

# Paylocity Announces Fourth Quarter and Full Fiscal Year 2022 Financial Results

August 4, 2022

- Q4 2022 Recurring & Other Revenue of \$226.9 million, up 36% year-over-year
- Q4 2022 Total Revenue of \$228.9 million, up 37% year-over-year
- FY 2022 Recurring & Other Revenue of \$847.7 million, up 34% year-over-year
- FY 2022 Total Revenue of \$852.7 million, up 34% year-over-year

SCHAUMBURG, III., Aug. 04, 2022 (GLOBE NEWSWIRE) -- Paylocity Holding Corporation (Nasdaq: PCTY), a leading provider of cloud-based HCM and payroll software solutions, today announced financial results for the fourth quarter and full fiscal year 2022, which ended June 30, 2022.

"Recurring & other revenue grew 34% in fiscal 22 as our value proposition of providing the most modern software in the industry continues to resonate in the marketplace. Our products focused on the Modern Workforce have all seen significant increases in utilization, including Community, where monthly users has grown by more than 40% and video creation increased by over 80% in fiscal 22," said Steve Beauchamp, Co-Chief Executive Officer of Paylocity.

#### **Key Recent Achievements**

- FY 2022 Recurring & Other Revenue of \$847.7 million, up 34% year-over-year.
- FY 2022 Total Revenue of \$852.7 million, up 34% year-over-year.
- FY 2022 GAAP net income of \$90.8 million and \$1.61 per diluted share.
- FY 2022 Adjusted EBITDA, a non-GAAP measure, of \$237.8 million or 27.9% of revenue.
- Ending FY 2022 cash and cash equivalents balance of \$139.8 million.

# Fourth Quarter Fiscal 2022 Financial Highlights

### Revenue:

- Total revenue was \$228.9 million, an increase of 37% from the fourth quarter of fiscal year 2021.
- Recurring & other revenue was \$226.9 million, an increase of 36% from the fourth quarter of fiscal year 2021.

### **Operating Income:**

• GAAP operating income was \$18.8 million and Non-GAAP operating income was \$48.4 million in the fourth quarter of fiscal year 2022.

## Net Income:

• GAAP net income was \$15.1 million or \$0.27 per share in the fourth quarter of fiscal year 2022 based on 56.4 million diluted weighted average common shares outstanding.

# Adjusted EBITDA:

Adjusted EBITDA, a non-GAAP measure, was \$59.3 million in the fourth quarter of fiscal year 2022.

#### Fiscal Year 2022 Financial Highlights

#### Revenue:

- Total revenue was \$852.7 million, an increase of 34% from fiscal year 2021.
- Recurring & other revenue was \$847.7 million, representing 99% of total revenue and an increase of 34% from fiscal year 2021 recurring & other revenue.

# **Operating Income:**

• GAAP operating income was \$84.6 million and non-GAAP operating income was \$196.6 million in fiscal year 2022.

#### Net Income:

• GAAP net income was \$90.8 million or \$1.61 per share for fiscal year 2022, based on 56.4 million diluted weighted average common shares outstanding.

## Adjusted EBITDA:

• Adjusted EBITDA, a non-GAAP measure, was \$237.8 million for fiscal year 2022.

### **Balance Sheet and Cash Flow:**

- Cash and cash equivalents totaled \$139.8 million at the end of fiscal year 2022.
- Cash flow from operations for the fiscal year 2022 was \$155.1 million compared to \$124.9 million for fiscal year 2021.
- Free cash flow, a non-GAAP measure, was \$102.5 million or 12% of total revenue for fiscal year 2022.

A reconciliation of GAAP to non-GAAP financial measures has been provided in this press release, including the accompanying tables. An explanation of these measures is also included below under the heading "Non-GAAP Financial Measures."

#### **Business Outlook**

Based on information available as of August 4, 2022, Paylocity is issuing guidance for the first quarter and full fiscal year 2023 as indicated below.

#### First Quarter 2023:

- Total revenue is expected to be in the range of \$237.3 million to \$241.3 million, which represents approximately 32% growth over fiscal year 2022 first quarter total revenue.
- Adjusted EBITDA, a non-GAAP measure, is expected to be in the range of \$55.0 million to \$58.0 million.

#### Fiscal Year 2023:

- Total revenue is expected to be in the range of \$1.087 billion to \$1.092 billion, which represents approximately 28% growth over fiscal year 2022 total revenue.
- Adjusted EBITDA, a non-GAAP measure, is expected to be in the range of \$314.5 million to \$318.5 million.

We are unable to reconcile forward-looking non-GAAP Adjusted EBITDA to its directly comparable GAAP financial measure because the information which is needed to complete a reconciliation is unavailable at this time without unreasonable effort.

# **Conference Call Details**

Paylocity will host a conference call to discuss its fourth quarter and full fiscal year 2022 results at 4:30 p.m. Central Time today (5:30 Eastern Time). A live audio webcast of the conference call, together with detailed financial information, can be accessed through <a href="https://investors.paylocity.com/events-and-presentations">https://investors.paylocity.com/events-and-presentations</a> where you will be provided with dial in details. A replay of the call will be available and archived via webcast at <a href="https://investors.paylocity.com/">https://investors.paylocity.com/events-and-presentations</a> where you will be provided with dial in details. A replay of the call will be available and archived via webcast at <a href="https://investors.paylocity.com/">https://investors.paylocity.com/</a> where you will be provided with dial in details. A replay of the call will be available and archived via webcast at <a href="https://investors.paylocity.com/">https://investors.paylocity.com/</a> whete you will be provided with dial in details. A replay of the call will be available and archived via webcast at <a href="https://investors.paylocity.com/">https://investors.paylocity.com/</a>.

#### **About Paylocity**

Paylocity is a leading provider of cloud-based HCM and payroll software solutions headquartered in Schaumburg, IL. Founded in 1997 and publicly traded since 2014, Paylocity offers an intuitive, easy-to-use product suite that helps businesses tackle today's challenges while moving them toward the promise of tomorrow. Known for its unique culture and consistently recognized as one of the best places to work, Paylocity accompanies its clients on the journey to create great workplaces and help people achieve their best through automation, data-driven insights, and engagement. For more information, visit <u>www.paylocity.com</u>.

# **Non-GAAP Financial Measures**

The company uses certain non-GAAP financial measures in this release, including Adjusted EBITDA, adjusted gross profit, non-GAAP operating income, non-GAAP net income, non-GAAP net income per share, non-GAAP sales and marketing, non-GAAP total research and development and non-GAAP general and administrative and free cash flow. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flow that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. We define Adjusted EBITDA as net income (loss) before interest expense, income tax expense (benefit), and depreciation and amortization expense, adjusted to eliminate stock-based compensation expense and employer payroll taxes related to stock releases and option exercises and other items as described later in this release. Adjusted gross profit is adjusted to eliminate stock-based compensation expense and employer payroll taxes related to stock releases and option exercises and option exercises and option exercises, the amortization of acquired intangibles and other items as described later in this release. Non-GAAP general and employer payroll taxes related to stock releases and option exercises and option exercises, the amortization of acquired intangibles and other items as described later in this release. Non-GAAP general and administrative expense is adjusted to eliminate stock-based compensation expense and employer payroll taxes related to stock releases and option exercises and option exercises, the amortization of acquired intangibles and other items as described later in this release. Non-GAAP general and administrative expense is adjusted to eliminate stock-based compensation expense and employer payroll taxes related to stock releases and option exercises and option exercises, the amortization of acquired intangibles and other items as described later in this release. Non-GAAP general

exercises, the amortization of acquired intangibles and other items as described later in this release, including the income tax effect on these items. Non-GAAP total research and development is adjusted for capitalized internal-use software costs and to eliminate stock-based compensation expense and employer payroll taxes related to stock releases and option exercises and other items as described later in this release. Free cash flow is defined as net cash provided by operating activities less capitalized internal-use software costs, purchase of property and equipment and lease allowances used for tenant improvements. Please note that other companies may define their non-GAAP financial measures differently than we do. Management presents certain non-GAAP financial measures in this release because it considers them to be important supplemental measures of performance. Management uses these non-GAAP financial measures for planning purposes, including analysis of the company's performance against prior periods, the preparation of operating budgets and to determine appropriate levels of operating and capital investments. Management believes that these non-GAAP financial measures provide additional insight for analysts and investors in evaluating the company's financial and operational performance. Management also intends to provide these non-GAAP financial measures as part of the company's financial and operational performance, the inclusion of the non-GAAP financial measures should provide consistency in the company's financial reporting. Non-GAAP financial measures have limitations as an analytical tool. Investors are encouraged to review the reconciliation of the non-GAAP measures to their most directly comparable GAAP measures provided in this release.

#### Safe Harbor/Forward Looking Statements

This press release contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included herein regarding Paylocity's future operations, ability to scale its business, future financial position and performance, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "will," "would," "seek" and similar expressions (or the negative of these terms) are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements include, among other things, statements about management's estimates regarding future revenues and financial performance and other statements about management's beliefs, intentions or goals. Paylocity may not actually achieve the expectations disclosed in the forward-looking statements, and you should not place undue reliance on Paylocity's forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause actual results or events to differ materially from the expectations disclosed in the forward-looking statements, including, but not limited to the possibility that the anticipated synergies of the unified solution through Paylocity's acquisitions of Blue Marble and Cloudsnap may not be achieved and the combined operations may not be successfully integrated in a timely manner, if at all; general economic conditions in regions in which Paylocity does business, including the ongoing impact of the novel coronavirus disease ("COVID-19") on the U.S. and the global economy, changes in interest rates, business disruptions, reductions in employment and an increase in business failures that have occurred or may occur in the future; the continuing impact of COVID-19 on Paylocity's employees and clients and Paylocity's ability to provide services to its clients and respond to their needs; Paylocity's ability to retain existing clients and to attract new clients to enter into subscriptions for its services; Paylocity's ability to sell new products and retain subscriptions for its existing products to its new and existing clients; the challenges associated with a growing company's ability to effectively service clients in a dynamic and competitive market; challenges associated with expanding and evolving a sales organization to effectively address new geographies and products and services; challenges related to cybersecurity threats and evolving cybersecurity regulations; Paylocity's reliance on and ability to expand its referral network of third parties; Paylocity's reliance on third party payroll partners in foreign jurisdictions in its Blue Marble business; difficulties associated with accurately forecasting revenue and appropriately planning expenses; challenges with managing growth effectively; difficulties in forecasting Paylocity's tax position; risks related to regulatory, legislative and judicial uncertainty in Paylocity's markets; continued acceptance of SaaS as an effective method for delivery of payroll and HCM solutions; Paylocity's ability to protect and defend its intellectual property; the risk that Paylocity's security measures are compromised or a threat actor gains unauthorized access to customer data; unexpected events in the market for Paylocity's solutions; changes in the competitive environment in Paylocity's industry and the markets in which it operates; adverse changes in general economic or market conditions; changes in the employment rates of Paylocity's clients and the resultant impact on revenue; the possibility that Paylocity may be adversely affected by other economic, business, and/or competitive factors; and other risks and potential factors that could affect Paylocity's business and financial results identified in Paylocity's filings with the Securities and Exchange Commission (the "SEC"), including its 10-K filed with the SEC on August 6, 2021. Additional information will also be set forth in Paylocity's future quarterly reports on Form 10-Q, annual reports on Form 10-K and other filings that Paylocity makes with the SEC. These forward-looking statements represent Paylocity's expectations as of the date of this press release. Subsequent events, including events relating to the COVID-19 pandemic and its severity, duration and ultimate impact, may cause these expectations to change, and Paylocity disclaims any obligations to update or alter these forward-looking statements in the future, whether as a result of new information, future events or otherwise.

# PAYLOCITY HOLDING CORPORATION Consolidated Balance Sheets (in thousands, except per share data)

|  | June 30, |           |    |           |  |  |
|--|----------|-----------|----|-----------|--|--|
|  |          | 2021      |    | 2022      |  |  |
| Assets   |          |           |    |           |  |  |
| Current assets:                                    |          |           |    |           |  |  |
| Cash and cash equivalents                          | \$       | 202,287   | \$ | 139,756   |  |  |
| Corporate investments                              |          | 4,456     |    | —         |  |  |
| Accounts receivable, net                           |          | 6,267     |    | 15,754    |  |  |
| Deferred contract costs                            |          | 44,230    |    | 59,501    |  |  |
| Prepaid expenses and other                         |          | 15,966    |    | 28,896    |  |  |
| Total current assets before funds held for clients |          | 273,206   |    | 243,907   |  |  |
| Funds held for clients                             |          | 1,759,677 |    | 3,987,776 |  |  |
| Total current assets                               |          | 2,032,883 |    | 4,231,683 |  |  |
| Capitalized internal-use software, net             |          | 45,018    |    | 61,985    |  |  |
| Property and equipment, net                        |          | 59,835    |    | 62,839    |  |  |

| Operating lease right-of-use assets  | 43,984          | 49,210          |
|--------------------------------------|-----------------|-----------------|
| Intangible assets, net               | 13,027          | 45,475          |
| Goodwill                             | 33,650          | 101,949         |
| Long-term deferred contract costs    | 170,663         | 229,067         |
| Long-term prepaid expenses and other | 4,223           | 7,746           |
| Deferred income tax assets           | <br>11,602      | 19,060          |
| Total assets                         | \$<br>2,414,885 | \$<br>4,809,014 |

# Liabilities and Stockholders' Equity

| Current liabilities:   |         |           |                 |
|--|---------|-----------|-----------------|
| Accounts payable   | \$      | 4,230     | \$<br>8,374     |
| Accrued expenses   |         | 103,109   | 124,384         |
| Total current liabilities before client fund obligations   |         | 107,339   | 132,758         |
| Client fund obligations  |         | 1,759,677 | 3,987,776       |
| Total current liabilities  |         | 1,867,016 | 4,120,534       |
| Long-term operating lease liabilities  |         | 67,201    | 69,119          |
| Other long-term liabilities  |         | 1,958     | 3,681           |
| Deferred income tax liabilities  |         | 1,780     | <br>2,217       |
| Total liabilities  | \$      | 1,937,955 | \$<br>4,195,551 |
| Stockholders' equity:  |         |           |                 |
| Preferred stock, \$0.001 par value, 5,000 authorized, no shares issued and outstanding at June 30 2021 and June 30, 2022   | ,<br>\$ | _         | \$<br>_         |
| Common stock, \$0.001 par value, 155,000 shares authorized at June 30, 2021 and June 30, 2022 54,594 shares issued and outstanding at June 30, 2021 and 55,190 shares issued and outstanding | -       |           |                 |
| at June 30, 2022   |         | 55        | 55              |
| Additional paid-in capital   |         | 241,718   | 289,843         |
| Retained earnings  |         | 235,091   | 325,868         |
| Accumulated other comprehensive income (loss)  |         | 66        | <br>(2,303)     |
| Total stockholders' equity   | \$      | 476,930   | \$<br>613,463   |
| Total liabilities and stockholders' equity   | \$      | 2,414,885 | \$<br>4,809,014 |

# PAYLOCITY HOLDING CORPORATION Consolidated Statements of Operations and Comprehensive Income

(in thousands, except per share data)

|   | <br>Three Mor<br>Jun | nths Ei<br>e 30, | nded    | Year Ended<br>June 30, |          |      |         |  |
|---|----------------------|------------------|---------|------------------------|----------|------|---------|--|
|   | <br>2021             |                  | 2022    |                        | 2021     | 2022 |         |  |
| Revenues:                                 |                      |                  |         |                        |          |      |         |  |
| Recurring and other revenue               | \$<br>166,530        | \$               | 226,867 | \$                     | 631,725  | \$   | 847,694 |  |
| Interest income on funds held for clients | <br>921              |                  | 2,080   |                        | 3,902    |      | 4,957   |  |
| Total revenues                            | 167,451              |                  | 228,947 |                        | 635,627  |      | 852,651 |  |
| Cost of revenues                          | <br>59,050           |                  | 77,394  |                        | 219,298  |      | 287,002 |  |
| Gross profit                              | <br>108,401          |                  | 151,553 |                        | 416,329  |      | 565,649 |  |
| Operating expenses:                       |                      |                  |         |                        |          |      |         |  |
| Sales and marketing                       | 46,304               |                  | 59,599  |                        | 161,808  |      | 214,455 |  |
| Research and development                  | 20,264               |                  | 28,884  |                        | 76,707   |      | 102,908 |  |
| General and administrative                | <br>32,733           |                  | 44,244  |                        | 119,771  |      | 163,692 |  |
| Total operating expenses                  | <br>99,301           |                  | 132,727 |                        | 358,286  |      | 481,055 |  |
| Operating income                          | 9,100                |                  | 18,826  |                        | 58,043   |      | 84,594  |  |
| Other expense                             | <br>(96)             |                  | (197)   |                        | (939)    |      | (997)   |  |
| Income before income taxes                | 9,004                |                  | 18,629  |                        | 57,104   |      | 83,597  |  |
| Income tax expense (benefit)              | <br>(2,879)          |                  | 3,483   |                        | (13,715) |      | (7,180) |  |
| Net income                                | \$<br>11,883         | \$               | 15,146  | \$                     | 70,819   | \$   | 90,777  |  |
| Other comprehensive loss, net of tax      | (73)                 |                  | (741)   |                        | (609)    |      | (2,369) |  |
| Comprehensive income                      | \$<br>11,810         | \$               | 14,405  | \$                     | 70,210   | \$   | 88,408  |  |
| Net income per share:                     |                      |                  |         |                        |          |      |         |  |
| Basic                                     | \$<br>0.22           | \$               | 0.27    | \$                     | 1.30     | \$   | 1.65    |  |

|         |            |            | <br>       | <br>       |
|---------|------------|------------|------------|------------|
| Diluted | \$<br>0.21 | \$<br>0.27 | \$<br>1.26 | \$<br>1.61 |
|         |            |            |            | <br>       |

Weighted-average shares used in computing net income per

| share:  |        |        |        |        |
|---------|--------|--------|--------|--------|
| Basic   | 54,533 | 55,157 | 54,318 | 55,036 |
| Diluted | 56,351 | 56,432 | 56,305 | 56,445 |

Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises for each of the three and twelve months ended June 30 are included in the above line items:

|  | Three Mon<br>June | <br>nded     | Year Ended<br>June 30, |        |    |         |  |
|--|-------------------|--------------|------------------------|--------|----|---------|--|
|  | <br>2021          | <br>2022     |                        | 2021   |    | 2022    |  |
| Cost of revenues   | \$<br>1,947       | \$<br>2,778  | \$                     | 8,348  | \$ | 12,610  |  |
| Sales and marketing  | 4,057             | 5,947        |                        | 16,425 |    | 22,929  |  |
| Research and development   | 2,745             | 4,814        |                        | 11,022 |    | 19,945  |  |
| General and administrative   | <br>7,977         | <br>12,704   |                        | 31,264 |    | 45,625  |  |
| Total stock-based compensation expense and employer payroll taxes related to stock releases and option exercises | \$<br>16,726      | \$<br>26,243 | \$                     | 67,059 | \$ | 101,109 |  |

# PAYLOCITY HOLDING CORPORATION Consolidated Statements of Cash Flows (in thousands)

|  | Year Ended June 30, |           |    |           |    |           |  |
|--|---------------------|-----------|----|-----------|----|-----------|--|
|  |                     | 2020      |    | 2021      |    | 2022      |  |
| Cash flows from operating activities:  |                     |           |    |           |    |           |  |
| Net income   | \$                  | 64,455    | \$ | 70,819    | \$ | 90,777    |  |
| Adjustments to reconcile net income to net cash provided by operating activities |                     |           |    |           |    |           |  |
| Stock-based compensation expense   |                     | 47,493    |    | 63,052    |    | 96,202    |  |
| Depreciation and amortization expense  |                     | 37,913    |    | 42,972    |    | 50,218    |  |
| Deferred income tax expense (benefit)  |                     | 2,754     |    | (13,642)  |    | (7,180)   |  |
| Provision for credit losses  |                     | 309       |    | 316       |    | 311       |  |
| Net accretion of discounts and amortization of premiums on available-for-sale    |                     |           |    |           |    |           |  |
| securities   |                     | (1,836)   |    | 347       |    | 381       |  |
| Amortization of debt issuance costs  |                     | 154       |    | 171       |    | 185       |  |
| Other  |                     | 395       |    | 632       |    | 318       |  |
| Changes in operating assets and liabilities:                                     |                     |           |    |           |    |           |  |
| Accounts receivable  |                     | (732)     |    | (1,654)   |    | (7,605)   |  |
| Deferred contract costs  |                     | (54,944)  |    | (56,850)  |    | (73,263)  |  |
| Prepaid expenses and other   |                     | (196)     |    | (4,004)   |    | (14,767)  |  |
| Accounts payable   |                     | (806)     |    | 2,394     |    | 2,553     |  |
| Accrued expenses and other   |                     | 17,696    |    | 20,297    |    | 16,923    |  |
| Net cash provided by operating activities  |                     | 112,655   |    | 124,850   |    | 155,053   |  |
| Cash flows from investing activities:  |                     |           |    |           |    |           |  |
| Purchases of available-for-sale securities and other                             |                     | (400,343) |    | _         |    | (433,962) |  |
| Proceeds from sales and maturities of available-for-sale securities              |                     | 410,593   |    | 101,467   |    | 116,848   |  |
| Capitalized internal-use software costs  |                     | (25,715)  |    | (28,594)  |    | (34,515)  |  |
| Purchases of property and equipment  |                     | (16,578)  |    | (9,461)   |    | (18,069)  |  |
| Acquisitions of businesses, net of cash acquired                                 |                     | (16,714)  |    | (14,992)  |    | (107,576) |  |
| Other investing activities   |                     | —         |    | —         |    | (2,500)   |  |
| Net cash provided by (used in) investing activities                              |                     | (48,757)  |    | 48,420    |    | (479,774) |  |
| Cash flows from financing activities:  |                     |           |    |           |    |           |  |
| Net change in client fund obligations  |                     | (67,165)  |    | 432,373   |    | 2,228,038 |  |
| Borrowings under credit facility   |                     | 100,000   |    | _         |    | 50,000    |  |
| Repayment of credit facility   |                     | _         |    | (100,000) |    | (50,000)  |  |
| Proceeds from exercise of stock options  |                     | _         |    | 146       |    | _         |  |
| Proceeds from employee stock purchase plan                                       |                     | 8,901     |    | 12,214    |    | 14,103    |  |
| Taxes paid related to net share settlement of equity awards                      |                     | (38,943)  |    | (64,191)  |    | (69,761)  |  |
| Payment of debt issuance costs   |                     | (701)     |    | (64)      |    | (87)      |  |
|  |                     |           |    |           |    |           |  |

| Net cash provided by financing activities   |         | 2,092     | 280,478         | 2,172,293       |
|---|---------|-----------|-----------------|-----------------|
| Net change in cash, cash equivalents and funds held for clients' cash and cash equivalents  |         | 65,990    | <br>453,748     | <br>1,847,572   |
| Cash, cash equivalents and funds held for clients' cash and cash equivalents<br>—beginning of year                                |         | 1,426,143 | <br>1,492,133   | <br>1,945,881   |
| Cash, cash equivalents and funds held for clients' cash and cash equivalents—en of year   | d<br>\$ | 1,492,133 | \$<br>1,945,881 | \$<br>3,793,453 |
| Supplemental Disclosure of Non-Cash Investing and Financing Activities  |         |           |                 |                 |
| Purchases of property and equipment and internal-use software, accrued but not paid   | \$      | 164       | \$<br>581       | \$<br>2,052     |
| Liabilities assumed for acquisitions  | \$      | 674       | \$<br>281       | \$<br>4,581     |
| Supplemental Disclosure of Cash Flow Information  |         |           |                 |                 |
| Cash paid for interest  | \$      | 438       | \$<br>870       | \$<br>311       |
| Cash paid (refunds received) for income taxes   | \$      | 84        | \$<br>(136)     | \$<br>11        |
| Reconciliation of cash, cash equivalents and funds held for clients' cash and cash equivalents to the Consolidated Balance Sheets |         |           |                 | <br>            |
| Cash and cash equivalents   | \$      | 250,851   | \$<br>202,287   | \$<br>139,756   |
| Funds held for clients' cash and cash equivalents   |         | 1,241,282 | <br>1,743,594   | 3,653,697       |
| Total cash, cash equivalents and funds held for clients' cash and cash equivalents  | \$      | 1,492,133 | \$<br>1,945,881 | \$<br>3,793,453 |

# Paylocity Holding Corporation Reconciliation of GAAP to non-GAAP Financial Measures (In thousands except per share data)

|  | <br>Three Mor<br>June | iths E<br>e 30, | Ended   | <br>Year I<br>Jun |    |         |
|--|-----------------------|-----------------|---------|-------------------|----|---------|
|  | <br>2021              |                 | 2022    | <br>2021          |    | 2022    |
| Reconciliation from Gross profit to Adjusted gross profit:   |                       |                 |         |                   |    |         |
| Gross profit   | \$<br>108,401         | \$              | 151,553 | \$<br>416,329     | \$ | 565,649 |
| Amortization of capitalized internal-use software costs and certain acquired intangibles                   | 5,954                 |                 | 8,597   | 23,227            |    | 27,120  |
| Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises | 1,947                 |                 | 2,778   | 8,348             |    | 12,610  |
| Other items (1)  | _                     |                 | 27      | _                 |    | 121     |
| Adjusted gross profit  | \$<br>116,302         | \$              | 162,955 | \$<br>447,904     | \$ | 605,500 |

|  | Three Months Ended<br>June 30, |        |      |        |      | Year Ended<br>June 30, |      |         |  |
|--|--------------------------------|--------|------|--------|------|------------------------|------|---------|--|
|  | 2021                           |        | 2022 |        | 2021 |                        | 2022 |         |  |
| Reconciliation from Operating income to Non-GAAP<br>Operating income:                                      |                                |        |      |        |      |                        |      |         |  |
| Operating income   | \$                             | 9,100  | \$   | 18,826 | \$   | 58,043                 | \$   | 84,594  |  |
| Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises |                                | 16,726 |      | 26,243 |      | 67,059                 |      | 101,109 |  |
| Amortization of acquired intangibles   |                                | 1,028  |      | 2,770  |      | 3,840                  |      | 8,752   |  |
| Other items (2)  |                                | 514    |      | 561    |      | 1,891                  |      | 2,170   |  |
| Non-GAAP Operating income  | \$                             | 27,368 | \$   | 48,400 | \$   | 130,833                | \$   | 196,625 |  |

|   | Three Months Ended<br>June 30, |         |    |        |    | Year<br>Jun | t l |          |
|---|--------------------------------|---------|----|--------|----|-------------|-----|----------|
|   |                                | 2021    |    | 2022   |    | 2021        |     | 2022     |
| Reconciliation from Net income to Non-GAAP Net income:      |                                |         |    |        |    |             |     |          |
| Net income  | \$                             | 11,883  | \$ | 15,146 | \$ | 70,819      | \$  | 90,777   |
| Stock-based compensation expense and employer payroll taxes |                                |         |    |        |    |             |     |          |
| related to stock releases and option exercises              |                                | 16,726  |    | 26,243 |    | 67,059      |     | 101,109  |
| Amortization of acquired intangibles                        |                                | 1,028   |    | 2,770  |    | 3,840       |     | 8,752    |
| Other items (2)   |                                | 514     |    | 561    |    | 1,891       |     | 2,378    |
| Income tax effect on adjustments (3)                        |                                | (4,212) |    | 662    |    | (24,814)    |     | (19,398) |
| Non-GAAP Net income   | \$                             | 25,939  | \$ | 45,382 | \$ | 118,795     | \$  | 183,618  |

|  | <br>Three Mor<br>June | nths E<br>e 30, | Ended  | <br>Year Ended<br>June 30, |    |         |
|--|-----------------------|-----------------|--------|----------------------------|----|---------|
|  | <br>2021              |                 | 2022   | <br>2021                   |    | 2022    |
| Calculation of Non-GAAP Net income per share:    |                       |                 |        |                            |    |         |
| Non-GAAP Net income                              | \$<br>25,939          | \$              | 45,382 | \$<br>118,795              | \$ | 183,618 |
| Diluted weighted-average number of common shares | <br>56,351            |                 | 56,432 | <br>56,305                 |    | 56,445  |
| Non-GAAP Net income per share                    | \$<br>0.46            | \$              | 0.80   | \$<br>2.11                 | \$ | 3.25    |

|   | Three Months Ended<br>June 30, |         |    | <br>Year Ended<br>June 30, |               |    |         |
|---|--------------------------------|---------|----|----------------------------|---------------|----|---------|
|   |                                | 2021    |    | 2022                       | <br>2021      |    | 2022    |
| Reconciliation from Net income to Adjusted EBITDA   |                                |         |    |                            |               |    |         |
| Net income  | \$                             | 11,883  | \$ | 15,146                     | \$<br>70,819  | \$ | 90,777  |
| Interest expense  |                                | 107     |    | 112                        | 1,002         |    | 498     |
| Income tax expense (benefit)  |                                | (2,879) |    | 3,483                      | (13,715)      |    | (7,180) |
| Depreciation and amortization expense   |                                | 10,902  |    | 13,799                     | <br>42,972    |    | 50,218  |
| EBITDA  |                                | 20,013  |    | 32,540                     | 101,078       |    | 134,313 |
| Stock-based compensation expense and employer payroll taxes<br>related to stock releases and option exercises |                                | 16,726  |    | 26,243                     | 67,059        |    | 101,109 |
| Other items (2)   |                                | 514     |    | 561                        | <br>1,891     |    | 2,378   |
| Adjusted EBITDA   | \$                             | 37,253  | \$ | 59,344                     | \$<br>170,028 | \$ | 237,800 |

|   | Three Months Ended<br>June 30, |        |    | <br>Year Ended<br>June 30, |               |    |         |
|---|--------------------------------|--------|----|----------------------------|---------------|----|---------|
|   |                                | 2021   |    | 2022                       | <br>2021      |    | 2022    |
| Reconciliation of Non-GAAP sales and marketing:             |                                |        |    |                            |               |    |         |
| Sales and marketing   | \$                             | 46,304 | \$ | 59,599                     | \$<br>161,808 | \$ | 214,455 |
| Stock-based compensation expense and employer payroll taxes |                                |        |    |                            |               |    |         |
| related to stock releases and option exercises              |                                | 4,057  |    | 5,947                      | 16,425        |    | 22,929  |
| Other items (1)   |                                | _      |    | 32                         | <br>_         |    | 194     |
| Non-GAAP sales and marketing                                | \$                             | 42,247 | \$ | 53,620                     | \$<br>145,383 | \$ | 191,332 |

|   | <br>Three Months Ended<br>June 30, |    |        | <br>Year Ended<br>June 30, |    |         |
|---|------------------------------------|----|--------|----------------------------|----|---------|
|   | <br>2021                           |    | 2022   | <br>2021                   |    | 2022    |
| Reconciliation of Non-GAAP total research and development:  |                                    |    |        |                            |    |         |
| Research and development                                    | \$<br>20,264                       | \$ | 28,884 | \$<br>76,707               | \$ | 102,908 |
| Capitalized internal-use software costs                     | 6,930                              |    | 8,230  | 28,594                     |    | 34,515  |
| Stock-based compensation expense and employer payroll taxes |                                    |    |        |                            |    |         |
| related to stock releases and option exercises              | 2,745                              |    | 4,814  | 11,022                     |    | 19,945  |
| Other items (1)   | 159                                |    | 204    | 759                        |    | 890     |
| Non-GAAP total research and development                     | \$<br>24,290                       | \$ | 32,096 | \$<br>93,520               | \$ | 116,588 |

|   | <br>Three Months Ended<br>June 30, |    |        | _  | Year Ended<br>June 30, |    |         |  |
|---|------------------------------------|----|--------|----|------------------------|----|---------|--|
|   | 2021                               |    | 2022   |    | 2021                   |    | 2022    |  |
| Reconciliation of Non-GAAP general and administrative:      |                                    |    |        |    |                        |    |         |  |
| General and administrative                                  | \$<br>32,733                       | \$ | 44,244 | \$ | 119,771                | \$ | 163,692 |  |
| Stock-based compensation expense and employer payroll taxes |                                    |    |        |    |                        |    |         |  |
| related to stock releases and option exercises              | 7,977                              |    | 12,704 |    | 31,264                 |    | 45,625  |  |
| Amortization of acquired intangibles                        | 1,028                              |    | 917    |    | 3,840                  |    | 6,899   |  |
| Other items (2)   | <br>355                            |    | 298    |    | 1,132                  |    | 965     |  |
| Non-GAAP general and administrative                         | \$<br>23,373                       | \$ | 30,325 | \$ | 83,535                 | \$ | 110,203 |  |

|   |    | 2021     |    |          |
|---|----|----------|----|----------|
| Reconciliation of Free Cash Flow:         |    |          |    |          |
| Net cash provided by operating activities | \$ | 124,850  | \$ | 155,053  |
| Capitalized internal-use software costs   |    | (28,594) |    | (34,515) |
| Purchases of property and equipment       |    | (9,461)  |    | (18,069) |
| Free Cash Flow                            | \$ | 86,795   | \$ | 102,469  |

(1) Represents certain nonrecurring acquisition-related costs.

(2) Represents nonrecurring costs including acquisition and other transaction-related costs and lease exit activity.

(3) Includes the income tax effect on non-GAAP net income adjustments related to stock-based compensation expense and employer payroll taxes related to stock releases and option exercises, amortization of acquired intangibles and other items, which include acquisition and other transaction-related costs and lease exit activity.

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