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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, DC 20549

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**FORM 8-K**

**CURRENT REPORT**  
**Pursuant to Section 13 or 15(d) of the**  
**Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **February 4, 2021**

**PAYLOCITY HOLDING CORPORATION**

(Exact name of registrant as specified in charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation)

**001-36348**  
(Commission File Number)

**46-4066644**  
(I.R.S. Employer Identification  
Number)

**1400 American Lane**  
**Schaumburg, Illinois, 60173**  
(Address of principal executive offices, including zip code)

**(847) 463-3200**  
(Registrant's telephone number, including area code)

**Not Applicable**  
(Former name or former address, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class                       | Trading Symbol(s) | Name of each exchange on which registered |
|---|-------------------|---|
| Common Stock, par value \$0.001 per share | PCTY              | The NASDAQ Global Select Market LLC       |

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

- Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 2.02 Results of Operations and Financial Condition.**

On February 4, 2021, Paylocity Holding Corporation (the “**Company**”) issued a press release announcing financial results for the three month period ended December 31, 2020. The press release contains forward-looking statements regarding the Company, and includes cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated.

The press release issued February 4, 2021 is furnished herewith as Exhibit 99.1. The information in this Item 2.02, including Exhibit 99.1, is being furnished and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability of that Section, nor shall such information be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as otherwise stated in such filing.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

| <b>Exhibit No.</b>          | <b>Description</b>   |
|-----------------------------|--|
| <a href="#"><u>99.1</u></a> | <a href="#"><u>Press Release issued by Paylocity Holding Corporation dated February 4, 2021.</u></a> |
| 104                         | Cover Page Interactive Data File (formatted as Inline XBRL)  |

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## EXHIBIT INDEX

| <b>Exhibit No.</b>   | <b>Description</b>  |
|----------------------|---|
| <a href="#">99.1</a> | <a href="#">Press Release issued by Paylocity Holding Corporation dated February 4, 2021.</a> |
| 104                  | Cover Page Interactive Data File (formatted as Inline XBRL)                                   |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PAYLOCITY HOLDING CORPORATION

Date: February 4, 2021

By: /s/ Toby J. Williams

Toby J. Williams

Chief Financial Officer

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press release

## Paylocity Announces Second Quarter Fiscal Year 2021 Financial Results

- **Q2 2021 Recurring & Other Revenue of \$145.4 million, up 14% year-over-year**
- **Q2 2021 Total Revenue of \$146.3 million, up 11% year-over-year**

**SCHAUMBURG, IL. – February 4, 2021** – Paylocity Holding Corporation (Nasdaq: PCTY), a leading provider of cloud-based HR and payroll software solutions, today announced financial results for the second quarter of fiscal year 2021, which ended December 31, 2020.

“Despite the challenges of the COVID-19 pandemic, we had a strong second quarter, with 14% growth in recurring & other revenue and 11% total revenue growth. The momentum our sales team developed during the Fall selling season translated into a strong January, and we continue to be pleased with how our team is performing in a virtual selling environment. We also remain excited about our product momentum in delivering the most modern platform. Our recent acquisition of Samepage, an all-in-one team collaboration solution, is another recent proofpoint,” said Steve Beauchamp, Chief Executive Officer of Paylocity.

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## **Second Quarter Fiscal 2021 Financial Highlights**

### **Revenue:**

- Total revenue was \$146.3 million, an increase of 11% from the second quarter of fiscal year 2020.
- Recurring & other revenue was \$145.4 million, representing 99% of total revenue and an increase of 14% from the second quarter of fiscal year 2020.

### **Operating Income:**

- GAAP operating income was \$6.4 million and Non-GAAP operating income was \$25.1 million in the second quarter of fiscal year 2021.

### **Net Income:**

- GAAP net income was \$9.6 million or \$0.17 per share for the three months ended December 31, 2020 based on 56.3 million diluted weighted average common shares outstanding.

### **Adjusted EBITDA:**

- Adjusted EBITDA, a non-GAAP measure, was \$35.0 million in the second quarter of fiscal year 2021.

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

- Cash, cash equivalents and invested corporate cash totaled \$232.3 million as of the end of the quarter.
- \$100 million outstanding at the end of the quarter under our credit facility.
- Cash flow from operations for the second quarter of fiscal year 2021 was \$21.2 million compared to \$27.8 million for the second quarter of fiscal year 2020.

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.”

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## **Business Outlook**

Based on information available as of February 4, 2021, Paylocity is issuing guidance for the third quarter and full fiscal year 2021 as indicated below.

### **Third Quarter 2021:**

- Total revenue is expected to be in the range of \$182.5 million to \$186.5 million, which represents approximately 6% - 9% growth over fiscal 2020 third quarter revenue.
- Adjusted EBITDA, a non-GAAP measure, is expected to be in the range of \$59.0 million to \$62.0 million.

### **Fiscal Year 2021:**

- Total revenue is expected to be in the range of \$623.5 million to \$628.5 million, which represents approximately 11% - 12% growth over fiscal year 2020 revenue.
- Adjusted EBITDA, a non-GAAP measure, is expected to be in the range of \$152.0 million to \$156.0 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 second quarter fiscal year 2021 results at 4:00 p.m. Central Time today (5:00 Eastern Time). A live audio webcast of the conference call, together with detailed financial information, can be accessed through the company's Investor Relations Web site at [www.paylocity.com](http://www.paylocity.com). Participants who choose to call in to the conference call can do so by dialing (855) 226-3021 or (315) 625-6892, passcode 2895946. A replay of the call will be available and archived via webcast at [www.paylocity.com](http://www.paylocity.com).

## **About Paylocity**

Paylocity is a leading provider of cloud-based HR 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 [www.paylocity.com](http://www.paylocity.com).

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## **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 amortization of capitalized internal-use software costs. Non-GAAP operating income is adjusted to eliminate stock-based compensation expense and employer payroll taxes related to stock releases and option exercises, the amortization of acquired intangibles and other items as described later in this release. Non-GAAP sales and marketing expense is adjusted to eliminate stock-based compensation expense and employer payroll taxes related to stock releases and option exercises. 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, the amortization of acquired intangibles and other items as described later in this release. Non-GAAP net income and non-GAAP net income per share are adjusted to eliminate stock-based compensation expense and employer payroll taxes related to stock releases and option exercises, the amortization of acquired intangibles and other items as described later in this release, including the income tax effect on these items, the valuation allowance release, excess tax benefit related to employee stock-based compensation payments and the impact of tax reform. 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 acquisition-related costs. 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 future earnings discussions and, therefore, 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.

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### **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 ongoing impact of the novel coronavirus disease ("COVID-19") on the U.S. economy, including reductions 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; Paylocity's reliance on and ability to expand its referral network of third parties; 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, including the potential repeal or replacement of the Affordable Care Act; 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 the 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; 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 7, 2020. 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.

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

|  | June 30,<br>2020    | December 31,<br>2020 |
|--|---------------------|----------------------|
| <b>Assets</b>  |                     |                      |
| Current assets:  |                     |                      |
| Cash and cash equivalents  | \$ 250,851          | \$ 218,696           |
| Corporate investments  | 34,556              | 13,637               |
| Accounts receivable, net   | 4,923               | 6,118                |
| Deferred contract costs  | 32,332              | 37,447               |
| Prepaid expenses and other   | 13,188              | 15,633               |
| Total current assets before funds held for clients   | 335,850             | 291,531              |
| Funds held for clients   | 1,327,304           | 2,204,286            |
| Total current assets   | 1,663,154           | 2,495,817            |
| Capitalized internal-use software, net   | 36,501              | 40,623               |
| Property and equipment, net  | 66,737              | 64,066               |
| Operating lease right-of-use assets  | 48,658              | 45,429               |
| Intangible assets, net   | 13,360              | 15,083               |
| Goodwill   | 21,655              | 33,184               |
| Long-term deferred contract costs  | 125,711             | 144,027              |
| Long-term prepaid expenses and other   | 4,917               | 3,218                |
| Deferred income tax assets   | 4,955               | 9,516                |
| Total assets   | <u>\$ 1,985,648</u> | <u>\$ 2,850,963</u>  |
| <b>Liabilities and Stockholders' Equity</b>  |                     |                      |
| Current liabilities:   |                     |                      |
| Accounts payable   | \$ 1,755            | \$ 2,771             |
| Accrued expenses   | 79,881              | 64,204               |
| Total current liabilities before client fund obligations   | 81,636              | 66,975               |
| Client fund obligations  | 1,327,304           | 2,204,286            |
| Total current liabilities  | 1,408,940           | 2,271,261            |
| Long-term debt   | 100,000             | 100,000              |
| Long-term operating lease liabilities  | 73,299              | 69,672               |
| Other long-term liabilities  | 1,747               | 1,812                |
| Deferred income tax liabilities  | 8,754               | —                    |
| Total liabilities  | <u>\$ 1,592,740</u> | <u>\$ 2,442,745</u>  |
| Stockholders' equity:  |                     |                      |
| Preferred stock, \$0.001 par value, 5,000 authorized, no shares issued and outstanding at June 30, 2020 and December 31, 2020  | \$ —                | \$ —                 |
| Common stock, \$0.001 par value, 155,000 shares authorized at June 30, 2020 and December 31, 2020; 53,792 shares issued and outstanding at June 30, 2020 and 54,370 shares issued and outstanding at December 31, 2020 | 54                  | 54                   |
| Additional paid-in capital   | 227,907             | 221,525              |
| Retained earnings  | 164,272             | 186,374              |
| Accumulated other comprehensive income   | 675                 | 265                  |
| Total stockholders' equity   | <u>\$ 392,908</u>   | <u>\$ 408,218</u>    |
| Total liabilities and stockholders' equity   | <u>\$ 1,985,648</u> | <u>\$ 2,850,963</u>  |

**PAYLOCITY HOLDING CORPORATION**  
**Unaudited Consolidated Statements of Operations and Comprehensive Income**  
(in thousands, except per share data)

|  | Three Months Ended<br>December 31, |                 | Six Months Ended<br>December 31, |                  |
|--|------------------------------------|-----------------|----------------------------------|------------------|
|  | 2019                               | 2020            | 2019                             | 2020             |
| <b>Revenues:</b>   |                                    |                 |                                  |                  |
| Recurring and other revenue  | \$ 127,980                         | \$ 145,393      | \$ 249,853                       | \$ 280,268       |
| Interest income on funds held for clients                              | 4,394                              | 936             | 9,241                            | 1,855            |
| <b>Total revenues</b>  | <b>132,374</b>                     | <b>146,329</b>  | <b>259,094</b>                   | <b>282,123</b>   |
| Cost of revenues   | 45,424                             | 53,542          | 88,054                           | 102,922          |
| <b>Gross profit</b>  | <b>86,950</b>                      | <b>92,787</b>   | <b>171,040</b>                   | <b>179,201</b>   |
| <b>Operating expenses:</b>   |                                    |                 |                                  |                  |
| Sales and marketing  | 37,293                             | 37,775          | 74,250                           | 75,449           |
| Research and development   | 15,410                             | 19,338          | 29,804                           | 37,985           |
| General and administrative   | 28,133                             | 29,323          | 54,872                           | 55,967           |
| <b>Total operating expenses</b>  | <b>80,836</b>                      | <b>86,436</b>   | <b>158,926</b>                   | <b>169,401</b>   |
| Operating income   | 6,114                              | 6,351           | 12,114                           | 9,800            |
| Other income (expense)   | 285                                | (379)           | 759                              | (636)            |
| Income before income taxes   | 6,399                              | 5,972           | 12,873                           | 9,164            |
| Income tax expense (benefit)   | 932                                | (3,670)         | (6,500)                          | (12,938)         |
| <b>Net income</b>  | <b>\$ 5,467</b>                    | <b>\$ 9,642</b> | <b>\$ 19,373</b>                 | <b>\$ 22,102</b> |
| Other comprehensive loss, net of tax                                   | (36)                               | (187)           | (32)                             | (410)            |
| <b>Comprehensive income</b>  | <b>\$ 5,431</b>                    | <b>\$ 9,455</b> | <b>\$ 19,341</b>                 | <b>\$ 21,692</b> |
| <b>Net income per share:</b>   |                                    |                 |                                  |                  |
| Basic  | \$ 0.10                            | \$ 0.18         | \$ 0.36                          | \$ 0.41          |
| Diluted  | \$ 0.10                            | \$ 0.17         | \$ 0.35                          | \$ 0.39          |
| <b>Weighted-average shares used in computing net income per share:</b> |                                    |                 |                                  |                  |
| Basic  | 53,542                             | 54,305          | 53,415                           | 54,160           |
| Diluted  | 55,826                             | 56,343          | 55,692                           | 56,122           |

Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises for each of the three and six months ended December 31 are included in the above line items:

|   | Three Months Ended<br>December 31, |                  | Six Months Ended<br>December 31, |                  |
|---|------------------------------------|------------------|----------------------------------|------------------|
|   | 2019                               | 2020             | 2019                             | 2020             |
| Cost of revenues                              | \$ 1,465                           | \$ 2,002         | \$ 3,197                         | \$ 4,405         |
| Sales and marketing                           | 3,393                              | 4,019            | 7,737                            | 8,367            |
| Research and development                      | 1,783                              | 2,765            | 3,583                            | 5,616            |
| General and administrative                    | 6,188                              | 8,300            | 12,341                           | 15,435           |
| <b>Total stock-based compensation expense</b> | <b>\$ 12,829</b>                   | <b>\$ 17,086</b> | <b>\$ 26,858</b>                 | <b>\$ 33,823</b> |

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

|  | <b>Six Months Ended</b> |                     |
|--|-------------------------|---------------------|
|  | <b>December 31,</b>     |                     |
|  | <b>2019</b>             | <b>2020</b>         |
| <b>Cash flows from operating activities:</b>   |                         |                     |
| Net income   | \$ 19,373               | \$ 22,102           |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b>   |                         |                     |
| Stock-based compensation expense   | 24,832                  | 30,936              |
| Depreciation and amortization expense  | 18,261                  | 21,071              |
| Deferred income tax benefit  | (6,500)                 | (12,940)            |
| Provision for credit losses  | 63                      | 98                  |
| Net accretion of discounts and amortization of premiums on available-for-sale securities   | (1,052)                 | 255                 |
| Amortization of debt issuance costs  | 73                      | 83                  |
| Other  | 250                     | 515                 |
| <b>Changes in operating assets and liabilities:</b>  |                         |                     |
| Accounts receivable  | (53)                    | (1,287)             |
| Deferred contract costs  | (22,434)                | (23,431)            |
| Prepaid expenses and other   | 773                     | (3,388)             |
| Accounts payable   | 261                     | 1,070               |
| Accrued expenses and other   | 2,231                   | (15,412)            |
| Net cash provided by operating activities  | 36,078                  | 19,672              |
| <b>Cash flows from investing activities:</b>   |                         |                     |
| Purchases of available-for-sale securities and other   | (253,950)               | —                   |
| Proceeds from sales and maturities of available-for-sale securities  | 124,780                 | 58,996              |
| Capitalized internal-use software costs  | (12,139)                | (14,832)            |
| Purchases of property and equipment  | (12,398)                | (6,045)             |
| Acquisition of business, net of cash acquired  | —                       | (14,992)            |
| Net cash provided by (used in) investing activities  | (153,707)               | 23,127              |
| <b>Cash flows from financing activities:</b>   |                         |                     |
| Net change in client fund obligations  | 450,825                 | 876,982             |
| Proceeds from employee stock purchase plan   | 3,961                   | 6,100               |
| Taxes paid related to net share settlement of equity awards  | (25,954)                | (44,749)            |
| Payment of debt issuance costs   | (675)                   | (17)                |
| Net cash provided by financing activities  | 428,157                 | 838,316             |
| Net change in cash, cash equivalents and funds held for clients' cash and cash equivalents   | 310,528                 | 881,115             |
| Cash, cash equivalents and funds held for clients' cash and cash equivalents—beginning of period   | 1,426,143               | 1,492,133           |
| Cash, cash equivalents and funds held for clients' cash and cash equivalents—end of period   | <u>\$ 1,736,671</u>     | <u>\$ 2,373,248</u> |
| <b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>  |                         |                     |
| Liabilities assumed for acquisition  | <u>\$ —</u>             | <u>\$ 281</u>       |
| <b>Supplemental Disclosure of Cash Flow Information</b>  |                         |                     |
| Cash paid for interest   | <u>\$ 53</u>            | <u>\$ 584</u>       |
| Cash paid (refunds received) for income taxes  | <u>\$ 19</u>            | <u>\$ (110)</u>     |
| <b>Reconciliation of cash, cash equivalents and funds held for clients' cash and cash equivalents to the Unaudited Consolidated Balance Sheets</b> |                         |                     |
| Cash and cash equivalents  | \$ 75,900               | \$ 218,696          |
| Funds held for clients' cash and cash equivalents  | 1,660,771               | 2,154,552           |
| Total cash, cash equivalents and funds held for clients' cash and cash equivalents   | <u>\$ 1,736,671</u>     | <u>\$ 2,373,248</u> |

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

|  | Three Months<br>Ended<br>December 31, |                   | Six Months<br>Ended<br>December 31, |                   |
|--|---------------------------------------|-------------------|-------------------------------------|-------------------|
|  | 2019                                  | 2020              | 2019                                | 2020              |
| <b>Reconciliation from Gross profit to Adjusted gross profit:</b>  |                                       |                   |                                     |                   |
| Gross profit   | \$ 86,950                             | \$ 92,787         | \$ 171,040                          | \$ 179,201        |
| Amortization of capitalized internal-use software costs  | 4,690                                 | 5,882             | 9,147                               | 11,268            |
| Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises | 1,465                                 | 2,002             | 3,197                               | 4,405             |
| Adjusted gross profit  | <u>\$ 93,105</u>                      | <u>\$ 100,671</u> | <u>\$ 183,384</u>                   | <u>\$ 194,874</u> |

|  | Three Months<br>Ended<br>December 31, |                  | Six Months<br>Ended<br>December 31, |                  |
|--|---------------------------------------|------------------|-------------------------------------|------------------|
|  | 2019                                  | 2020             | 2019                                | 2020             |
| <b>Reconciliation from Operating income to Non-GAAP operating income:</b>                                  |                                       |                  |                                     |                  |
| Operating income   | \$ 6,114                              | \$ 6,351         | \$ 12,114                           | \$ 9,800         |
| Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises | 12,829                                | 17,086           | 26,858                              | 33,823           |
| Amortization of acquired intangibles   | 562                                   | 940              | 1,125                               | 1,784            |
| Other items (1)  | 1,606                                 | 725              | 2,562                               | 1,085            |
| Non-GAAP operating income  | <u>\$ 21,111</u>                      | <u>\$ 25,102</u> | <u>\$ 42,659</u>                    | <u>\$ 46,492</u> |

|  | Three Months<br>Ended<br>December 31, |                  | Six Months<br>Ended<br>December 31, |                  |
|--|---------------------------------------|------------------|-------------------------------------|------------------|
|  | 2019                                  | 2020             | 2019                                | 2020             |
| <b>Reconciliation from Net income to Non-GAAP net income:</b>  |                                       |                  |                                     |                  |
| Net income   | \$ 5,467                              | \$ 9,642         | \$ 19,373                           | \$ 22,102        |
| Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises | 12,829                                | 17,086           | 26,858                              | 33,823           |
| Amortization of acquired intangibles   | 562                                   | 940              | 1,125                               | 1,784            |
| Other items (1)  | 1,606                                 | 725              | 2,562                               | 1,085            |
| Income tax effect on adjustments (2)   | (423)                                 | (6,187)          | (9,551)                             | (15,387)         |
| Non-GAAP net income  | <u>\$ 20,041</u>                      | <u>\$ 22,206</u> | <u>\$ 40,367</u>                    | <u>\$ 43,407</u> |

|  | Three Months<br>Ended<br>December 31, |           | Six Months<br>Ended<br>December 31, |           |
|--|---------------------------------------|-----------|-------------------------------------|-----------|
|  | 2019                                  | 2020      | 2019                                | 2020      |
| <b>Calculation of Non-GAAP net income per share:</b> |                                       |           |                                     |           |
| Non-GAAP net income                                  | \$ 20,041                             | \$ 22,206 | \$ 40,367                           | \$ 43,407 |
| Diluted weighted-average number of common shares     | 55,826                                | 56,343    | 55,692                              | 56,122    |
| Non-GAAP net income per share                        | \$ 0.36                               | \$ 0.39   | \$ 0.72                             | \$ 0.77   |

|  | Three Months<br>Ended<br>December 31, |                  | Six Months<br>Ended<br>December 31, |                  |
|--|---------------------------------------|------------------|-------------------------------------|------------------|
|  | 2019                                  | 2020             | 2019                                | 2020             |
| <b>Reconciliation from Net income to Adjusted EBITDA:</b>  |                                       |                  |                                     |                  |
| Net income   | \$ 5,467                              | \$ 9,642         | \$ 19,373                           | \$ 22,102        |
| Interest expense   | 103                                   | 351              | 188                                 | 691              |
| Income tax expense (benefit)   | 932                                   | (3,670)          | (6,500)                             | (12,938)         |
| Depreciation and amortization expense  | 9,328                                 | 10,836           | 18,261                              | 21,071           |
| EBITDA   | 15,830                                | 17,159           | 31,322                              | 30,926           |
| Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises | 12,829                                | 17,086           | 26,858                              | 33,823           |
| Other items (1)  | 1,606                                 | 725              | 2,562                               | 1,085            |
| Adjusted EBITDA  | <u>\$ 30,265</u>                      | <u>\$ 34,970</u> | <u>\$ 60,742</u>                    | <u>\$ 65,834</u> |

|  | Three Months<br>Ended<br>December 31, |      | Six Months<br>Ended<br>December 31, |      |
|--|---------------------------------------|------|-------------------------------------|------|
|  | 2019                                  | 2020 | 2019                                | 2020 |

**Reconciliation of Non-GAAP sales and marketing:**

|  |    |               |    |               |    |               |    |               |
|--|----|---------------|----|---------------|----|---------------|----|---------------|
| Sales and marketing  | \$ | 37,293        | \$ | 37,775        | \$ | 74,250        | \$ | 75,449        |
| Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises |    | 3,393         |    | 4,019         |    | 7,737         |    | 8,367         |
| Non-GAAP sales and marketing   | \$ | <u>33,900</u> | \$ | <u>33,756</u> | \$ | <u>66,513</u> | \$ | <u>67,082</u> |

**Three Months Ended****December 31,****2019****2020****Six Months Ended****December 31,****2019****2020****Reconciliation of Non-GAAP total research and development:**

|  |    |               |    |               |    |               |    |               |
|--|----|---------------|----|---------------|----|---------------|----|---------------|
| Research and development   | \$ | 15,410        | \$ | 19,338        | \$ | 29,804        | \$ | 37,985        |
| Capitalized internal-use software costs  |    | 5,425         |    | 6,948         |    | 12,139        |    | 14,832        |
| Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises |    | 1,783         |    | 2,765         |    | 3,583         |    | 5,616         |
| Other items (3)  |    | —             |    | 230           |    | —             |    | 385           |
| Non-GAAP total research and development  | \$ | <u>19,052</u> | \$ | <u>23,291</u> | \$ | <u>38,360</u> | \$ | <u>46,816</u> |

**Three Months Ended****December 31,****2019****2020****Six Months Ended****December 31,****2019****2020****Reconciliation of Non-GAAP general and administrative:**

|  |    |               |    |               |    |               |    |               |
|--|----|---------------|----|---------------|----|---------------|----|---------------|
| General and Administrative   | \$ | 28,133        | \$ | 29,323        | \$ | 54,872        | \$ | 55,967        |
| Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises |    | 6,188         |    | 8,300         |    | 12,341        |    | 15,435        |
| Amortization of acquired intangibles   |    | 562           |    | 940           |    | 1,125         |    | 1,784         |
| Other items (1)  |    | 1,606         |    | 495           |    | 2,562         |    | 700           |
| Non-GAAP general and administrative  | \$ | <u>19,777</u> | \$ | <u>19,588</u> | \$ | <u>38,844</u> | \$ | <u>38,048</u> |

(1) Represents nonrecurring costs including acquisition-related and lease exit costs. Also includes the settlement of a certain legal matter and related litigation costs of \$1.6 million and \$2.0 million for the three and six months ended December 31, 2019, respectively.

(2) *Income tax effect on adjustments*: 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.

(3) Represents certain nonrecurring acquisition-related costs