SAVEST FINANCIAL

PAYCOM SOFTWARE, INC.
FY 2025

Earnings Report Update

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Company Overview

Paycom Software, Inc. is a U.S.-based provider of cloud-delivered human capital management solutions, offering a comprehensive software-as-a-service platform that helps small and mid-sized businesses manage the employee lifecycle. Its integrated applications span recruitment, onboarding, time and labor management, payroll, compliance, analytics, and talent management, enabling organizations to streamline HR processes, improve accuracy, and enhance decisions.

GUIDANCE

Paycom's 2026 outlook projects total revenue between $2.175 billion and $2.195 billion, implying year-over-year growth of approximately 6% to 7%.

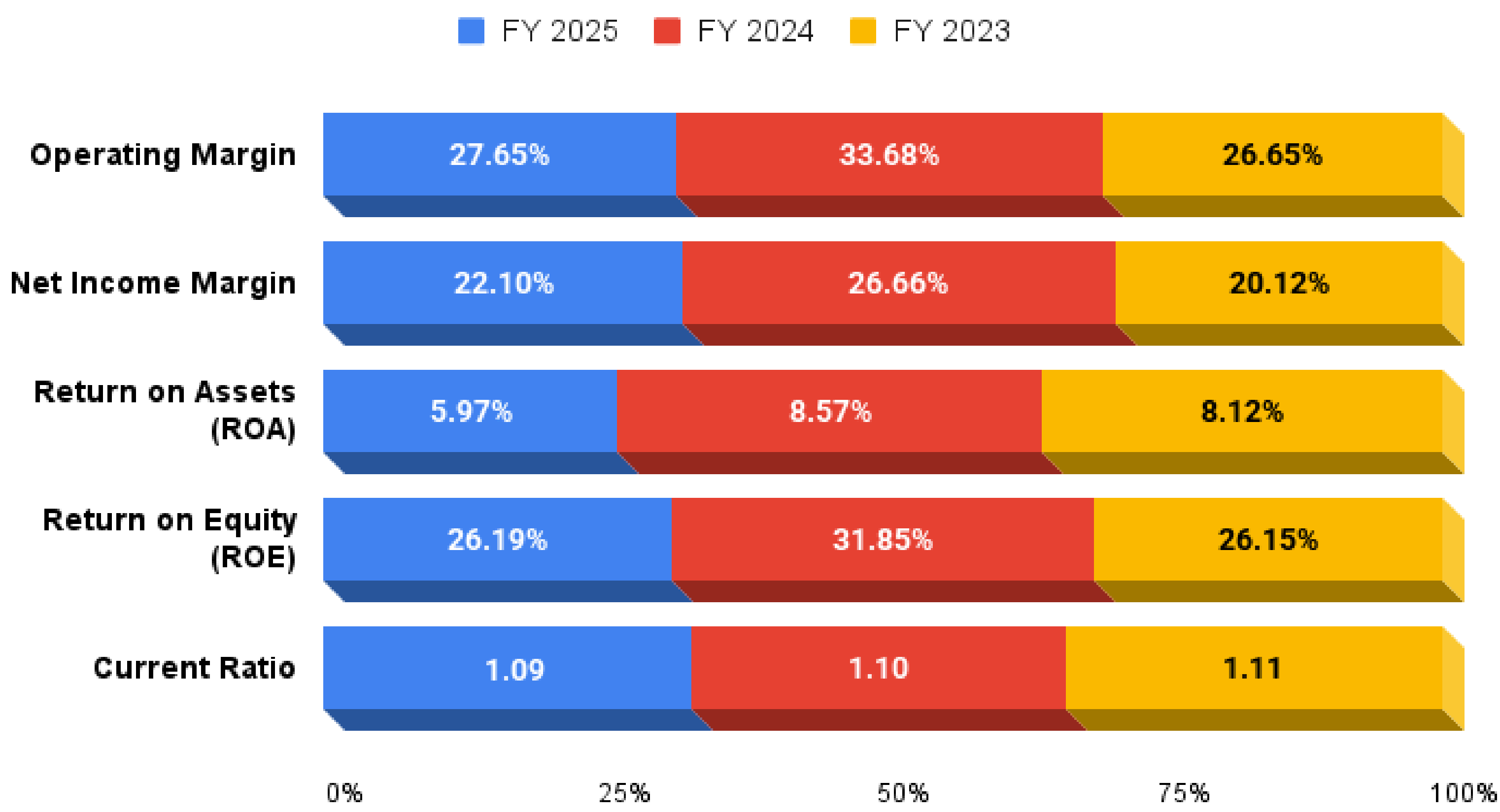
CEO's Commentary

"We delivered strong results in 2025, exceeding our strategic and financial goals by advancing full solution automation and achieving 91% client retention," said Paycom founder and CEO Chad Richison. "Our focus on service and innovation, including automated tools like IWant, Beti, and Gone, differentiates us. With under 5% market penetration, our growth opportunity remains significant and compelling ahead."

Expectation Analysis

USD ($)	Q4 2025	ESTIMATE	BEAT/MISS
REVENUE	544M	543M	0.30%
EBITDA	236M	231M	2.20%
EBIT	184M	181M	2.00%
EPS (adjusted)	2.45	2.44	0.10%

Margin and Efficiency Analysis



Revenue/Profitability Summary			
Million USD($), except EPS	**FY 2025**	**Q4 2025**	**YOY**
Revenue	2,051.70	544.30	8.95%
Operating income	567.20	157.20	-10.58%
Income before income taxes	619.40	159.20	-4.56%
Net income	453.40	113.80	-9.68%
Earnings per share	8.08	2.07	-9.42%

Cost/Expenses Summary			
Million USD($)	**FY 2025**	**Q4 2025**	**YOY**
Total cost of revenue	345.40	87.80	3.23%
Sales and marketing	482.80	130.20	11.14%
Research and development	283.40	72.20	16.82%
General and administrative	279.00	71.10	75.91%
Depreciation and amortization	93.90	25.80	19.31%
Provision for income taxes	166.00	45.40	12.93%

Cash Flow Summary		
Million USD($)	**FY 2025**	**YOY**
Net cash from operations	678.90	27.16%
Net cash used in investing	-611.20	-2653.15%
Net cash used in financing	1,022.00	-7.79%
Closing cash balance	5,132.50	26.95%

Segment Performance				
Million USD($)	**FY 2025**	**Q4 2025**	**% Revenue**	**YOY**
Recurring and other	1,938.70	517.10	94.49%	10.26%
Interest on funds held for clients	113.00	27.20	5.51%	-9.53%

Key Items of Financial Position Summary			
Million USD($)	**31st Dec, 2025**	**QOQ**	**YOY**
Current assets	5,838.80	129.69%	35.63%
Non-current assets	1,759.90	3.33%	13.17%
Total assets	7,598.70	79.00%	29.67%
Current liabilities	5,368.40	158.28%	37.41%
Long-term liabilities	498.80	9.08%	32.24%
Total liabilities	5,867.20	131.37%	36.96%
Total equities	1,731.50	1.29%	9.87%

Performance Highlights

- Paycom Software delivered solid topline expansion in FY2025, with total revenues rising 9% year-on-year to $2.05 billion, primarily driven by automation-led product adoption, higher client retention, and expansion in recurring subscription streams. Recurring and other revenues increased 10.3%, constituting 94.5% of total revenues.

- Fourth-quarter performance reinforced annual momentum, as revenues advanced 10.2% year-on-year to $544.3 million, supported by stronger enterprise onboarding, improved cross-sell penetration of human capital management modules, and sustained demand for automated payroll and compliance solutions.

- Profitability metrics presented a mixed but structurally resilient picture. Full-year GAAP net income declined 9.7% to $453 million, largely reflecting elevated operating and administrative expenses, while non-GAAP net income increased 12.2% to $519 million, indicating stronger normalized earnings once non-cash and equity-linked costs are excluded.

- Operating income moderated despite revenue growth, declining from $634 million to $567 million, primarily due to increased research and development expenditure and higher sales and marketing outlays. These investments were directed toward AI-driven automation tools such as IWant and Beti, aimed at strengthening long-term competitive differentiation rather than near-term margin maximization.

- Cash-flow generation strengthened materially, with operating cash flow rising 27% to $679 million, supported by deferred revenue growth, efficient billing cycles, and improved working-capital management.

- Balance-sheet positioning remained conservative, as total debt stayed at zero, reinforcing financial resilience amid macro-rate volatility. While cash and equivalents declined 8% to $370 million, total liquidity expanded significantly due to increased restricted client funds and short-term investment balances, maintaining strong solvency metrics.

- Client-centric performance indicators improved steadily, with annual revenue retention rising to 91% from 90%, reflecting enhanced platform stickiness and customer satisfaction. Parent-company client count grew 5% year-on-year to approximately 20,300, while total client codes increased 4%, demonstrating sustained demand across mid-market and enterprise segments.

- Operational scale broadened as employee records stored on the platform increased 5% to 7.4 million, indicating deeper penetration within existing client organizations and reinforcing data-driven monetization opportunities through analytics and compliance modules.

Concerns Raised

- Statutory profitability pressure persists as GAAP net income and operating income declined year-on-year, reflecting rising administrative, R&D, and stock-based compensation expenses. Sustained cost escalation without proportional revenue acceleration could constrain near-term margin expansion and dampen earnings momentum.

- Liquidity composition shows growing dependence on restricted client funds, which, while offset by client fund obligations, reduces freely deployable cash flexibility. A decline in unrestricted cash balances may limit short-term discretionary investment capacity if growth moderates unexpectedly.

- Expense growth across sales, marketing, and general administrative functions outpaced revenue growth, increasing operating leverage risk. If client acquisition efficiency weakens or automation savings plateau, profitability ratios could compress despite continued revenue expansion.

- Forward guidance indicates moderating revenue growth of 6–7% for FY2026, suggesting a potential normalization phase following strong post-automation expansion. Competitive intensity within cloud-based HCM platforms and pricing pressure from integrated enterprise software providers remain key structural risks to sustained double-digit growth trajectories.

OUR INSIGHT

> Paycom delivered resilient FY performance, supported by strong recurring-revenue mix, double-digit EBITDA expansion, and a modest fourth-quarter earnings beat across revenue and operating metrics. Cash-flow strength, zero debt, and continued buybacks reinforce balance-sheet quality and per-share value creation, positioning the firm attractively for long-term investors seeking scalable SaaS exposure. Key watch points remain operating-expense discipline, normalization in forward revenue growth, competitive HCM pricing pressure, and the sustainability of margin gains amid ongoing AI and product-investment cycles.

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