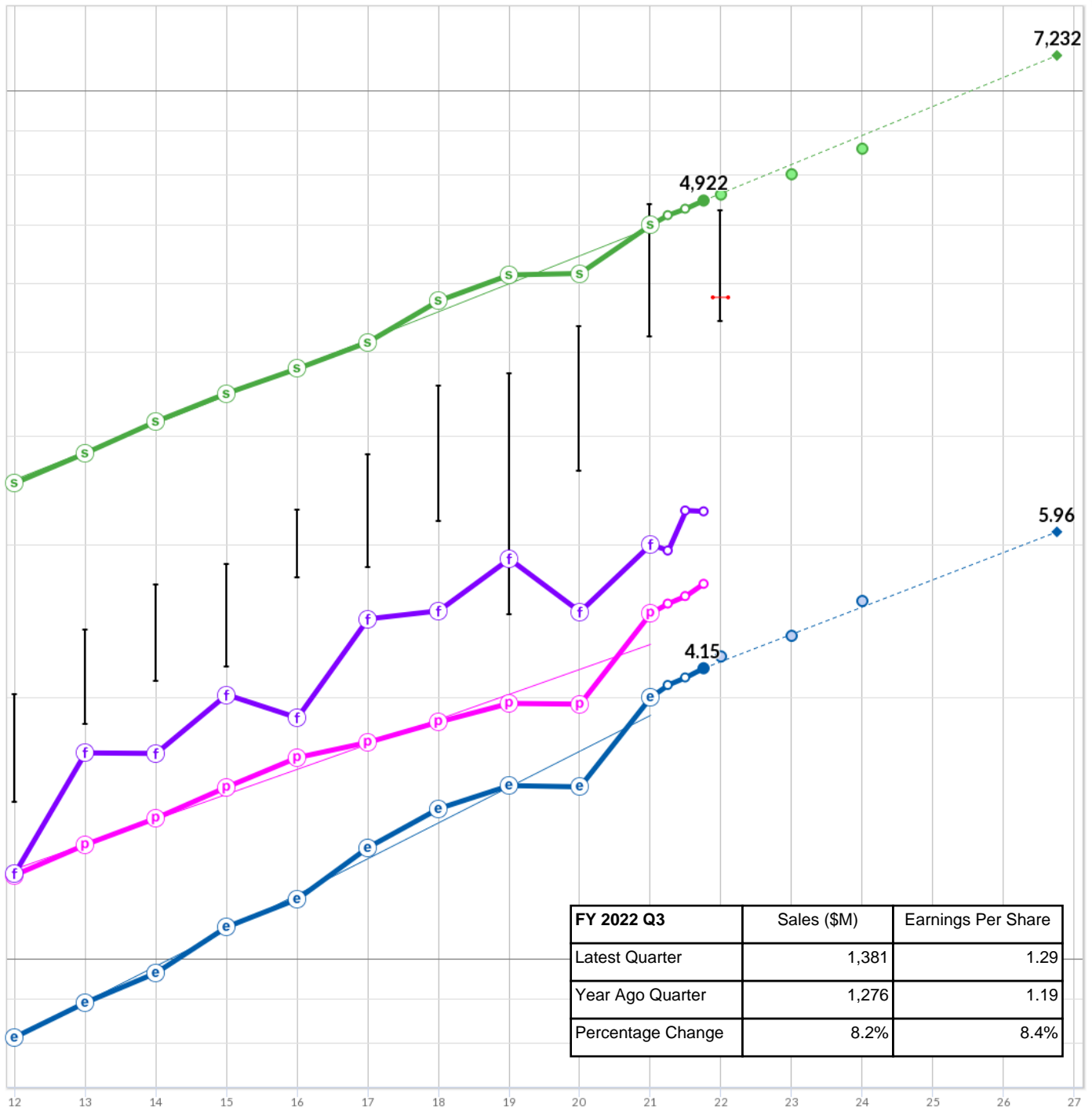
(1) Historical Sales Growth	7.7%	(3) Historical Earnings Per Share Growth	10.0%
(2) Estimated Future Sales Growth	8.0%	(4) Estimated Future Earnings Per Share Growth	7.5%

2 EVALUATING Management

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Last 5 Year Avg.
% Pre-tax Profit on Sales	39.2%	39.2%	38.7%	39.0%	39.5%	38.3%	36.3%	35.6%	35.4%	39.6%	37.0%
% Earned on Equity	35.5%	34.7%	35.7%	40.2%	42.6%	45.3%	39.6%	39.5%	36.6%	42.1%	40.6%
% Debt To Capital	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	23.3%	24.4%	23.3%	22.2%	18.6%

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 110.96 (06/08/23)   **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
2017	73.1	54.2	2.58	28.3	21.0	2.06	79.8	3.8
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
AVERAGE		66.6		31.9	21.6		79.4	
CURRENT/TTM			4.15	33.6	25.1	3.56	85.8	

AVERAGE PRICE EARNINGS RATIO: 26.7	CURRENT PRICE EARNINGS RATIO: 26.7

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   30.0   X Estimate High Earnings/Share   5.96   =   Forecasted High Price $ 178.8

B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E   21.5   X Estimate Low Earnings/Share   4.15   =   Forecasted Low Price $ 89.2

(b) Avg. Low Price of Last 5 Years   66.6

(c) Recent Market Low Price   70.0

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

Selected Forecasted Low Price $ 89.2

C ZONING   using 25%-50%-25%

Forecasted High Price   178.8   Minus Forecasted Low Price   89.2   =   89.6   Range.   25% of Range   22.4

Buy Zone   89.2   to   111.6

Hold Zone   111.6   to   156.4

Sell Zone   156.4   to   178.8

Present Market Price of   110.96   is in the   **BUY**   Zone

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

$\dfrac{\text{High Price } 178.8 \text{ Minus Present Price } 110.96}{\text{Present Price } 110.96 \text{ Minus Low Price } 89.2}$ = $\dfrac{67.84}{21.76}$ = 3.1   To 1

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

$\dfrac{\text{High Price } 178.8}{\text{Closing Price } 110.96}$ = 1.6114   X   100   =   161.14   -   100   =   61.1   % 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 $\dfrac{\text{Indicated Annual Dividend } 2.77}{\text{Closing Price } 110.96}$ = 0.0321 = 3.2 %   Current Yield

B AVERAGE YIELD - USING FORECAST HIGH P/E

$\dfrac{\text{Avg. \% Payout}}{\text{Forecast High PE}}$ = $\dfrac{80.9\%}{30.00}$ = 2.7 %

AVERAGE YIELD - USING FORECAST AVERAGE P/E

$\dfrac{\text{Avg. \% Payout}}{\text{Forecast Average PE}}$ = $\dfrac{80.9\%}{25.75}$ = 3.1 %

C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation	10.0 %
Average Yield	2.7 %
Annualized Rate of Return	12.7 %

COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation	6.7 %
Average Yield	3.1 %
Annualized Rate of Return	9.8 %