



# **PAYCHEX**<sup>®</sup>

NASDAQ: PAYX  
Paychex, Inc.

# **Fundamental Analysis**







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# Introduction

GICS Sector: Industrials

Sub-Industry: Staffing & Employment Services



CEO: John Gibson

Tenure: 1.8 years

Paychex, Inc's management team has an average tenure of **6.1 years**. It is considered experienced.

Source of revenue:

- Paychex, Inc. provides integrated human capital management (HRM) solutions for human resources (HR), payroll, benefits, and insurance services for small to medium-sized businesses in the United States and Europe.
- The company specializes in providing effective HCM solutions to organizations facing the challenges of diverse regulations and changing workplace dynamics.
- The company offers a wide range of solutions – including HR outsourcing, HCM technology, payroll processing, retirement and insurance solutions – allowing Paychex to customize their offering to their client's business, whether it is small or large, simple or complex.
- Visit my website to learn more.



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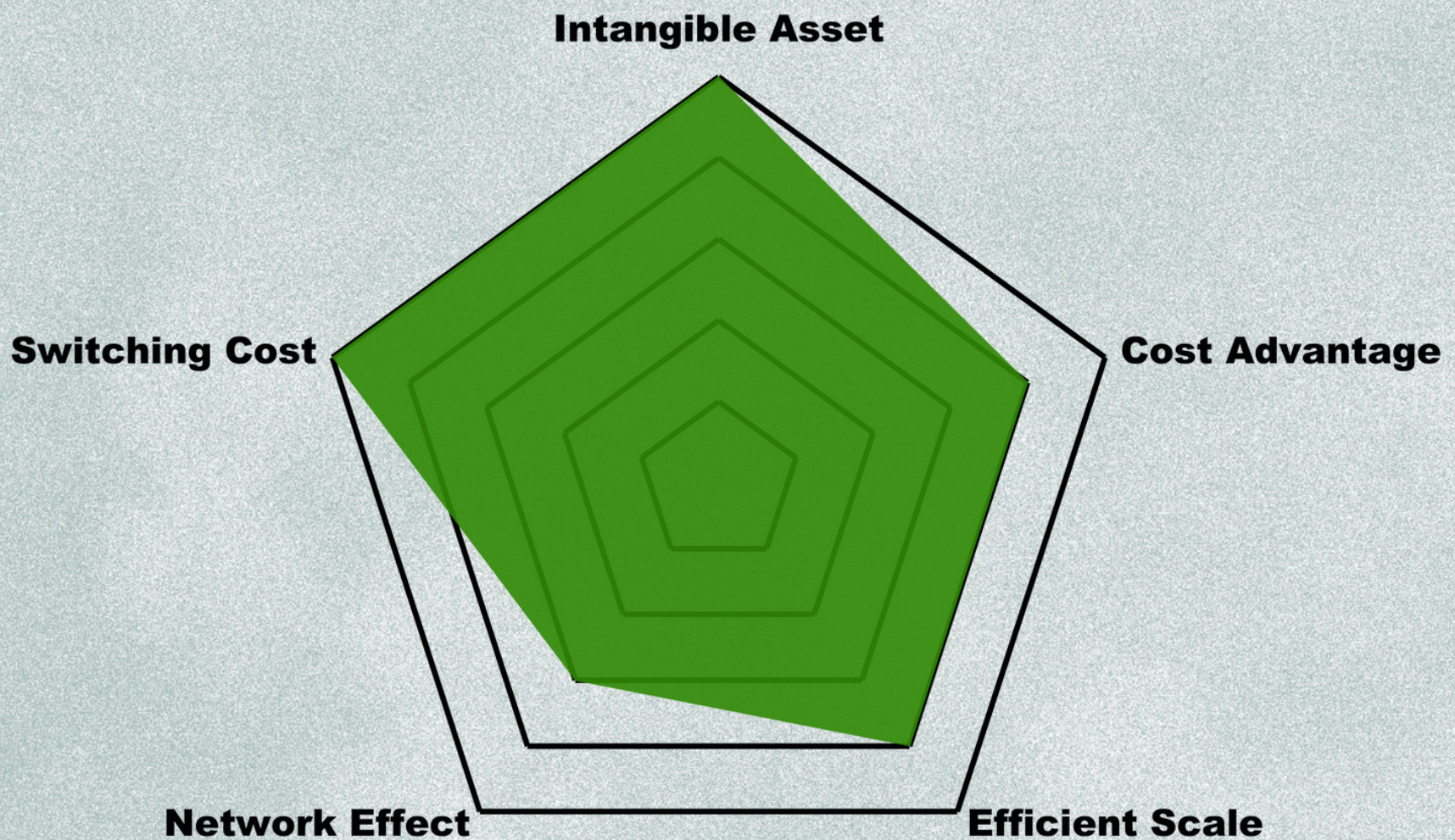
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# Economic Moat



Economic moat: **Wide**

There are many ways to identify a company's economic moat, but I focus on the above 5 types. The rating is purely subjective, and it is based on my in-depth understanding and analysis of the company.



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# Performance

Yes

Inconsistent

No

Revenue growing YoY for the past 5 years consistently?



Net income growing YoY for the past 5 years consistently?



Cash flow from operating activities growing YoY for the past 5 years consistently?



Free cash flow is positive for the past 5 years?



Gross margin % is consistent/growing for the past 5 years?



EPS growing for the past 5 years?







# Management Effectiveness

Yes

Inconsistent

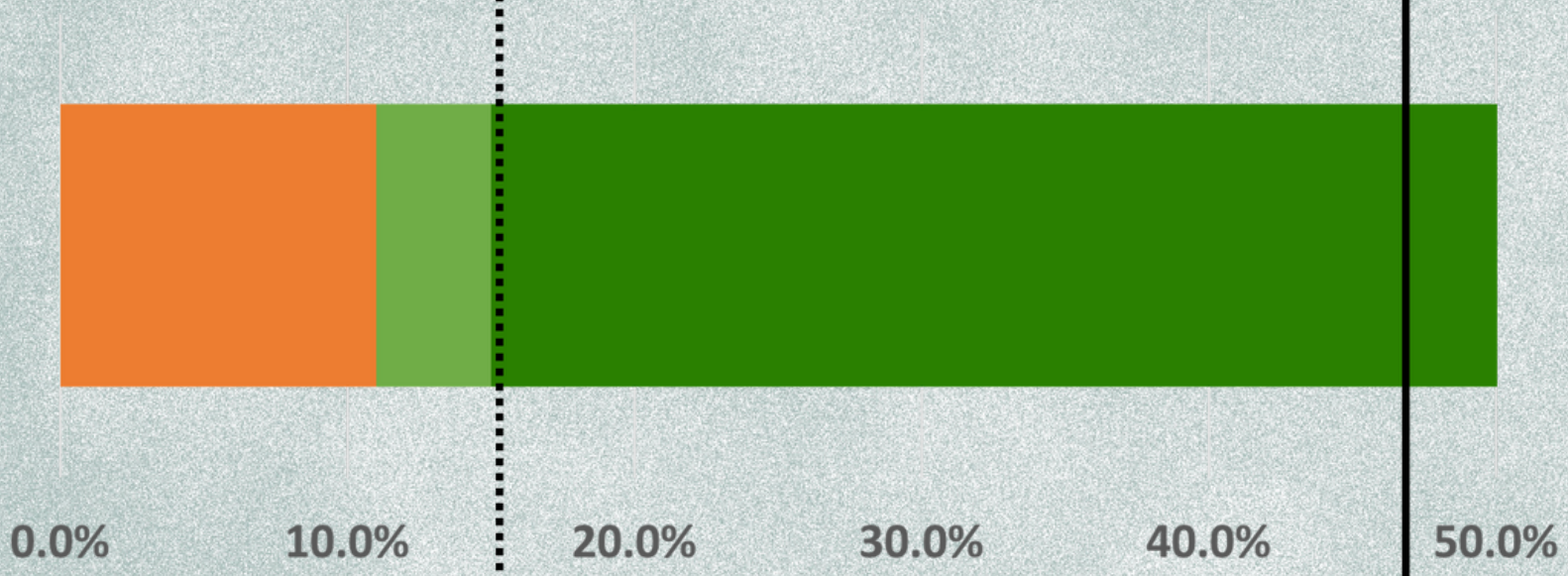
No

ROE is consistently at 12%-15% YoY for the past 5 years?

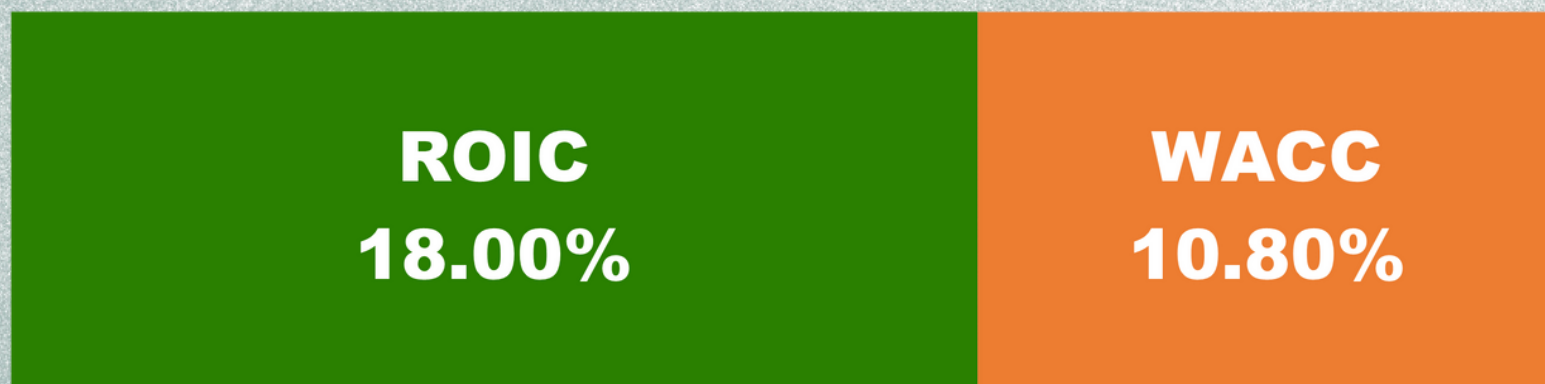


Industry ROE: 17.0%

ROE: 47.7%



ROIC is consistently at 12%-15% YoY for the past 5 years?



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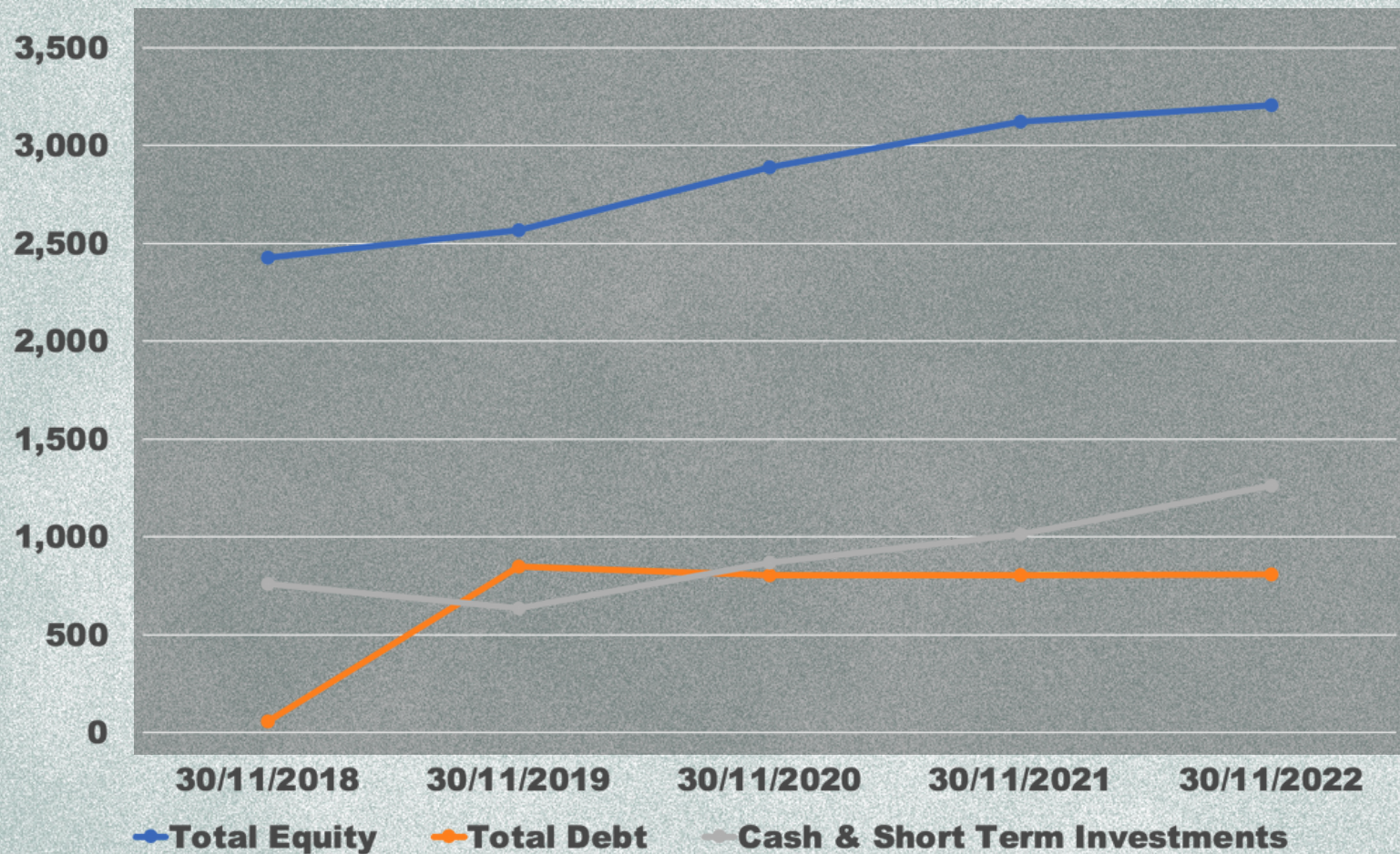
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# Financial Health

USD Millions



Current Ratio: 1.2



Debt-to-EBITDA: 0.4



Interest Coverage: 56.1



Debt Servicing Ratio: 2.2%



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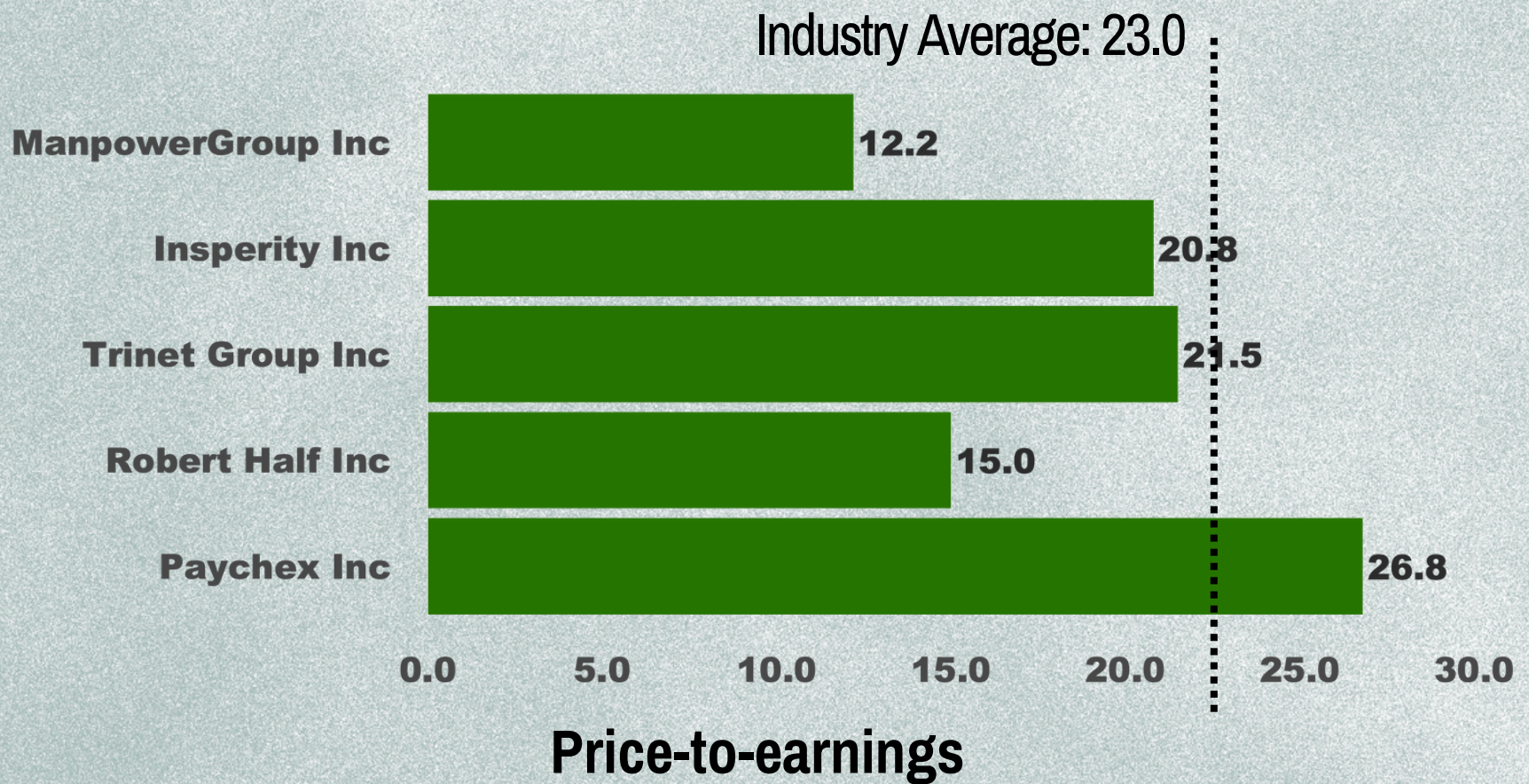
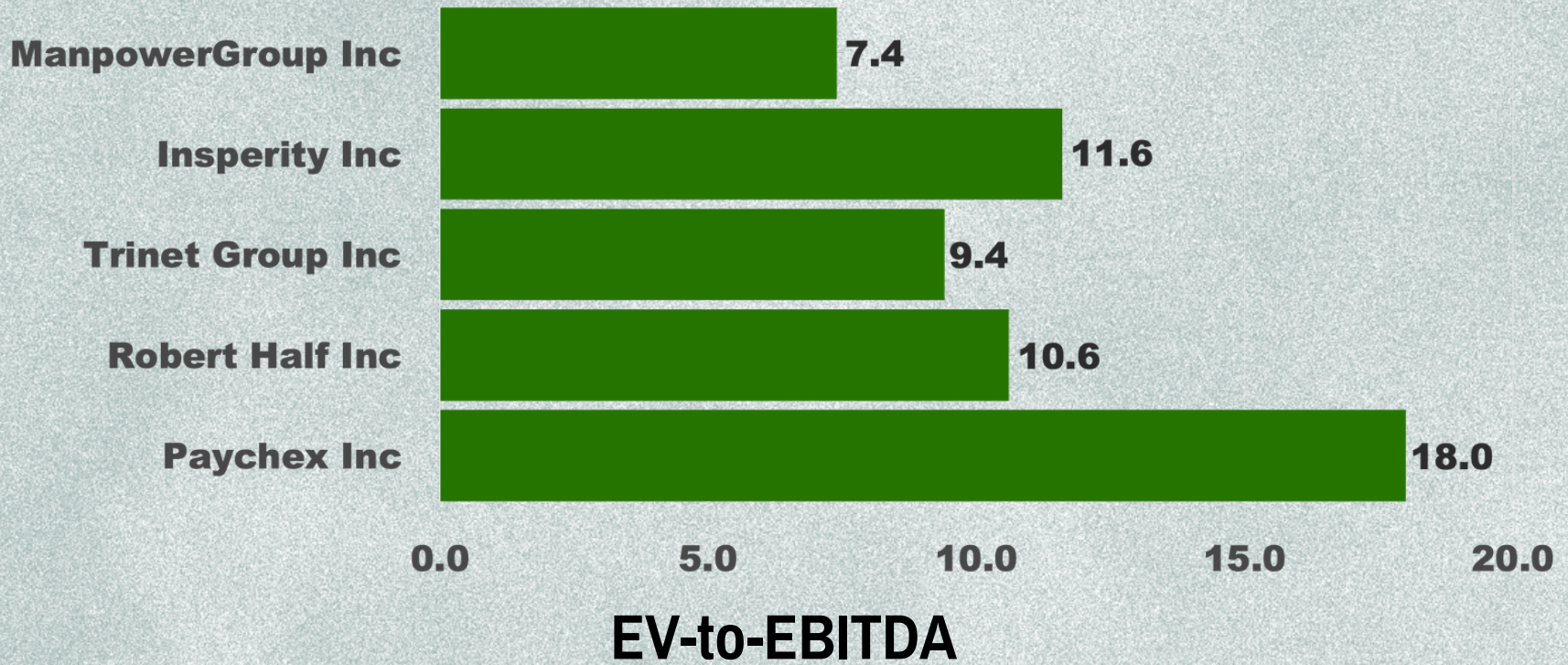
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# Relative Valuation







# Intrinsic Valuation

Estimated intrinsic value: **\$77.61**

Value is calculated using discounted cash flow method (taking into account their cash and debt) and scenario planning.

Average free cash flow used: USD\$1,400M

Projected growth rate: 8% - 9%

Beta: 1.0

Discount rate: 8.0%

Date of calculation: 16 Oct 2023

Estimated intrinsic value of  
Paychex, Inc.

**\$77.61**

\$104.09

\$129.70

←..... 52 weeks range .....→

Uncertainty: Low

**20% Margin of Safety**

Price range after the  
margin of safety

**<\$63.00**

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