

Fiscal Year



# Annual Report

# Message from **Our President** **and Chief Executive Officer**

In fiscal 2025, Paylocity delivered significant growth at scale. Our recurring and other revenue was \$1.5B, a 15% year-over-year increase, and our total revenue was \$1.6B, a 14% year-over-year increase, as our focus on providing the most complete platform for the modern workforce continued to differentiate us from competitors and resonate with clients and prospects. We also increased profitability in fiscal 2025, with adjusted EBITDA of \$583.0M or 36.5% margin, adjusted EBITDA excluding interest income on funds held for clients of \$459.6M or 31.2% margin, free cash flow of \$342.8M or 21.5% margin, and free cash flow excluding interest income on funds held for clients of \$219.3M or 14.9% margin.\*

Our focus on innovation and operational excellence with a client-centered approach has positioned us for sustained success in a rapidly changing world of work. This year we delivered continued innovation and expanded our HCM suite, while also broadening our platform with spend management capabilities to better serve HR and finance leaders – increasing Paylocity’s total addressable market beyond HCM and further into the Office of the CFO.

Fiscal 2025 also marked key product milestones that are pivotal to driving our strategy as the most modern platform provider in the industry. We introduced the Paylocity AI Assistant to simplify HR tasks with real-time conversational support; launched enhancements to our Recruiting platform to streamline hiring and improve candidate quality; and unveiled Benefits Decision Support to guide employees through personalized benefits enrollment. And in spend management, Paylocity for Finance (formerly known as Airbase by Paylocity) was recognized as a Visionary in the 2025 Gartner® Magic Quadrant™ for Accounts Payable Applications, validating the strength of our finance solutions.

We also continue to invest in our go-to-market initiatives, expanding our sales force, strengthening referral channels, and further growing our brand presence. These efforts contributed to a 7% increase in our client base, ending fiscal 2025 with 41,650 clients. We also maintained revenue retention of greater than 92%, which is a testament to the strength of our client service and the strategic value we deliver.

Looking ahead, we see significant opportunities to extend our market leadership. Companies increasingly demand unified business platforms that can adapt to the shifting needs of the modern workforce while helping to drive business results. With ongoing investments in our market-leading product innovation and world-class client service, Paylocity is well positioned to deliver lasting value to our clients, growth in our business, and opportunity for our employees.

Thank you to our employees, clients, and partners for your trust and collaboration. We remain committed to moving forward together – shaping the future of work with vision and purpose.

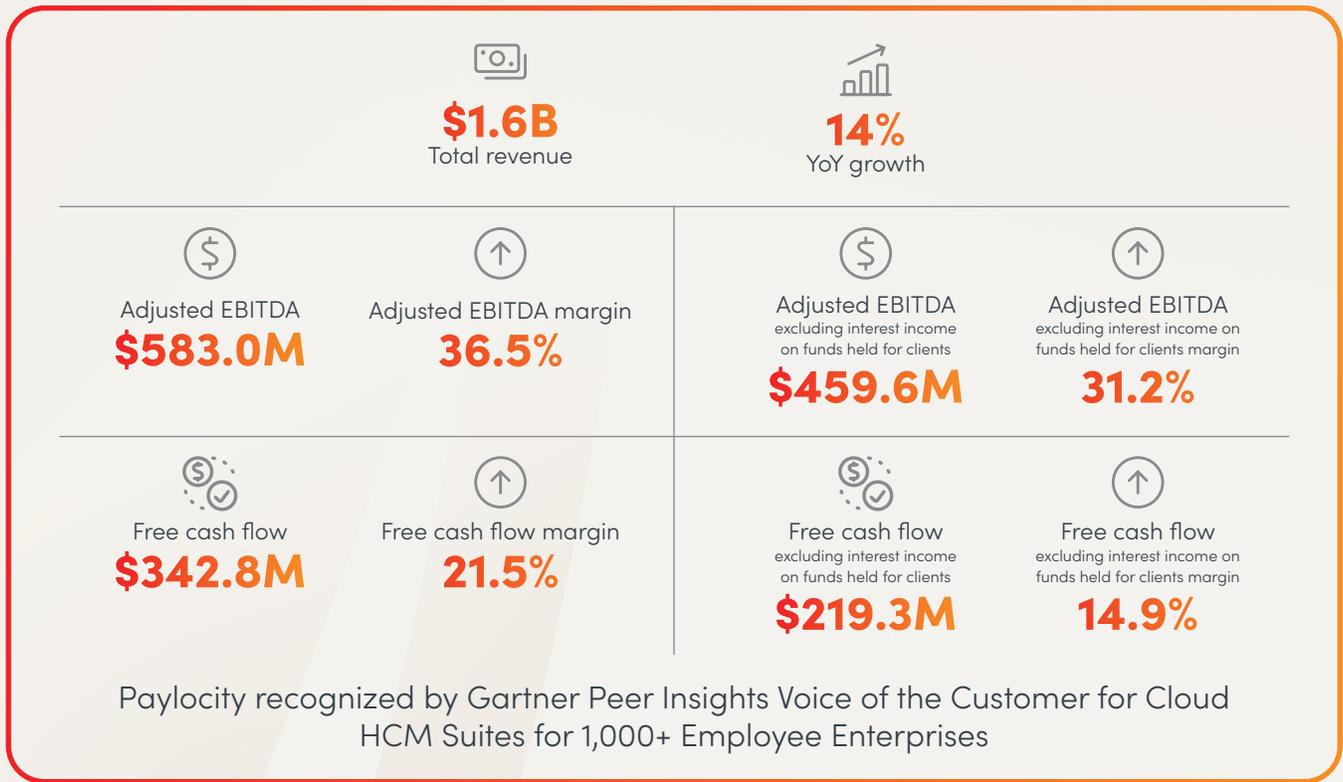


A stylized, handwritten signature in black ink, consisting of several overlapping, sharp, angular strokes.

**Toby Williams**  
President and Chief Executive Officer

\*Refer to Financial Highlights and Appendix A for additional details on non-GAAP financial measures.

# Fiscal Year 2025 Highlights



## 41,650

Clients



**6.5M+**  
Employees  
on platform



**92%+**  
Revenue  
retention

## 6,700

Employees



**Headquarters**  
Schaumburg, IL



**Founded in**  
1997

## A Modern Platform that Evolves with Your Business

We deliver first-to-market innovations that solve complex challenges and drive business outcomes for our more than 41,650 clients. Building on our award-winning HCM suite, we're unifying work across HR and finance so organizations can stop piecing things together and start moving forward faster. With a focus on the future, our solutions push the boundaries of traditional HR and finance technology to streamline processes, boost efficiency, simplify spend management, and deliver seamless, intuitive experiences to make leaders, administrators, and employees more productive.

### Single Platform with Flexible Data

The foundation of our platform is a single employee system of record, with end-to-end HR and finance capabilities that ensure efficiency and compliance across the employee lifecycle. We also make it easy to connect Paylocity with other business systems through hundreds of integrations with benefits, 401(k), and other providers with open APIs. This comprehensive platform serves as a single pane of glass, empowering HR and finance leaders to consolidate data and gain a holistic view of their business.

### Insights, Recommendations, and AI

Standard reporting for compliance meets the needs of some companies, but we take it a step further. AI is woven intentionally throughout our platform to deliver value every day with intelligent automation, tailored insights, and embedded experiences that provide real-time guidance to administrators and employees.

### Employee Experience

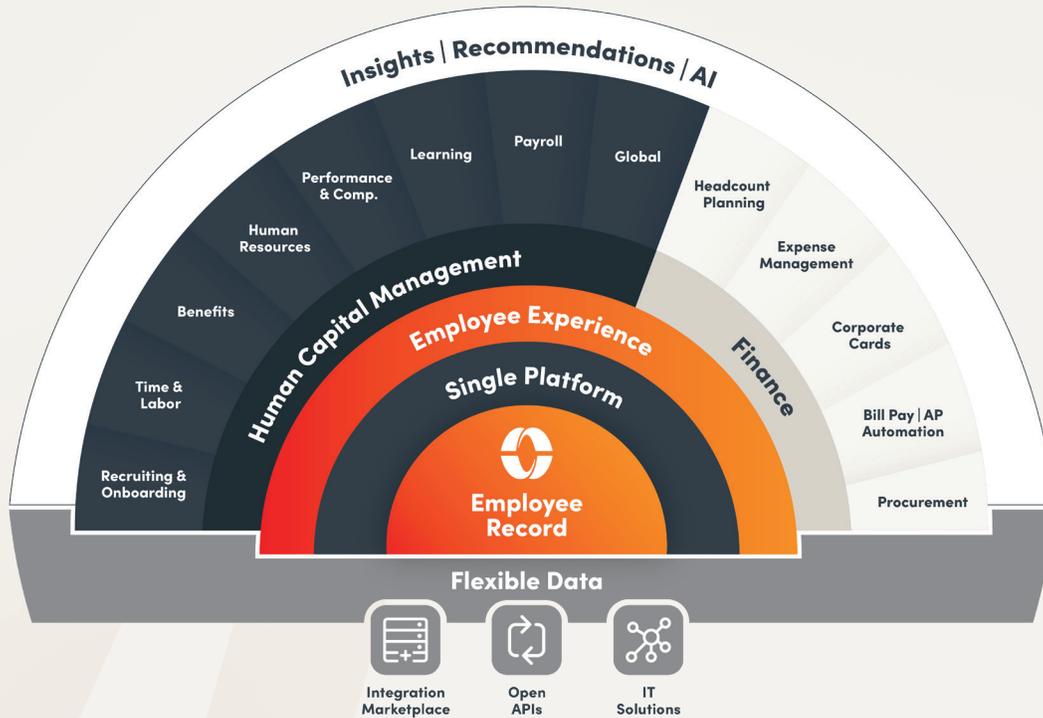
When employees feel engaged, they're more likely to stay – and to do their best work. Paylocity offers tools like native video, collaboration, recognition and rewards, chat, and automated surveys that enable employers to engage with and retain their top talent.

### Unmatched Client Service

We build deep, long-lasting partnerships with clients. From initial implementation to ongoing service, we have a track record of going beyond the transactional to move clients toward their strategic goals. We consider clients our "co-creators," regularly soliciting and prioritizing their feedback in our product and service roadmaps.



# The Most Complete Platform for the Modern Workforce



## Payroll

- SaaS-based Payroll
- Global Payroll
- Tax Filing, Direct Deposit
- On Demand Payment



## Employee Experience

- Community
- Video
- Recognition & Rewards
- Employee Voice



## Human Resources

- Employee Self-Service
- Compliance & Record Keeping
- Workflows & Documents



## Time & Labor

- Time & Attendance
- Scheduling
- Time Collection



## Talent

- Recruiting
- Onboarding
- Performance
- Compensation
- Learning



## Benefits

- Benefit Enrollment & Updates
- Advanced Reporting
- TPA Solutions



## Finance

- Headcount Planning
- Expense Management
- Bill Pay | AP Automation
- Corporate Cards
- Procurement

# External Recognition



2019-2026



2020-2025



2020-2025



2020-2025



2024-2025



2025



2012-2025



2024-2025



2025



2025



2025



2025



2025



2024-2025



2024-2025



2023-2025



2024-2025



2024



2024



2024



2024



2022-2024

# Corporate Social Responsibility

## Our CSR Mission

We are a socially responsible corporation committed to making meaningful impacts by fostering awareness and understanding among our employees, clients, partners, and our communities. Through collaborative efforts, we aim to create an informed, engaged, and responsible community committed to inspiring positive change.



### Supporting Our People

Encouraging a holistic approach to well-being for our employees and the communities we serve.



### Uplifting Our Communities

Championing collaboration with nonprofits to uplift communities.



### Sustainability

Promoting environmental responsibility and sustainable practices to ensure a healthier planet for future generations.

A culture of inclusion and belonging is a fundamental aspect of our corporate social responsibility. As we expand internationally, we maintain this commitment by adhering to regionally aligned regulations, addressing social needs, and supporting relevant initiatives. Our goal is to ensure that all Paylocity employees feel valued and can thrive.



## Our Inclusion and Belonging Journey

We strive to create a culture of excellence that embraces all perspectives. Our progress will continue to be rooted in intentional action together. Our goal is to build the most inclusive culture possible, filled with talented and amazing people. This approach drives innovation and sustainable growth, helping us move forward as a company while also inspiring positive change in our industry and community.

### **Diversity Leadership Council (DLC)**

Our DLC, established in 2020, continues to be pivotal in driving our inclusion and belonging strategies across the organization. In 2025, the DLC further strengthened its impact by supporting key employee-focused initiatives and programs across our business, including our robust network of Employee Resource Groups (ERGs). The council, composed of cross-functional department leaders and executive advisory board members, remains committed to developing and implementing company-wide inclusion and belonging strategies.

### **Employee Resource Groups (ERG)**

In 2025, our ERGs continued to spearhead initiatives aligned with their four key pillars: career development, community impact, company advancement, and culture enrichment. Led by our employees, ERGs empower our people through a wide range of initiatives, including local and virtual volunteerism, enriching cultural education programs, expert-led presentations, learning opportunities for personal and professional growth, environmental sustainability campaigns, and comprehensive wellness initiatives.

### **Progress on Corporate Social Responsibility**

Learn about the steps we're taking to build a better tomorrow at Paylocity, in our local communities, and beyond.

### **Read our complete CSR report**

Scan the QR code or visit [paylocity.com/CSR](https://paylocity.com/CSR)



# Governance

Our responsible corporate governance is rooted in our company's code of ethics, driven from the top down. Both our Executive Team and Board of Directors work tirelessly to create long-term value for our company and shareholders, promote transparency, and adhere to the highest ethical standards.



## Protecting Our Clients

Our customers are at the center of our decision-making, the technology we build, the infrastructure we use, and how we hire and educate our people. We treat our clients' important and sensitive data with the utmost care, embedding security controls and practices across our operations.



## Data Security

We manage critical business information and protect client data with industry-accepted solutions and practices, utilizing our enterprise-class data centers to safeguard the physical security of our data and provide consistent product uptime.



## Data Privacy

We're committed to safeguarding the privacy and personal information of all our stakeholders, including our employees, contractors, and job applicants; our clients' employees and contractors; our business partners, including client contacts, prospects, and vendors; and our website users.



# Financial Highlights

## Long-Term Financial Targets\*

Increased profitability targets reflect commitment to driving greater operational efficiency over time.

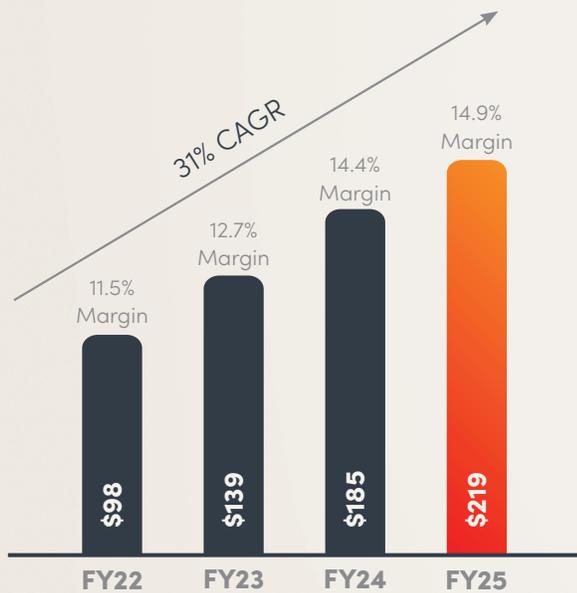
<b>Total Revenue</b> .....	\$.2Bn+	○
<b>Adjusted Gross Profit</b> .....	.75-80%	○
<b>Non-GAAP Total R&amp;D</b> .....	.10-15%	✓
<b>Non-GAAP Sales &amp; Marketing</b> .....	.20-25%	✓
<b>Non-GAAP General &amp; Administrative</b> .....	.5-10%	✓
<b>Adjusted EBITDA</b> .....	.35-40%	✓
<b>Free Cash Flow</b> .....	.20-25%	✓
<b>Stock-Based Compensation</b> .....	<10%	✓

Note: Financial targets based on percentage of total revenue.

✓ Progress against financial target

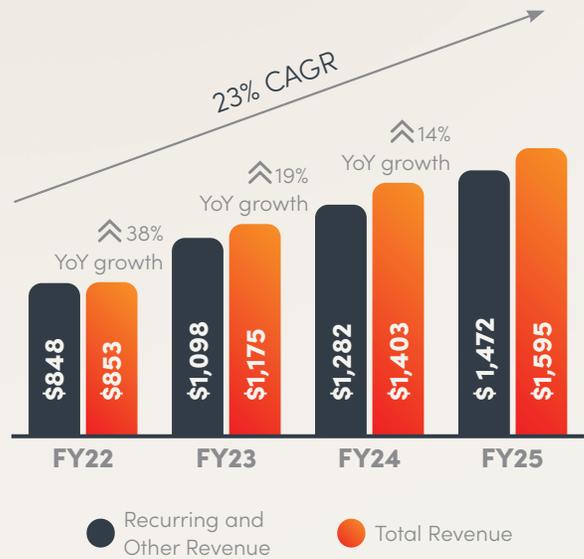
## Free Cash Flow \$ Millions

excluding interest income on funds held for clients\*



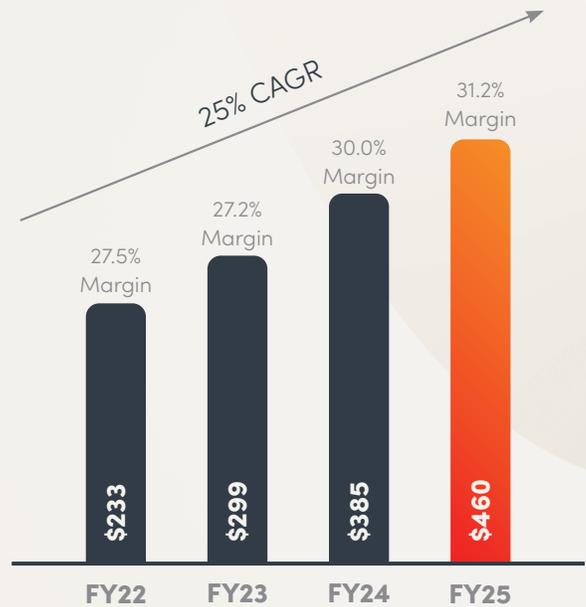
Strong Balance Sheet - \$398M Cash & Cash Equivalents as of June 30, 2025

## Revenue \$ Millions



## Adjusted EBITDA \$ Millions

excluding interest income on funds held for clients\*



\* Refer to Appendix A for a reconciliation of GAAP to non-GAAP financial measures.

## Appendix A:

# Reconciliation of GAAP to Non-GAAP Financial Measures

## Long-Term Financial Targets

We are unable to reconcile the forward-looking non-GAAP financial measures of Adjusted Gross Profit, Non-GAAP total R&D, Non-GAAP Sales and Marketing, Non-GAAP General & Administrative, Adjusted EBITDA, and Free Cash Flow to their directly comparable GAAP financial measures, because the information needed to complete the reconciliations is unavailable at this time without unreasonable effort.

## Adjusted EBITDA \$ Millions

For the years ended June 30,

Reconciliation from Net income to Adjusted EBITDA and Adjusted EBITDA excluding interest income on funds held for clients:	2022	2023	2024	2025
Net income	\$ 90.8	\$ 140.8	\$ 206.8	\$ 227.1
Interest expense	0.5	0.7	0.8	13.1
Income tax expense (benefit)	(7.2)	17.8	70.2	81.9
Depreciation and amortization expense	50.2	60.9	76.4	99.6
<b>EBITDA</b>	<b>\$ 134.3</b>	<b>\$ 220.2</b>	<b>\$ 354.2</b>	<b>\$ 421.8</b>
Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises	101.1	154.5	152.5	150.1
Other items <sup>(1)</sup>	2.4	0.5	(1.1)	11.2
<b>Adjusted EBITDA</b>	<b>\$ 237.8</b>	<b>\$ 375.2</b>	<b>\$ 505.6</b>	<b>\$ 583.0</b>
Interest income on funds held for clients	(5.0)	(76.6)	(120.9)	(123.4)
<b>Adjusted EBITDA excluding interest income on funds held for clients</b>	<b>\$ 232.8</b>	<b>\$ 298.6</b>	<b>\$ 384.7</b>	<b>\$ 459.6</b>

(1) Represents acquisition and nonrecurring transaction-related costs, lease exit activity and severance costs related to certain roles that have been eliminated. We exclude one-off severance costs that we incur as part of the normal course of our business operations.

## Free Cash Flow \$ Millions

For the years ended June 30,

Reconciliation of Free cash flow and Free cash flow excluding interest income on funds held for clients:	2022	2023	2024	2025
Net cash provided by operating activities	\$ 155.1	\$ 282.7	\$ 384.7	\$ 418.2
Capitalized internal-use software costs	(34.5)	(45.0)	(60.7)	(62.4)
Purchases of property and equipment	(18.1)	(21.9)	(18.1)	(13.1)
<b>Free cash flow</b>	<b>\$ 102.5</b>	<b>\$ 215.8</b>	<b>\$ 305.9</b>	<b>\$ 342.8</b>
Interest income on funds held for clients	(5.0)	(76.6)	(120.9)	(123.4)
<b>Free cash flow excluding interest income on funds held for clients</b>	<b>\$ 97.5</b>	<b>\$ 139.2</b>	<b>\$ 185.1</b>	<b>\$ 219.3</b>

Totals may not recalculate due to rounding.

# Forward Together.

1400 American Lane  
Schaumburg, IL 60173

[paylocity.com](http://paylocity.com)

[investors.paylocity.com](http://investors.paylocity.com)

