PAYCHEX, INC. NDQ-PAYX

RECENT PRICE **68.56** | P/E RATIO **23.1** (Trailing: 22.3 Median: 24.0) | RELATIVE P/E RATIO **1.43** | DIV'D YLD **3.7%** | **VALUE LINE**

TIMELINESS 2 Lowered 12/20/19
SAFETY 1 Raised 11/20/09
TECHNICAL 4 Lowered 5/8/20
BETA 1.00 (1.00 = Market)

18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$52-$129	$91 (30%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	115	(+70%)	*16%*
Low	95	(+40%)	*12%*

Institutional Decisions

	2Q2019	3Q2019	4Q2019
to Buy	442	483	570
to Sell	514	463	428
Hld's(000)	252148	250486	247873

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
High:	32.9	32.8	33.9	34.7	45.9	48.2	54.8	62.2	70.4	76.0	88.4	90.5						
Low:	20.3	24.7	25.1	29.1	31.5	39.8	41.6	45.8	54.2	59.4	63.3	47.9						

LEGENDS
21.0 x "Cash Flow" p sh
Relative Price Strength
Options: Yes
Shaded area indicates recession

Target Price Range 2023 2024 2025: 128, 96, 80, 64, 48, 40, 32, 24, 16, 12

Percent shares traded: 24, 16, 8

% TOT. RETURN 3/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-19.8	-26.1
3 yr.	16.6	-16.7
5 yr.	47.8	-5.7

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3.42	3.82	4.40	4.94	5.73	5.77	5.54	5.76	6.15	6.37	6.94	7.58	8.19	8.77	9.42	10.50	*11.35*	*11.30*	Revenues per sh A E	*15.35*
.95	1.14	1.40	1.54	1.82	1.72	1.56	1.67	1.78	1.83	2.02	2.16	2.42	2.63	2.89	3.38	*3.65*	*3.60*	"Cash Flow" per sh	*5.10*
.80	.97	1.22	1.35	1.56	1.48	1.32	1.42	1.51	1.56	1.71	1.85	2.09	2.25	2.49	2.86	*3.05*	*3.00*	Earnings per sh A B	*4.25*
.47	.51	.61	.79	1.20	1.24	1.24	1.24	1.27	1.31	1.40	1.52	1.68	1.84	2.06	2.30	*2.50*	*2.58*	Div'ds Decl'd per sh C ■	*3.40*
.13	.19	.21	.21	.23	.18	.17	.28	.25	.27	.23	.28	.27	.26	.43	.34	*.40*	*.45*	Cap'l Spending per sh	*.65*
3.17	3.66	4.35	5.11	3.32	3.72	3.88	4.13	4.43	4.85	4.90	4.94	5.30	5.44	5.64	7.29	*7.70*	*8.10*	Book Value per sh	*8.80*
377.97	378.63	380.30	382.15	360.50	360.98	361.46	362.10	362.60	365.40	363.00	361.20	360.40	359.40	359.00	359.30	*358.00*	*358.00*	Common Shs Outst'g D	*352.00*
44.0	33.0	30.7	28.4	24.6	19.2	22.2	20.7	19.6	21.4	24.1	24.8	24.0	26.2	25.1	25.5	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*25.0*
2.32	1.76	1.66	1.51	1.48	1.28	1.41	1.30	1.25	1.20	1.27	1.25	1.26	1.32	1.36	1.45			Relative P/E Ratio	*1.40*
1.3%	1.6%	1.6%	2.1%	3.1%	4.4%	4.2%	4.2%	4.3%	3.9%	3.4%	3.3%	3.4%	3.1%	3.3%	3.2%			Avg Ann'l Div'd Yield	*3.2%*
2000.8	2084.3	2229.8	2326.2	2518.9	2739.6	2951.9	3151.3	3380.9	3772.5	*4080*	*4050*	Revenues ($mill) A E	*5400*
40.5%	42.0%	42.7%	43.1%	43.2%	42.3%	42.7%	43.4%	43.1%	41.2%	*41.0%*	*40.5%*	Operating Margin	*43.0%*
86.4	88.7	97.8	98.2	105.0	106.6	115.1	126.9	138.0	181.5	*210*	*220*	Depreciation ($mill)	*260*
477.0	515.3	548.0	569.0	627.5	674.9	756.8	817.3	900.8	1034.4	*1100*	*1070*	Net Profit ($mill)	*1530*
34.6%	35.0%	36.3%	37.6%	36.5%	36.3%	34.3%	34.3%	32.2%	24.4%	*24.0%*	*24.0%*	Income Tax Rate	*24.0%*
23.8%	24.7%	24.6%	24.5%	24.9%	24.6%	25.6%	25.9%	26.6%	27.4%	*27.0%*	*26.4%*	Net Profit Margin	*28.3%*
355.9	416.8	280.4	531.6	541.0	516.9	455.5	517.6	528.3	813.2	*850*	*900*	Working Cap'l ($mill)	*1000*
- -	- -	- -	- -	- -	- -	- -	- -	- -	796.4	*795*	*750*	Long-Term Debt ($mill)	*500*
1402.0	1496.2	1604.5	1773.7	1777.0	1785.5	1911.7	1955.3	2024.5	2619.5	*2750*	*2900*	Shr. Equity ($mill)	*3100*
34.0%	34.4%	34.2%	32.1%	35.3%	37.8%	39.6%	41.8%	44.5%	30.3%	*32.0%*	*30.0%*	Return on Total Cap'l	*42.0%*
34.0%	34.4%	34.2%	32.1%	35.3%	37.8%	39.6%	41.8%	44.5%	39.5%	*40.0%*	*37.0%*	Return on Shr. Equity	*49.5%*
2.0%	4.4%	5.5%	5.2%	6.6%	6.9%	7.9%	7.9%	8.0%	7.9%	*7.5%*	*5.0%*	Retained to Com Eq	*10.5%*
94%	87%	84%	84%	81%	82%	80%	81%	82%	80%	*82%*	*86%*	All Div'ds to Net Prof	*80%*

CAPITAL STRUCTURE as of 2/29/20
Total Debt $847.9 mill. **Due in 5 yrs.** None.
LT Debt $796.7 mill. **LT Int.** $36.0 mill. (22% of Cap'l.)
Leases, Uncapitalized Annual rentals $37.7 mill.

No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 358,715,435 shs. as of 2/29/20

MARKET CAP: $24.6 billion (Large Cap)

CURRENT POSITION E ($MILL.)	2018	2019	2/29/20
Cash & ST Secs.	358.2	673.6	780.0
Receivables	531.4	420.5	436.3
Other	191.0	779.8	817.4
Current Assets	1080.6	1873.9	2033.7
Accts Payable	74.5	75.9	67.7
Debt Due	- -	- -	51.2
Other	477.8	984.8	998.8
Current Liab.	552.3	1060.7	1117.7

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	9.0%	4.0%	*8.0%*
"Cash Flow"	8.0%	2.0%	*9.5%*
Earnings	7.5%	1.5%	*9.0%*
Dividends	12.5%	8.0%	*8.5%*
Book Value	6.0%	1.0%	*6.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A E Aug.31	Nov.30	Feb.28	May 31	Full Fiscal Year
2017	785.5	771.4	795.8	798.6	3151.3
2018	816.8	826.5	866.5	871.1	3380.9
2019	862.8	858.9	1070.4	980.4	3772.5
2020	992.0	990.7	1142.7	*954.6*	*4080*
2021	*950*	*980*	*1120*	*1000*	*4050*

Fiscal Year Ends	EARNINGS PER SHARE A B Aug.31	Nov.30	Feb.28	May 31	Full Fiscal Year
2017	.60	.56	.56	.54	2.25
2018	.63	.60	.63	.63	2.49
2019	.67	.65	.90	.64	2.86
2020	.73	.72	.98	*.62*	*3.05*
2021	*.65*	*.70*	*.85*	*.80*	*3.00*

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.42	.42	.46	.46	1.76
2017	.46	.46	.50	.50	1.92
2018	.50	.56	.56	.56	2.18
2019	.56	.62	.62	.62	2.42
2020	.62				

BUSINESS: Paychex, Inc. is primarily engaged in providing computerized payroll-accounting services, salary deposit services, automatic payroll-tax payment, tax return filing services, as well as various human-resource products and services to about 670,000 businesses, mostly small- to medium-sized (10 to 200 employees); includes some clients located in Europe. The company operates numerous offices, located in the United States and internationally. Has about 15,300 employees. BlackRock, Inc. owns about 9.5% of common stock; B. Thomas Golisano (10.5%); Off./dir. (includes Golisano), 11.7% (9/19 proxy). Chairman: B. Thomas Golisano. DE. Address: 911 Panorama Trail South, Rochester, NY 14625-0397. Telephone: 585-385-6666. Internet: www.paychex.com.

Paychex made notable progress during the third quarter of fiscal 2020 (year ends May 31st). The payroll processor's revenues rose almost 7%, to $1.14 billion, for the period, meeting our expectations. The increase was supported by a healthy economic environment and job market. Moreover, profits reached $0.98 per diluted share, owing to well-controlled costs in a number of categories.

Paychex's two main business segments made positive contributions. Specifically, The Management Solutions unit benefited from a larger client base and incremental price increases. The ongoing adoption of ancillary offerings in the time and attendance, and retirement services, categories also helped. Elsewhere, the PEO and Insurance Solutions segment made strides, aided by client additions.

Looking ahead, the coronavirus will likely create challenges for Paychex. Of note, the company's main service is to process payrolls for small and midsized businesses. The nation's unemployment rate rose sharply in March, and will probably continue to do so in the coming months. Further, new business formation will likely suffer. Meanwhile, Paychex invests client funds in fixed-income securities, and the central bank's low interest-rate policy will weigh on returns. We have lowered our forecast for fiscal 2020, and now think Paychex's top line will settle at $4.08 billion, with profits of $3.05 per share. Our estimates for 2021 reflect a significantly weaker climate. However, we think business will recover in the following years.

Solid finances are a plus. At the end of February, Paychex had cash of $780 million, and a manageable amount of debt. It may temper capital spending and will likely be cautious about making acquisitions. Meanwhile, Paychex bought back about 2.0 million shares for roughly $172 million.

This issue is favorably ranked for year-ahead price performance. Furthermore, our current projections suggest that the stock offers worthwhile risk adjusted total return potential for the next 3 to 5 years. Conservative investors may like the fact that Paychex stock carries our top mark for Safety.

Adam Rosner *May 8, 2020*

(A) Fiscal year ends May 31st.
(B) Earnings based on fully diluted shares. Quarterly egs. may not sum due to rounding. Excl. nonrecurring gain $0.09 in Q3 2018. Next earnings report due late June.
(C) Dividends historically paid in mid-March, May, August, and November. ■ Div'd reinvestment plan available.
(D) In millions.
(E) Excludes net ENS investments less related liabilities.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	80
Earnings Predictability	100

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