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

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**Form 10-Q**

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

For the quarterly period ended March 31, 2026

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

For the transition period from to  
Commission file number 001-36348

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**PAYLOCITY HOLDING CORPORATION**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**46-4066644**  
(IRS Employer  
Identification No.)

**1400 American Lane  
Schaumburg, Illinois**  
(Address of principal executive offices)

**60173**  
(Zip Code)

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

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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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 53,544,058 shares of Common Stock, \$0.001 par value per share, as of May 1, 2026.

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**Paylocity Holding Corporation**  
**Form 10-Q**  
**For the Quarterly Period Ended March 31, 2026**

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**PART I**  
**FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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

	June 30, 2025	March 31, 2026
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 398,070	\$ 299,728
Accounts receivable, net	41,642	48,368
Deferred contract costs	117,177	128,478
Prepaid expenses and other	50,943	43,298
Total current assets before funds held for clients	607,832	519,872
Funds held for clients	2,704,137	3,838,468
Total current assets	3,311,969	4,358,340
Capitalized internal-use software, net	132,317	139,972
Property and equipment, net	54,210	56,757
Operating lease right-of-use assets	35,997	34,919
Intangible assets, net	92,671	77,137
Goodwill	343,100	343,158
Long-term deferred contract costs	393,671	413,589
Long-term prepaid expenses and other	7,739	8,586
Deferred income tax assets	17,754	11,917
Total assets	\$ 4,389,428	\$ 5,444,375
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 17,347	\$ 12,260
Accrued expenses	193,081	191,606
Total current liabilities before client fund obligations	210,428	203,866
Client fund obligations	2,694,842	3,833,941
Total current liabilities	2,905,270	4,037,807
Long-term debt	162,500	81,250
Long-term operating lease liabilities	46,772	43,939
Other long-term liabilities	8,580	12,402
Deferred income tax liabilities	32,559	88,243
Total liabilities	\$ 3,155,681	\$ 4,263,641
Stockholders' equity:		
Preferred stock, \$0.001 par value, 5,000 authorized, no shares issued and outstanding at June 30, 2025 and March 31, 2026	\$ —	\$ —
Common stock, \$0.001 par value, 155,000 shares authorized at June 30, 2025 and March 31, 2026; 55,366 shares issued and outstanding at June 30, 2025 and 53,537 shares issued and outstanding at March 31, 2026	55	54
Additional paid-in capital	327,518	69,445
Retained earnings	900,583	1,110,021
Accumulated other comprehensive income	5,591	1,214
Total stockholders' equity	\$ 1,233,747	\$ 1,180,734
Total liabilities and stockholders' equity	\$ 4,389,428	\$ 5,444,375

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2026	2025	2026
<b>Revenues:</b>				
Recurring and other revenue	\$ 421,096	\$ 469,930	\$ 1,101,915	\$ 1,235,768
Interest income on funds held for clients	33,452	32,356	92,569	90,824
Total revenues	454,548	502,286	1,194,484	1,326,592
Cost of revenues	129,853	139,098	369,358	401,474
Gross profit	324,695	363,188	825,126	925,118
<b>Operating expenses:</b>				
Sales and marketing	91,774	95,732	273,338	290,178
Research and development	51,396	52,515	154,811	165,861
General and administrative	54,495	57,962	159,180	167,508
Total operating expenses	197,665	206,209	587,329	623,547
Operating income	127,030	156,979	237,797	301,571
Other income (expense)	(468)	59	4,467	557
Income before income taxes	126,562	157,038	242,264	302,128
Income tax expense	35,079	45,788	63,743	92,690
Net income	\$ 91,483	\$ 111,250	\$ 178,521	\$ 209,438
Other comprehensive income (loss), net of tax	3,492	(5,128)	4,645	(4,377)
Comprehensive income	\$ 94,975	\$ 106,122	\$ 183,166	\$ 205,061
<b>Net income per share:</b>				
Basic	\$ 1.64	\$ 2.07	\$ 3.20	\$ 3.86
Diluted	\$ 1.61	\$ 2.05	\$ 3.15	\$ 3.81
<b>Weighted-average shares used in computing net income per share:</b>				
Basic	55,810	53,721	55,759	54,278
Diluted	56,780	54,274	56,640	55,016

See accompanying notes to unaudited consolidated financial statements.

**PAYLOCITY HOLDING CORPORATION**  
**Unaudited Consolidated Statement of Changes in Stockholders' Equity**  
(in thousands)

	Three Months Ended March 31, 2025					
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
<b>Balances at December 31, 2024</b>	55,884	\$ 56	\$ 411,373	\$ 760,494	\$ 217	\$ 1,172,140
Stock-based compensation	—	—	38,713	—	—	38,713
Issuance of common stock upon vesting of equity awards	141	—	—	—	—	—
Net settlement for taxes and/or exercise price related to equity awards	(57)	—	(12,116)	—	—	(12,116)
Repurchases of common shares	(428)	—	(84,977)	—	—	(84,977)
Unrealized gains on securities, net of tax	—	—	—	—	2,728	2,728
Other	—	—	—	—	764	764
Net income	—	—	—	91,483	—	91,483
<b>Balances at March 31, 2025</b>	<b>55,540</b>	<b>\$ 56</b>	<b>\$ 352,993</b>	<b>\$ 851,977</b>	<b>\$ 3,709</b>	<b>\$ 1,208,735</b>
	Three Months Ended March 31, 2026					
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
<b>Balances at December 31, 2025</b>	53,873	\$ 54	\$ 93,148	\$ 998,771	\$ 6,342	\$ 1,098,315
Stock-based compensation	—	—	34,612	—	—	34,612
Issuance of common stock upon vesting of equity awards	178	—	—	—	—	—
Net settlement for taxes related to equity awards	(72)	—	(7,931)	—	—	(7,931)
Repurchases of common shares	(442)	—	(50,384)	—	—	(50,384)
Unrealized losses on securities, net of tax	—	—	—	—	(4,599)	(4,599)
Foreign currency translation adjustments	—	—	—	—	(529)	(529)
Net income	—	—	—	111,250	—	111,250
<b>Balances at March 31, 2026</b>	<b>53,537</b>	<b>\$ 54</b>	<b>\$ 69,445</b>	<b>\$ 1,110,021</b>	<b>\$ 1,214</b>	<b>\$ 1,180,734</b>
	Nine Months Ended March 31, 2025					
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
<b>Balances at June 30, 2024</b>	55,514	\$ 56	\$ 360,488	\$ 673,456	\$ (936)	\$ 1,033,064
Stock-based compensation	—	—	124,680	—	—	124,680
Stock options exercised	167	—	4,692	—	—	4,692
Issuance of common stock upon vesting of equity awards	564	—	—	—	—	—
Issuance of common stock under employee stock purchase plan	72	—	10,561	—	—	10,561
Net settlement for taxes and/or exercise price related to equity awards	(305)	—	(53,813)	—	—	(53,813)
Repurchases of common shares	(472)	—	(93,615)	—	—	(93,615)
Unrealized gains on securities, net of tax	—	—	—	—	4,653	4,653
Other	—	—	—	—	(8)	(8)
Net income	—	—	—	178,521	—	178,521
<b>Balances at March 31, 2025</b>	<b>55,540</b>	<b>\$ 56</b>	<b>\$ 352,993</b>	<b>\$ 851,977</b>	<b>\$ 3,709</b>	<b>\$ 1,208,735</b>
	Nine Months Ended March 31, 2026					
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
<b>Balances at June 30, 2025</b>	55,366	\$ 55	\$ 327,518	\$ 900,583	\$ 5,591	\$ 1,233,747
Stock-based compensation	—	—	121,755	—	—	121,755
Issuance of common stock upon vesting of equity awards	629	—	—	—	—	—
Issuance of common stock upon employee stock purchase plan	76	—	9,534	—	—	9,534
Net settlement for taxes related to equity awards	(248)	—	(36,540)	—	—	(36,540)
Repurchases of common shares	(2,286)	(1)	(352,822)	—	—	(352,823)
Unrealized losses on securities, net of tax	—	—	—	—	(3,761)	(3,761)
Foreign currency translation adjustments	—	—	—	—	(616)	(616)
Net income	—	—	—	209,438	—	209,438
<b>Balances at March 31, 2026</b>	<b>53,537</b>	<b>\$ 54</b>	<b>\$ 69,445</b>	<b>\$ 1,110,021</b>	<b>\$ 1,214</b>	<b>\$ 1,180,734</b>

See accompanying notes to the unaudited consolidated financial statements.

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

	Nine Months Ended March 31,	
	2025	2026
<b>Cash flows from operating activities:</b>		
Net income	\$ 178,521	\$ 209,438
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation expense	112,538	111,503
Depreciation and amortization expense	73,184	82,554
Deferred income tax expense (benefit)	(1,680)	62,793
Provision for credit losses	875	1,352
Net accretion of discounts on available-for-sale securities	(1,639)	(1,159)
Other	951	1,183
Changes in operating assets and liabilities:		
Accounts receivable	(7,814)	(10,306)
Deferred contract costs	(42,559)	(30,774)
Prepaid expenses and other	2,195	4,120
Accounts payable	(1,886)	(5,015)
Accrued expenses and other	18,971	(4,330)
Net cash provided by operating activities	331,657	421,359
<b>Cash flows from investing activities:</b>		
Purchases of available-for-sale securities	(121,777)	(259,994)
Proceeds from sales and maturities of available-for-sale securities	122,969	268,676
Capitalized internal-use software costs	(45,563)	(49,101)
Purchases of property and equipment	(7,624)	(15,518)
Acquisitions of businesses, net of cash and funds held for clients acquired	(277,851)	—
Other investing activities	1,303	2,228
Net cash used in investing activities	(328,543)	(53,709)
<b>Cash flows from financing activities:</b>		
Net change in client fund obligations	429,856	1,139,099
Borrowings under credit facility	325,000	—
Repayment of credit facility	(81,250)	(81,250)
Repurchases of common shares	(91,080)	(350,000)
Proceeds from employee stock purchase plan	10,561	9,534
Taxes paid related to net share settlement of equity awards	(49,121)	(36,540)
Other financing activities	(400)	(360)
Net cash provided by financing activities	543,566	680,483
Net change in cash, cash equivalents and funds held for clients' cash and cash equivalents	546,680	1,048,133
Cash, cash equivalents and funds held for clients' cash and cash equivalents—beginning of period	2,845,669	2,482,526
Cash, cash equivalents and funds held for clients' cash and cash equivalents—end of period	\$ 3,392,349	\$ 3,530,659
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>		
Purchases of property and equipment and capitalized internal-use software, accrued but not paid	\$ 2,372	\$ 3,362
Liabilities assumed for acquisitions	\$ 55,730	\$ —
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	\$ 9,548	\$ 4,508
Cash paid for income taxes, net of refunds received	\$ 63,963	\$ 24,557
<b>Reconciliation of cash, cash equivalents and funds held for clients' cash and cash equivalents to the Consolidated Balance Sheets</b>		
Cash and cash equivalents	\$ 477,785	\$ 299,728
Funds held for clients' cash and cash equivalents	2,914,564	3,230,931
Total cash, cash equivalents and funds held for clients' cash and cash equivalents	\$ 3,392,349	\$ 3,530,659

See accompanying notes to unaudited consolidated financial statements.

**PAYLOCITY HOLDING CORPORATION**  
**Notes to the Unaudited Consolidated Financial Statements**  
**(all amounts in thousands, except per share data)**

**(1) Organization and Description of Business**

Paylocity Holding Corporation (the “Company”) is a cloud-based provider of HR, finance and IT software solutions that deliver a comprehensive platform for the modern workforce. Services are provided in a Software-as-a-Service (“SaaS”) delivery model. The Company offers an intuitive, easy-to-use product suite that helps businesses automate and streamline HR, finance and IT processes, attract and retain talent, and build culture and connection - with artificial intelligence (“AI”) embedded directly into everyday workflows to save time, reduce manual effort, and support better decisions.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation, Consolidation and Use of Estimates**

These unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). The unaudited consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Future events and their effects cannot be predicted with certainty; accordingly, accounting estimates require the exercise of judgment. Accounting estimates used in the preparation of these consolidated financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as the operating environment changes.

**(b) Interim Unaudited Consolidated Financial Information**

The accompanying unaudited consolidated financial statements and notes have been prepared in accordance with GAAP and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, the interim financial information includes all adjustments of a normal recurring nature necessary for a fair presentation of the Company’s financial position, results of operations, changes in stockholders’ equity and cash flows. The results of operations for the three and nine months ended March 31, 2026 are not necessarily indicative of the results for the full year or the results for any future periods. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes for the year ended June 30, 2025 included in the Company’s Annual Report on Form 10-K.

**(c) Income Taxes**

Income taxes are accounted for in accordance with ASC 740, Income Taxes, using the asset and liability method. The Company’s provision for income taxes is based on the annual effective rate method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes deferred tax assets to the extent that it believes that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If the Company determines that it would be able to realize its deferred tax assets in the future in excess of their net-recorded amount, it would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

**(d) Recently Issued Accounting Standards**

In December 2023, the FASB issued Accounting Standards Update 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosure ("ASU 2023-09"). ASU 2023-09 mostly requires, on an annual basis, disclosure of specific categories in an entity's effective tax rate reconciliation and income taxes paid disaggregated by jurisdiction. The incremental disclosures may be presented on a prospective or retrospective basis. The ASU is effective for fiscal years beginning after December 15, 2024 with early adoption permitted. While adoption of this ASU is not expected to have a material effect on the Company's consolidated financial condition, results of operations or cash flows, it will result in expanded income tax disclosures beginning with the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2026.

In November 2024, the FASB issued Accounting Standards Update 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses ("ASU 2024-03"). ASU 2024-03 requires the disclosure of additional information about specific expense categories in the notes to the financial statements. The incremental disclosures may be presented on a prospective or retrospective basis. This ASU is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impacts of this ASU on its consolidated financial statement disclosures including the method and timing of adoption.

In September 2025, the FASB issued Accounting Standards Update 2025-06, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software ("ASU 2025-06"). ASU 2025-06 removes all references to software development stages in existing guidance and, instead, requires the capitalization of software development costs when the Company's management has authorized and committed to funding a project and it is probable the project will be completed and the software will be used to perform its intended function. This ASU may be applied on a prospective, retrospective or on a modified transition basis based on project and capitalization status before the adoption date. This ASU is effective for all fiscal years beginning after December 15, 2027 and interim periods beginning within those annual reporting periods, with early adoption permitted as of the beginning of an annual reporting period. The Company is currently assessing the impact of this ASU on its consolidated financial statements and is evaluating the method and timing of adoption.

From time to time, new accounting pronouncements are issued by the FASB or other standard-setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of other recently issued standards that are not yet effective will not have a material impact on the Company's consolidated financial statements upon adoption.

**(3) Revenue**

The Company derives substantially all of its revenue from contracts from recurring service fees. While the majority of its agreements are generally cancellable by the client on 60 days' notice or less, the Company also offers term agreements to its clients, which are generally two years in length. Recurring fees are mostly derived from cloud-based payroll and HCM software solutions which includes payroll processing and related services such as payroll reporting and tax filing services, time and labor services, time clock rentals, and HR-related software solutions, including employee management and benefits enrollment and administration, substantially all of which are delivered on a monthly basis. Substantially all of the Company's recurring fees are satisfied over time as services are provided. The performance obligations related to recurring services are generally satisfied monthly as services are provided, with fees charged and collected based on a per-employee-per-month fee. The Company has certain optional performance obligations that are satisfied at a point in time including the sales of time clocks and W-2 services. Implementation services and other consist mainly of nonrefundable implementation fees, which involve setting the client up in, and loading data into, the Company's cloud-based modules. These implementation activities are considered set-up activities. The Company has determined that the nonrefundable upfront fees provide certain clients with a material right to renew the contract.

### **Disaggregation of revenue**

The following table disaggregates total revenues from contracts by Recurring fees and Implementation services and other, which the Company believes depicts the nature, amount and timing of its revenue:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2026	2025	2026
Recurring fees	\$ 404,879	\$ 453,295	\$ 1,056,093	\$ 1,187,676
Implementation services and other	16,217	16,635	45,822	48,092
<b>Total revenues from contracts</b>	<b>\$ 421,096</b>	<b>\$ 469,930</b>	<b>\$ 1,101,915</b>	<b>\$ 1,235,768</b>

### **Deferred revenue**

The timing of revenue recognition for recurring revenue is generally consistent with the timing of invoicing as they occur monthly as services are provided based on a per-employee-per-month fee. As such, the Company does not generally recognize contract assets or liabilities related to recurring revenue.

The Company defers and amortizes nonrefundable upfront fees related to implementation services generally over a period up to 24 months based on the type of contract. The following table summarizes the changes in deferred revenue (i.e., contract liability) related to these nonrefundable upfront fees as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2026	2025	2026
Balance at beginning of the period	\$ 28,633	\$ 33,256	\$ 24,883	\$ 28,306
Deferral of revenue	12,168	13,277	37,320	40,056
Revenue recognized	(11,818)	(12,048)	(33,220)	(33,877)
<b>Balance at end of the period</b>	<b>\$ 28,983</b>	<b>\$ 34,485</b>	<b>\$ 28,983</b>	<b>\$ 34,485</b>

Deferred revenue related to these nonrefundable upfront fees are recorded within Accrued expenses and Other long-term liabilities on the Unaudited Consolidated Balance Sheets. The Company expects to recognize these deferred revenue balances as follows: \$10,878 in fiscal 2026, \$17,685 in fiscal 2027 and \$5,922 in fiscal 2028 and thereafter.

### **Deferred contract costs**

The Company defers certain selling and commission costs that meet the capitalization criteria under ASC 340-40. The Company also capitalizes certain costs to fulfill a contract related to its proprietary products if they are identifiable, generate or enhance resources used to satisfy future performance obligations and are expected to be recovered under ASC 340-40. Implementation fees are treated as nonrefundable upfront fees and the related implementation costs are required to be capitalized and amortized over the expected period of benefit, which is the period in which the Company expects to recover the costs and enhance its ability to satisfy future performance obligations.

The Company utilizes the portfolio approach to account for both the cost of obtaining a contract and the cost of fulfilling a contract. These capitalized costs are amortized over the expected period of benefit, which has been determined to be generally 7 years based on the Company's average client life and other qualitative factors, including rate of technological changes. The Company does not incur any additional costs to obtain or fulfill contracts upon renewal. The Company recognizes additional selling and commission costs and fulfillment costs when an existing client purchases additional services. These additional costs only relate to the additional services purchased and do not relate to the renewal of previous services.

The following tables present the deferred contract costs and the related amortization expense for these deferred contract costs:

	Three Months Ended March 31, 2025			
	Beginning Balance	Capitalized Costs	Amortization	Ending Balance
Costs to obtain a new contract	\$ 259,166	\$ 24,582	\$ (15,587)	\$ 268,161
Costs to fulfill a contract	213,905	20,559	(12,330)	222,134
<b>Total</b>	<b>\$ 473,071</b>	<b>\$ 45,141</b>	<b>\$ (27,917)</b>	<b>\$ 490,295</b>

	Three Months Ended March 31, 2026			
	Beginning Balance	Capitalized Costs	Amortization	Ending Balance
Costs to obtain a new contract	\$ 294,437	\$ 22,725	\$ (18,242)	\$ 298,920
Costs to fulfill a contract	239,219	18,473	(14,545)	243,147
<b>Total</b>	<b>\$ 533,656</b>	<b>\$ 41,198</b>	<b>\$ (32,787)</b>	<b>\$ 542,067</b>

	Nine Months Ended March 31, 2025			
	Beginning Balance	Capitalized Costs	Amortization	Ending Balance
Costs to obtain a new contract	\$ 250,136	\$ 63,116	\$ (45,091)	\$ 268,161
Costs to fulfill a contract	195,726	61,165	(34,757)	222,134
<b>Total</b>	<b>\$ 445,862</b>	<b>\$ 124,281</b>	<b>\$ (79,848)</b>	<b>\$ 490,295</b>

	Nine Months Ended March 31, 2026			
	Beginning Balance	Capitalized Costs	Amortization	Ending Balance
Costs to obtain a new contract	\$ 282,090	\$ 69,618	\$ (52,788)	\$ 298,920
Costs to fulfill a contract	228,758	56,613	(42,224)	243,147
<b>Total</b>	<b>\$ 510,848</b>	<b>\$ 126,231</b>	<b>\$ (95,012)</b>	<b>\$ 542,067</b>

Deferred contract costs are recorded within Deferred contract costs and Long-term deferred contract costs on the Unaudited Consolidated Balance Sheets. Amortization of deferred contract costs is primarily recorded in Cost of revenues and Sales and marketing in the Unaudited Consolidated Statements of Operations and Comprehensive Income.

#### **Remaining Performance Obligations**

The balance of the Company's remaining performance obligations related to minimum monthly fees on its term-based contracts was approximately \$203,960 as of March 31, 2026, which will be generally recognized over the next 24 months. This balance excludes the value of unsatisfied performance obligations for contracts that have an original expected duration of one year or less and contracts for which the variable consideration is allocated entirely to wholly unsatisfied performance obligations.

#### **(4) Business Combinations**

The Company accounts for business combinations in accordance with ASC 805, Business Combinations. The Company recorded the acquisition disclosed below using the acquisition method of accounting and recognized assets and liabilities at their fair values as of the date of acquisitions, with the excess recorded to goodwill.

On October 1, 2024, the Company acquired all of the outstanding shares of Airbase Inc. ("Airbase") for cash consideration of \$320,205, net of cash acquired and preliminary purchase price adjustments, which was funded by borrowings under its credit facility. Refer to Note 8 for more information on the credit facility. Airbase is a modern finance and spend management software solution that combines bill pay/accounts payable automation, expense management, corporate cards and procurement capabilities. The acquisition was consummated to enable the Company to provide a comprehensive solution and modern client experience for managing payroll and non-payroll spend on a single integrated platform.

The allocation of the purchase price for Airbase was as follows, which reflects certain immaterial measurement period adjustments recorded before the measurement period closed on September 30, 2025:

Cash and cash equivalents	\$	41,250
Funds held for clients		42,354
Proprietary technology		75,200
Client relationships		3,800
Non-solicitation agreements		2,400
Trade names		2,100
Goodwill		234,295
Other assets acquired		15,786
Client fund obligations		(42,354)
Other liabilities assumed		(13,376)
<b>Total</b>	<b>\$</b>	<b>361,455</b>

The Company's fair value estimate of the acquired proprietary technology is based on a relief from royalty rate methodology which includes but is not limited to forecasted revenue growth rates, royalty rates, technology migration rates and required rate of return.

The results from this acquisition have been included in the Company's consolidated financial statements since the closing of the transaction. The goodwill related to this transaction is primarily attributable to the assembled workforce and growth opportunities from the expansion and enhancement of the Company's product offerings and is not deductible for income tax purposes. Direct costs related to the acquisition were not material and were expensed as incurred as General and administrative expense in the Unaudited Consolidated Statements of Operations and Comprehensive Income. Pro forma financial information was immaterial for both the three and nine months ended March 31, 2025.

#### **(5) Balance Sheet Information**

The following tables provide details of selected consolidated balance sheet items:

Activity in the allowance for credit losses related to accounts receivable was as follows:

Balance at June 30, 2025	\$	2,837
Charged to expense		1,352
Write-offs		(1,184)
Balance at March 31, 2026	<u>\$</u>	<u>3,005</u>

Capitalized internal-use software and accumulated amortization were as follows:

	<b>June 30, 2025</b>	<b>March 31, 2026</b>
Capitalized internal-use software	\$ 400,122	\$ 459,957
Accumulated amortization	(267,805)	(319,985)
Capitalized internal-use software, net	<u>\$ 132,317</u>	<u>\$ 139,972</u>

Amortization of capitalized internal-use software costs is primarily included in Cost of revenues and amounted to \$15,248 and \$17,212 for the three months ended March 31, 2025 and 2026, respectively, and \$43,858 and \$52,180 for the nine months ended March 31, 2025 and 2026, respectively.

The major classes of property and equipment, net were as follows:

	June 30, 2025	March 31, 2026
Office equipment	\$ 2,779	\$ 2,785
Computer equipment	67,372	72,151
Furniture and fixtures	13,317	14,604
Software	12,793	13,347
Leasehold improvements	50,747	54,294
Time clocks rented by clients	10,913	11,895
<b>Total</b>	<b>157,921</b>	<b>169,076</b>
Accumulated depreciation	(103,711)	(112,319)
<b>Property and equipment, net</b>	<b>\$ 54,210</b>	<b>\$ 56,757</b>

Depreciation expense amounted to \$5,097 and \$4,988 for the three months ended March 31, 2025 and 2026, respectively, and \$15,474 and \$14,840 for the nine months ended March 31, 2025 and 2026, respectively.

The following table summarizes changes in goodwill during the nine months ended March 31, 2026:

Balance at June 30, 2025	\$ 343,100
Measurement period adjustments	58
<b>Balance at March 31, 2026</b>	<b>\$ 343,158</b>

Refer to Note 4 for further details on current year acquisition activity.

The Company's amortizable intangible assets and estimated useful lives are as follows:

	June 30, 2025	March 31, 2026	Weighted average useful life (years)
Proprietary technology	\$ 122,529	\$ 122,529	6.6
Client relationships	26,000	26,000	7.4
Non-solicitation agreements	4,000	4,000	3.7
Trade names	3,740	3,740	5.0
<b>Total</b>	<b>156,269</b>	<b>156,269</b>	
Accumulated amortization	(63,598)	(79,132)	
<b>Intangible assets, net</b>	<b>\$ 92,671</b>	<b>\$ 77,137</b>	

Amortization expense for acquired intangible assets was \$5,627 and \$5,098 for the three months ended March 31, 2025 and 2026, respectively, and \$13,852 and \$15,534 for the nine months ended March 31, 2025 and 2026, respectively, and is included in Cost of revenues and General and administrative.

Future amortization expense for acquired intangible assets as of March 31, 2026 is as follows:

Remainder of fiscal 2026	\$ 5,098
Fiscal 2027	18,256
Fiscal 2028	16,391
Fiscal 2029	12,925
Fiscal 2030	11,038
Thereafter	13,429
<b>Total</b>	<b>\$ 77,137</b>

The components of accrued expenses were as follows:

	June 30, 2025	March 31, 2026
Accrued payroll and personnel costs	\$ 106,808	\$ 106,245
Operating lease liabilities	8,621	9,371
Deferred revenue	35,721	38,971
Other	41,931	37,019
<b>Total accrued expenses</b>	<b>\$ 193,081</b>	<b>\$ 191,606</b>

#### (6) Cash and Cash Equivalents and Funds Held for Clients

Cash and cash equivalents and Funds held for clients consisted of the following:

Type of Issue	June 30, 2025			Fair value
	Amortized cost	Gross unrealized gains	Gross unrealized losses	
Cash and cash equivalents	\$ 398,070	\$ —	\$ —	\$ 398,070
Funds held for clients' cash and cash equivalents	2,084,456	—	—	2,084,456
Available-for-sale securities:				
Corporate bonds	372,171	6,497	(76)	378,592
Asset-backed securities	51,709	476	(7)	52,178
Certificates of deposit	61,681	9	(3)	61,687
U.S. treasury securities	84,889	402	(27)	85,264
Commercial paper	17,273	—	(1)	17,272
Other	24,378	310	—	24,688
Total available-for-sale securities	612,101	7,694	(114)	619,681
<b>Total investments</b>	<b>\$ 3,094,627</b>	<b>\$ 7,694</b>	<b>\$ (114)</b>	<b>\$ 3,102,207</b>

Type of Issue	March 31, 2026			Fair value
	Amortized cost	Gross unrealized gains	Gross unrealized losses	
Cash and cash equivalents	\$ 299,728	\$ —	\$ —	\$ 299,728
Funds held for clients' cash and cash equivalents	3,230,931	—	—	3,230,931
Available-for-sale securities:				
Corporate bonds	497,392	4,047	(2,213)	499,226
Asset-backed securities	40,933	199	(62)	41,070
U.S. treasury securities	38,797	254	—	39,051
Other	27,926	346	(82)	28,190
Total available-for-sale securities	605,048	4,846	(2,357)	607,537
<b>Total investments</b>	<b>\$ 4,135,707</b>	<b>\$ 4,846</b>	<b>\$ (2,357)</b>	<b>\$ 4,138,196</b>

All available-for-sale securities were included in Funds held for clients at June 30, 2025 and March 31, 2026.

Cash and cash equivalents and funds held for clients' cash and cash equivalents included demand deposit accounts and money market funds at June 30, 2025 and March 31, 2026.

Classification of investments on the Unaudited Consolidated Balance Sheets was as follows:

	June 30, 2025	March 31, 2026
Cash and cash equivalents	\$ 398,070	\$ 299,728
Funds held for clients	2,704,137	3,838,468
<b>Total investments</b>	<b>\$ 3,102,207</b>	<b>\$ 4,138,196</b>

Available-for-sale securities that had been in an unrealized loss position for a period of less and greater than 12 months as of June 30, 2025 and March 31, 2026 had fair market value as follows:

	June 30, 2025					
	Securities in an unrealized loss position for less than 12 months		Securities in an unrealized loss position for greater than 12 months		Total	
	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
Corporate bonds	\$ (9)	\$ 10,002	\$ (67)	\$ 8,279	\$ (76)	\$ 18,281
Asset-backed securities	(4)	4,154	(3)	2,948	(7)	7,102
Certificates of deposit	(3)	19,468	—	—	(3)	19,468
U.S. treasury securities	(25)	37,581	(2)	998	(27)	38,579
Commercial paper	(1)	17,272	—	—	(1)	17,272
<b>Total available-for-sale securities</b>	<b>\$ (42)</b>	<b>\$ 88,477</b>	<b>\$ (72)</b>	<b>\$ 12,225</b>	<b>\$ (114)</b>	<b>\$ 100,702</b>

	March 31, 2026					
	Securities in an unrealized loss position for less than 12 months		Securities in an unrealized loss position for greater than 12 months		Total	
	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
Corporate bonds	\$ (2,193)	\$ 224,208	\$ (20)	\$ 1,937	\$ (2,213)	\$ 226,145
Asset-backed securities	(62)	11,940	—	—	(62)	11,940
Other	(82)	10,806	—	—	(82)	10,806
<b>Total available-for-sale securities</b>	<b>\$ (2,337)</b>	<b>\$ 246,954</b>	<b>\$ (20)</b>	<b>\$ 1,937</b>	<b>\$ (2,357)</b>	<b>\$ 248,891</b>

The Company regularly reviews the composition of its portfolio to determine the existence of credit impairment. The Company did not recognize any credit impairment losses during the three or nine months ended March 31, 2025 or 2026. All securities in the Company's portfolio held an A rating or better as of March 31, 2026.

The Company did not make any material reclassification adjustments out of accumulated other comprehensive income for realized gains and losses on the sale of available-for-sale securities during the three or nine months ended March 31, 2025 or 2026. Realized gains or losses on the sale of available-for-sale securities were immaterial for both the three and nine months ended March 31, 2025 and 2026.

Expected maturities of available-for-sale securities at March 31, 2026 were as follows:

	Amortized cost	Fair value
One year or less	\$ 44,980	\$ 45,139
One year to two years	47,484	47,862
Two years to three years	189,141	191,829
Three years to five years	313,270	312,327
Five years and thereafter	10,173	10,380
Total available-for-sale securities	<u>\$ 605,048</u>	<u>\$ 607,537</u>

## (7) Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1—Quoted prices in active markets for identical assets and liabilities.
- Level 2—Quoted prices in active markets for similar assets and liabilities, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company measures cash and cash equivalents, funds held for clients' cash and cash equivalents, accounts receivable, accounts payable and client fund obligations at fair value on a recurring basis using Level 1 inputs and borrowings under its credit facility using Level 2 inputs. The Company considers the recorded value of these financial assets and liabilities to approximate the fair value of the respective assets and liabilities at June 30, 2025 and March 31, 2026 based upon the short-term nature of these assets and liabilities.

Marketable securities classified as available-for-sale are recorded at fair value on a recurring basis using Level 2 inputs obtained from an independent pricing service. Available-for-sale securities may include commercial paper, corporate bonds, asset-backed securities, certificates of deposit, U.S. treasury securities, and other securities. The independent pricing service utilizes a variety of inputs including benchmark yields, broker/dealer quoted prices, reported trades, issuer spreads as well as other available market data. The Company, on a sample basis, validates the pricing from the independent pricing service against another third-party pricing source for reasonableness. The Company has not adjusted any prices obtained by the independent pricing service, as it believes they are appropriately valued. There were no available-for-sale securities classified in Level 3 of the fair value hierarchy at June 30, 2025 or March 31, 2026.

The fair value levels for the Company's cash and cash equivalents and available-for-sale securities were as follows:

	June 30, 2025			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 398,070	\$ 398,070	\$ —	\$ —
Funds held for clients' cash and cash equivalents	2,084,456	2,084,456	—	—
Available-for-sale securities:				
Corporate bonds	378,592	—	378,592	—
Asset-backed securities	52,178	—	52,178	—
Certificates of deposit	61,687	—	61,687	—
U.S. treasury securities	85,264	—	85,264	—
Commercial paper	17,272	—	17,272	—
Other	24,688	—	24,688	—
Total available-for-sale securities	619,681	—	619,681	—
Total investments	<u>\$ 3,102,207</u>	<u>\$ 2,482,526</u>	<u>\$ 619,681</u>	<u>\$ —</u>

  

	March 31, 2026			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 299,728	\$ 299,728	\$ —	\$ —
Funds held for clients' cash and cash equivalents	3,230,931	3,230,931	—	—
Available-for-sale securities:				
Corporate bonds	499,226	—	499,226	—
Asset-backed securities	41,070	—	41,070	—
U.S. treasury securities	39,051	—	39,051	—
Other	28,190	—	28,190	—
Total available-for-sale securities	607,537	—	607,537	—
Total investments	<u>\$ 4,138,196</u>	<u>\$ 3,530,659</u>	<u>\$ 607,537</u>	<u>\$ —</u>

#### ***Assets and Liabilities Recorded at Fair Value on a Non-Recurring Basis***

The Company records assets acquired and liabilities assumed in business combinations at fair value. Refer to Note 4 for further details on the fair value measurements of certain assets and liabilities recorded at fair value on a non-recurring basis using Level 3 inputs.

#### **(8) Debt**

The Company maintains a revolving credit agreement with PNC Bank, National Association, and other lenders, which is secured by substantially all of the Company's assets, subject to certain restrictions. The credit agreement provides for a senior secured revolving credit facility ("credit facility") with borrowing capacity up to \$550,000, which may be increased up to \$825,000, subject to obtaining additional lender commitments and certain approvals and satisfying other requirements. The credit facility is scheduled to expire in August 2027, and any outstanding borrowings will mature and be payable upon expiration. During fiscal 2025, the Company borrowed \$325,000 to fund the acquisition of Airbase Inc. in October 2024, of which it repaid \$162,500 in the second half of fiscal 2025. The Company repaid an additional \$81,250 during the nine months ended March 31, 2026. As a result, \$81,250 remained outstanding at March 31, 2026. Refer to Note 4 for further details on the Company's acquisition of Airbase Inc.

The proceeds of any borrowings are to be used to fund working capital, capital expenditures and general corporate purposes, including share repurchases and permitted acquisitions, investments, and distributions. The Company may generally borrow, prepay and reborrow under the credit facility and terminate or reduce the lenders' commitments at any time prior to revolving credit facility expiration without a premium or a penalty, other than customary "breakage" costs.

Any borrowings under the credit facility will bear interest, at the Company’s option, at a rate per annum determined by reference to either the Term Secured Overnight Financing Rate ("SOFR") rate plus the SOFR Adjustment or an adjusted base rate, in each case plus an applicable margin ranging from 0.875% to 1.500% and 0.0% to 0.500%, respectively, based on the then-applicable net total leverage ratio. Additionally, the Company is required to pay certain commitment, letter of credit fronting and letter of credit participation fees on available and/or undrawn portions of the credit facility.

The Company is required to comply with certain customary affirmative and negative covenants, including a requirement to maintain a maximum net total leverage ratio of not greater than 4.00 to 1.00, (with a step up to 4.50 to 1.00 for the 4 consecutive fiscal quarters following a fiscal quarter in which certain permitted acquisitions are consummated), and a minimum interest coverage ratio of not less than 2.00 to 1.00. As of March 31, 2026, the Company was in compliance with all of the aforementioned covenants.

**(9) Stock-Based Compensation**

The Company maintained a 2014 Equity Incentive Plan (the “2014 Plan”) and continues to maintain a 2023 Equity Incentive Plan (the “2023 Plan”), which was amended and restated in December 2025 to increase the number of shares available for issuance by 444 shares and remove certain share recycling provisions for stock options and stock appreciation rights. The 2023 Plan serves as the successor to the 2014 Plan and permits the granting of restricted stock units ("RSUs"), performance stock units ("PSUs"), market stock units ("MSUs") and other equity incentives at the discretion of the compensation committee of the Company’s board of directors ("Committee"). No new awards have been nor will be issued under the 2014 Plan since the effective date of the 2023 Plan. Outstanding awards under the 2014 Plan continue to be subject to the terms and conditions of the 2014 Plan.

As of March 31, 2026, the Company had 1,649 shares available for future grant under the 2023 Plan, and 1,696 shares were subject to outstanding awards. Generally, the Company issues previously unissued shares for the vesting of awards; however, shares previously subject to 2023 Plan grants or awards that are forfeited or net settled at exercise or release may be reissued to satisfy future issuances.

Stock-based compensation expense related to RSUs, PSUs, MSUs and the Company's Employee Stock Purchase Plan is included in the following line items in the accompanying Unaudited Consolidated Statements of Operations and Comprehensive Income:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2026	2025	2026
Cost of revenues	\$ 4,418	\$ 3,399	\$ 14,664	\$ 12,638
Sales and marketing	8,133	7,162	27,931	25,820
Research and development	8,278	6,445	29,183	25,388
General and administrative	14,503	14,407	40,760	47,657
<b>Total stock-based compensation expense</b>	<b>\$ 35,332</b>	<b>\$ 31,413</b>	<b>\$ 112,538</b>	<b>\$ 111,503</b>

In addition, the Company capitalized \$3,101 and \$3,117 of stock-based compensation expense in its capitalized internal-use software costs in the three months ended March 31, 2025 and 2026, respectively, and \$10,555 and \$9,264 for the nine months ended March 31, 2025 and 2026, respectively.

The Company grants RSUs under the 2023 Plan with terms determined at the discretion of the Committee. RSUs are time-based awards that generally vest over four years following the grant date.

The following table represents RSU activity during the nine months ended March 31, 2026:

	Units	Weighted average grant date fair value
RSU balance at July 1, 2025	1,361	\$ 187.32
RSUs granted	830	\$ 170.53
RSUs vested	(568)	\$ 200.58
RSUs forfeited	(142)	\$ 176.40
RSU balance at March 31, 2026	<u>1,481</u>	<u>\$ 173.87</u>

The Company also grants PSUs under the 2023 Plan with terms determined at the discretion of the Committee. The actual number of PSUs that will be eligible to vest is based on the achievement of Recurring and other revenue targets over a one year period with vesting taking place annually over three years. Up to 200% of the target number of shares subject to each PSU are eligible to be earned.

The following table represents PSU activity during the nine months ended March 31, 2026:

	Units	Weighted average grant date fair value
PSU balance at July 1, 2025	55	\$ 155.95
PSUs granted	70	\$ 170.07
PSUs vested	(36)	\$ 155.95
PSU balance at March 31, 2026	<u>89</u>	<u>\$ 167.02</u>

The Company also grants MSUs under the 2023 Plan with terms determined at the discretion of the Committee. The actual number of MSUs that will be eligible to vest is based on the achievement of a relative total shareholder return (“TSR”) target as compared to the TSR realized by each of the companies comprising the Russell 3000 Index over approximately three years. The MSUs vest at the end of each TSR measurement period, and up to 200% of the target number of shares subject to each MSU are eligible to be earned.

The following table represents MSU activity during the nine months ended March 31, 2026:

	Units	Weighted average grant date fair value
MSU balance at July 1, 2025	167	\$ 311.38
MSUs granted	31	\$ 224.22
MSUs vested	(25)	\$ 391.16
MSUs forfeited	(47)	\$ 391.16
MSU balance at March 31, 2026	<u>126</u>	<u>\$ 243.98</u>

The Company estimated the grant date fair value of the MSUs using a Monte Carlo simulation model that included the following assumptions:

	Nine Months Ended March 31,	
	2025	2026
Valuation assumptions:		
Expected dividend yield	— %	— %
Expected volatility	44.4 %	37.7 %
Expected term (years)	3.04	3.04
Risk-free interest rate	3.86 %	3.70 %

At March 31, 2026, there was \$127,366 of total unrecognized compensation cost, net of estimated forfeitures, related to unvested RSUs, PSUs and MSUs. That cost is expected to be recognized over a weighted average period of 1.7 years.

#### **(10) Litigation**

On November 16, 2020, a potential class action complaint was filed against the Company with the Circuit Court of Cook County alleging that the Company violated the Illinois Biometric Information Privacy Act. The complaint sought statutory damages, attorney's fees and other costs. On April 22, 2025, this matter was dismissed with prejudice. On May 21, 2025, the plaintiff filed a notice of appeal. The Company will continue to vigorously defend against this lawsuit on appeal.

In addition, from time to time, the Company is subject to litigation arising in the ordinary course of business. Many of these matters are covered in whole or in part by insurance. In the opinion of the Company's management, the ultimate disposition of any of these matters that are currently outstanding or threatened will not have a material adverse effect on the Company's financial position, results of operations, or liquidity. However, these matters are subject to inherent uncertainties and could materially impact the Company's financial position, results of operations, or liquidity based on the final disposition of these matters.

#### **(11) Income Taxes**

The Company's quarterly provision for income taxes is based on the annual effective rate method. The Company's quarterly provision for income taxes also includes the tax impact of certain unusual or infrequently occurring items, if any, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, and other discrete items in the interim period in which they occur.

The Company's effective tax rate was 27.7% and 29.2% for the three months ended March 31, 2025 and 2026, respectively. The Company's effective tax rate for the three months ended March 31, 2025 was higher than the federal statutory rate of 21% primarily due to an increase to non-deductible stock-based compensation under Internal Revenue Code Section 162(m) and state and local income taxes. The Company's effective tax rate for the three months ended March 31, 2026 was higher than the federal statutory rate of 21% primarily due to stock-based compensation shortfalls realized and state and local income taxes.

The Company's effective tax rate was 26.3% and 30.7% for the nine months ended March 31, 2025 and 2026, respectively. The Company's effective tax rate for the nine months ended March 31, 2025 was higher than the federal statutory rate of 21% primarily due to state and local income taxes. The Company's effective tax rate for the nine months ended March 31, 2026 was higher than the federal statutory rate of 21% primarily due to stock-based compensation shortfalls realized, state and local income taxes and an increase to the valuation allowance as explained below.

On July 4, 2025, the "One Big Beautiful Bill Act" (the "Act") was enacted into law. The most significant provision applicable to the Company relates to accelerated tax deductions for qualified property and research expenditures. As a result of this provision, deferred tax assets and liabilities and income tax payables and receivables were impacted starting in fiscal 2026 and the Company expects cash tax benefits due to lower cash tax payments throughout fiscal 2026. Furthermore, the Company evaluated the impacts of the Act on certain state tax attributes and determined that a valuation allowance was needed to reflect the realizability of those assets based on current federal and state law as of March 31, 2026.

## (12) Net Income Per Share

Basic net income per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of common shares outstanding during the period and, if dilutive, potential common shares outstanding during the period. The Company's potential common shares consist of the incremental common shares issuable upon the exercise of stock options, the release of RSUs, PSUs and MSUs as of the balance sheet date. The following table presents the calculation of basic and diluted net income per share:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2026	2025	2026
<b>Numerator:</b>				
Net income	\$ 91,483	\$ 111,250	\$ 178,521	\$ 209,438
<b>Denominator:</b>				
Weighted-average shares used in computing net income per share:				
Basic	55,810	53,721	55,759	54,278
Weighted-average effect of potentially dilutive shares:				
Employee stock options, RSUs, PSUs and MSUs	970	553	881	738
Diluted	56,780	54,274	56,640	55,016
<b>Net income per share:</b>				
Basic	\$ 1.64	\$ 2.07	\$ 3.20	\$ 3.86
Diluted	\$ 1.61	\$ 2.05	\$ 3.15	\$ 3.81

The following table summarizes the outstanding restricted stock units, performance stock units and market stock units as of March 31, 2025 and 2026 that were excluded from the diluted per share calculation for the periods presented because to include them would have been antidilutive:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2026	2025	2026
RSUs	—	33	14	17
PSUs	—	40	—	20
MSUs	40	—	75	—
Total	40	73	89	37

## (13) Segment Reporting

The Company determined that it operates as one reportable segment and derives revenues from customers by providing its HR, finance and IT software solutions. The Company's chief operating decision maker ("CODM") is its president and chief executive officer. The CODM utilizes consolidated net income and certain non-GAAP measures, including adjusted EBITDA, along with other information contained in the consolidated financial statements to assess the Company's performance and guide decisions on allocation of resources. The segment's total assets are reported on the consolidated balance sheet.

The following table presents the Company's revenue, significant expenses and other segment items as included in consolidated net income:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2026	2025	2026
Revenue	\$ 454,548	\$ 502,286	\$ 1,194,484	\$ 1,326,592
Adjusted cost of revenue	(104,426)	(113,822)	(297,438)	(321,927)
Adjusted sales and marketing	(82,501)	(88,074)	(243,021)	(262,908)
Adjusted research and development	(41,595)	(44,977)	(121,827)	(137,503)
Adjusted general and administrative	(38,035)	(41,367)	(109,573)	(114,988)
Other income (expense)	(468)	59	4,467	557
Income tax expense	(35,079)	(45,788)	(63,743)	(92,690)
Other segment items	(60,961)	(57,067)	(184,828)	(187,695)
Net income	\$ 91,483	\$ 111,250	\$ 178,521	\$ 209,438

Other segment items primarily include amortization of capitalized internal-use software and acquired intangible assets and stock-based compensation expense.

#### (14) Subsequent Events

On April 6, 2026, the Company acquired all of the outstanding shares of Grayscale Labs, Inc. ("Grayscale") through a merger for cash consideration of \$50,000, subject to customary purchase price adjustments. Grayscale is an AI-powered recruiting automation company. This acquisition expands the Company's recruiting capabilities with AI-powered automation to enable its clients to engage candidates earlier and move faster through time-sensitive hiring workflows. This acquisition will be accounted for as a business combination in the fourth quarter of fiscal 2026 in accordance with ASC 805: Business Combinations using the acquisition method of accounting, and the Company will recognize assets and liabilities at fair value as of the date of acquisition. The results from this acquisition will not have a material impact to the Company's consolidated financial statements.

In April 2026, the Company's board of directors approved an increase to the Company's share repurchase program (the "Repurchase Program") under which the Company is authorized to purchase (in the aggregate) an additional \$1,000,000 of its issued and outstanding common stock. As of March 31, 2026, \$350,363 remained available under the Repurchase Program, increasing total authorization to \$1,350,363. Under the Repurchase Program, shares may be repurchased from time-to-time in open market transactions at prevailing market prices, privately negotiated transactions or by other means, including the use of Rule 10b5-1 trading plans entered into by the Company. The actual timing, number and value of shares repurchased under the Repurchase Program will depend on the market price of its common stock, trading volume, general market conditions and other corporate and economic considerations. The Repurchase Program does not obligate the Company to repurchase any specific number of shares and may be modified, suspended or terminated at any time.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*The statements included herein that are not based solely on historical facts are “forward looking statements.” Such forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties. Our actual results could differ materially from those anticipated by us in these forward-looking statements as a result of various factors, including items discussed below and under Part I, Item 1A. “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended June 30, 2025 filed with the SEC on August 6, 2025.*

### **Overview**

We are a leading cloud-based provider of HR, finance and IT software solutions that deliver a comprehensive platform for the modern workforce. Our platform offers an intuitive, easy-to-use product suite that helps businesses automate and streamline HR, finance and IT processes, attract and retain talent, and build culture and connection - with artificial intelligence (“AI”) embedded directly into everyday workflows to save time, reduce manual effort, and support better decisions.

Effective management of human capital and business-related spend is a core function in all organizations and requires a significant commitment of resources. Our cloud-based software solutions, combined with our unified database architecture, are highly flexible and configurable and feature a modern, intuitive user experience. Our platform offers automated data integration with hundreds of third-party partner systems, such as 401(k), benefits and insurance provider systems. We plan to continue to invest in research and development efforts that will allow us to offer a broader selection of products to new and existing clients focused on experiences that solve our clients’ challenges.

We believe there is a significant opportunity to grow our business by increasing our number of clients, and we intend to invest in our business to achieve this purpose. We market and sell our solutions through our direct sales force. Our sales and marketing expenses have increased as we have added sales representatives and related sales and marketing personnel. We intend to continue to grow our sales and marketing organization across new and existing geographic territories. In addition to growing our number of clients, we intend to grow our revenue over the long term by increasing the number of solutions that clients purchase from us. To do so, we must continue to enhance and grow the number of solutions we offer to advance our platform.

We also believe that delivering a positive service experience is an essential element of our ability to sell our solutions and retain our clients. We supplement our comprehensive software solutions with an integrated implementation and client service organization, all of which are designed to meet the needs of our clients and sales prospects. We expect to continue to invest in and grow our implementation and client service organization as our client base grows.

We will continue to invest across our entire organization as we continue to grow our business over the long term. These investments include increasing the number of personnel across all functional areas, along with improving our solutions and infrastructure to support our growth. The timing and amount of these investments vary based on the rate at which we add new clients and personnel and scale our application development and other activities. Many of these investments will occur in advance of experiencing any direct benefit from them, which will make it difficult to determine if we are effectively allocating our resources. We expect these investments to increase our costs on an absolute basis, but as we grow our number of clients and our related revenues, we anticipate that we will gain economies of scale and increased operating leverage. As a result, we expect our gross and operating margins will improve over the long term.

Paylocity Holding Corporation is a Delaware corporation, which was formed in November 2013. Our business operations are conducted by our wholly owned subsidiaries.

### **Key Metrics**

We regularly review a number of metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions.

### Revenue Growth

Our recurring revenue model and high annual revenue retention rates provide significant visibility into our future operating results and cash flow from operations. This visibility enables us to better manage and invest in our business. Total revenues increased from \$454.5 million for the three months ended March 31, 2025 to \$502.3 million for the three months ended March 31, 2026, representing an 11% year-over-year increase. Total revenues increased from \$1,194.5 million for the nine months ended March 31, 2025 to \$1,326.6 million for the nine months ended March 31, 2026, representing an 11% year-over-year increase. The increase in year-over-year revenue growth was driven by the strong performance by our sales team. Uncertainties around market and economic conditions may impact revenue growth, which we have recently experienced and may continue to experience, through fluctuations in client employee counts, elongated sales cycles, client losses, and a changing interest rate environment, among other factors.

### Adjusted Gross Profit and Adjusted EBITDA

We disclose Adjusted Gross Profit and Adjusted EBITDA, which are non-GAAP measures, because we use them to evaluate our performance, and we believe Adjusted Gross Profit and Adjusted EBITDA assist in the comparison of our performance across reporting periods by excluding certain items that we do not believe are indicative of our core operating performance. We believe these metrics are commonly used in the financial community, and we present them to enhance investors' understanding of our operating performance and cash flows.

Adjusted Gross Profit and Adjusted EBITDA are not measurements of financial performance under generally accepted accounting principles in the United States ("GAAP"), and you should not consider Adjusted Gross Profit as an alternative to gross profit or Adjusted EBITDA as an alternative to net income, in each case as determined in accordance with GAAP. In addition, our definition of Adjusted Gross Profit and Adjusted EBITDA may be different than the definition utilized for similarly-titled measures used by other companies.

We define Adjusted Gross Profit as gross profit before amortization of capitalized internal-use software costs, amortization of certain acquired intangibles, stock-based compensation expense and employer payroll taxes related to stock releases and option exercises, and other items as described below. We define Adjusted EBITDA as net income before interest expense, income tax expense, depreciation and amortization expense, stock-based compensation expense and employer payroll taxes related to stock releases and option exercises and other items as described below.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2026	2025	2026
(\$ in thousands)				
<b>Reconciliation from Gross Profit to Adjusted Gross Profit</b>				
Gross profit	\$ 324,695	\$ 363,188	\$ 825,126	\$ 925,118
Amortization of capitalized internal-use software costs	15,248	17,212	43,858	52,180
Amortization of certain acquired intangibles	4,749	4,443	11,562	13,563
Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises	4,789	3,621	15,719	13,462
Other items (1)	641	—	781	342
Adjusted Gross Profit	\$ 350,122	\$ 388,464	\$ 897,046	\$ 1,004,665

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2026	2025	2026
(\$ in thousands)				
<b>Reconciliation from Net income to Adjusted EBITDA</b>				
Net income	\$ 91,483	\$ 111,250	\$ 178,521	\$ 209,438
Interest expense	4,436	1,128	9,682	4,698
Income tax expense	35,079	45,788	63,743	92,690
Depreciation and amortization expense	25,972	27,298	73,184	82,554
EBITDA	156,970	185,464	325,130	389,380
Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises	37,475	32,802	118,045	115,910
Other items (2)	2,611	1,955	9,073	4,071
Adjusted EBITDA	\$ 197,056	\$ 220,221	\$ 452,248	\$ 509,361

- (1) Represents acquisition-related costs and severance cost adjustments 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.
- (2) Represents acquisition and transaction-related costs 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.

## Basis of Presentation

### Revenues

#### *Recurring and other revenue*

We generate substantially all of our recurring and other revenue from ongoing subscriptions to our cloud-based software solutions, which are recurring in nature. Recurring fees for each client generally include a base fee in addition to a fee based on the number of client employees and the number of products a client uses. We also charge fees for our preparation of W-2 documents and annual required filings on behalf of our clients. We charge implementation fees for professional services provided to implement our software solutions.

The number of client employees on our platform and the mix of products purchased by a client as well as the timing of services provided with respect to those client employees can vary each period. As such, the number of client employees on our system is not necessarily a good indicator of our financial results in any given period. Recurring and other revenue accounted for 93% and 94% of our total revenues for the three months ended March 31, 2025 and 2026, respectively, and 92% and 93% of our total revenues for the nine months ended March 31, 2025 and 2026, respectively.

While the majority of our agreements with clients are generally cancellable by the client on 60 days' notice or less, we also have term agreements, which are generally two years in length. Our agreements do not include general rights of return and do not provide clients with the right to take possession of the software supporting the services being provided. We recognize recurring fees in the period in which services are provided and the related performance obligations have been satisfied. We defer implementation fees related to our proprietary products over a period generally up to 24 months.

#### *Interest Income on Funds Held for Clients*

We earn interest income on funds held for clients. We collect funds from clients in advance of performing payroll, payroll tax filing and spend management services on behalf of those clients. Until these funds are remitted to the respective payees, we earn interest on these funds through demand deposit accounts with financial institutions with which we have automated clearing house, or ACH, arrangements. We also earn interest by investing a portion of funds held for clients in highly liquid, investment-grade marketable securities.

### **Cost of Revenues**

Cost of revenues consists primarily of employee-related expenses, including wages, stock-based compensation, bonuses and benefits, relating to the provision of ongoing client support and implementation activities, payroll tax filing, distribution of printed checks and other materials as well as delivery costs, computing costs, amortization of certain acquired intangibles and bank fees associated with client fund transfers. Costs related to recurring support are generally expensed as incurred. Implementation costs related to our proprietary products are capitalized and generally amortized over a period of 7 years. Our cost of revenues is expected to increase in absolute dollars for the foreseeable future as we increase our client base. However, we expect to realize cost efficiencies over the long term as our business scales, resulting in improved operating leverage and increased margins.

We also capitalize a portion of our internal-use software costs, which are then primarily amortized as Cost of revenues. We amortized \$15.2 million and \$17.2 million of capitalized internal-use software costs during the three months ended March 31, 2025 and 2026, respectively, and \$43.9 million and \$52.2 million of capitalized internal-use software costs for the nine months ended March 31, 2025 and 2026, respectively.

### **Operating Expenses**

#### *Sales and Marketing*

Sales and marketing expenses consist primarily of employee-related expenses for our direct sales and marketing staff, including wages, commissions, stock-based compensation, bonuses, benefits, marketing expenses and other related costs. Our sales personnel earn commissions and bonuses for attainment of certain performance criteria based upon new sales throughout the fiscal year. We capitalize certain selling and commission costs related to new contracts or purchases of additional services by our existing clients and generally amortize them over a period of 7 years.

We will seek to grow our number of clients for the foreseeable future and therefore our sales and marketing expense is expected to continue to increase in absolute dollars as we grow our sales organization and expand our marketing activities.

#### *Research and Development*

Research and development expenses consist primarily of employee-related expenses for our research and development and product management staff, including wages, stock-based compensation, bonuses and benefits. Additional expenses include costs related to the development, maintenance, quality assurance and testing of new technologies and ongoing refinement of our existing solutions. Research and development expenses, other than internal-use software costs qualifying for capitalization, are expensed as incurred.

We capitalize a portion of our development costs related to internal-use software. The timing of our capitalized development projects may affect the amount of development costs expensed in any given period. The table below sets forth the amounts of capitalized and expensed research and development expenses for the three and nine months ended March 31, 2025 and 2026.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2026	2025	2026
(\$ in thousands)				
Capitalized portion of research and development	\$ 20,368	\$ 22,567	\$ 56,918	\$ 59,835
Expensed portion of research and development	51,396	52,515	154,811	165,861
Total research and development	\$ 71,764	\$ 75,082	\$ 211,729	\$ 225,696

We expect to grow our research and development efforts as we continue to broaden our product offerings and extend our technological leadership by investing in the development of new technologies and introducing them to new and existing clients. We expect research and development expenses to continue to increase in absolute dollars but to vary as a percentage of total revenue on a period-to-period basis.

### General and Administrative

General and administrative expenses consist primarily of employee-related costs, including wages, stock-based compensation, bonuses and benefits for our finance and accounting, legal, information systems, human resources and other administrative departments. Additional expenses include consulting and professional fees, occupancy costs, insurance and other corporate expenses. While we expect our general and administrative expenses to continue to increase in absolute dollars as our company continues to grow, we expect to realize cost efficiencies as our business scales.

### Other Income (Expense)

Other income (expense) generally consists of interest income related to interest earned on our cash and cash equivalents, net of interest expense related to our revolving credit facility.

### Results of Operations

The following table sets forth our statements of operations data for each of the periods indicated.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2026	2025	2026
(\$ in thousands)				
<b>Consolidated Statements of Operations Data:</b>				
Revenues:				
Recurring and other revenue	\$ 421,096	\$ 469,930	\$ 1,101,915	\$ 1,235,768
Interest income on funds held for clients	33,452	32,356	92,569	90,824
<b>Total revenues</b>	<b>454,548</b>	<b>502,286</b>	<b>1,194,484</b>	<b>1,326,592</b>
Cost of revenues	129,853	139,098	369,358	401,474
<b>Gross profit</b>	<b>324,695</b>	<b>363,188</b>	<b>825,126</b>	<b>925,118</b>
Operating expenses:				
Sales and marketing	91,774	95,732	273,338	290,178
Research and development	51,396	52,515	154,811	165,861
General and administrative	54,495	57,962	159,180	167,508
<b>Total operating expenses</b>	<b>197,665</b>	<b>206,209</b>	<b>587,329</b>	<b>623,547</b>
<b>Operating income</b>	<b>127,030</b>	<b>156,979</b>	<b>237,797</b>	<b>301,571</b>
Other income (expense)	(468)	59	4,467	557
<b>Income before income taxes</b>	<b>126,562</b>	<b>157,038</b>	<b>242,264</b>	<b>302,128</b>
Income tax expense	35,079	45,788	63,743	92,690
<b>Net income</b>	<b>\$ 91,483</b>	<b>\$ 111,250</b>	<b>\$ 178,521</b>	<b>\$ 209,438</b>

The following table sets forth our statements of operations data as a percentage of total revenues for each of the periods indicated.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2026	2025	2026
<b>Consolidated Statements of Operations Data:</b>				
Revenues:				
Recurring and other revenue	93 %	94 %	92 %	93 %
Interest income on funds held for clients	7 %	6 %	8 %	7 %
Total revenues	100 %	100 %	100 %	100 %
Cost of revenues	29 %	28 %	31 %	30 %
Gross profit	71 %	72 %	69 %	70 %
Operating expenses:				
Sales and marketing	20 %	19 %	23 %	22 %
Research and development	11 %	10 %	13 %	12 %
General and administrative	12 %	12 %	13 %	13 %
Total operating expenses	43 %	41 %	49 %	47 %
Operating income	28 %	31 %	20 %	23 %
Other income (expense)	0 %	0 %	0 %	0 %
Income before income taxes	28 %	31 %	20 %	23 %
Income tax expense	8 %	9 %	5 %	7 %
Net income	20 %	22 %	15 %	16 %

### Comparison of Three Months Ended March 31, 2025 and 2026

#### Revenues

(\$ in thousands)

	Three Months Ended March 31,		Change	
	2025	2026	\$	%
Recurring and other revenue	\$ 421,096	\$ 469,930	\$ 48,834	12 %
Percentage of total revenues	93 %	94 %		
Interest income on funds held for clients	\$ 33,452	\$ 32,356	\$ (1,096)	(3)%
Percentage of total revenues	7 %	6 %		

#### Recurring and Other Revenue

Recurring and other revenue for the three months ended March 31, 2026 increased by \$48.8 million, or 12%, to \$469.9 million from \$421.1 million for the three months ended March 31, 2025. Recurring and other revenue increased primarily as a result of incremental revenues from new and existing clients due to the strong performance by our sales team.

#### Interest Income on Funds Held for Clients

Interest income on funds held for clients for the three months ended March 31, 2026 decreased by \$1.1 million, or 3%, as compared to the three months ended March 31, 2025. The slight decrease in Interest income on funds held for clients was the result of the negative impact from lower interest rates, mostly offset by positive impact from higher average daily balances of funds held for new and existing clients as compared to the prior fiscal year.

**Cost of Revenues**

(\$ in thousands)

	Three Months Ended March 31,		Change	
	2025	2026	\$	%
Cost of revenues	\$ 129,853	\$ 139,098	\$ 9,245	7 %
Percentage of total revenues	29 %	28 %		
Gross margin	71 %	72 %		

Cost of revenues for the three months ended March 31, 2026 increased by \$9.2 million, or 7%, to \$139.1 million from \$129.9 million for the three months ended March 31, 2025. Cost of revenues increased primarily as a result of the continued growth of our business, in particular, \$4.4 million in additional employee-related costs, \$4.2 million in additional processing and delivery-related costs and \$2.0 million in additional amortization of internal-use software. Gross margin increased from 71% for the three months ended March 31, 2025 to 72% for the three months ended March 31, 2026.

**Operating Expenses**

(\$ in thousands)

*Sales and Marketing*

	Three Months Ended March 31,		Change	
	2025	2026	\$	%
Sales and marketing	\$ 91,774	\$ 95,732	\$ 3,958	4 %
Percentage of total revenues	20 %	19 %		

Sales and marketing expenses for the three months ended March 31, 2026 increased by \$4.0 million, or 4%, to \$95.7 million from \$91.8 million for the three months ended March 31, 2025. The increase in sales and marketing expense was primarily due to \$4.3 million of additional employee-related costs.

*Research and Development*

	Three Months Ended March 31,		Change	
	2025	2026	\$	%
Research and development	\$ 51,396	\$ 52,515	\$ 1,119	2 %
Percentage of total revenues	11 %	10 %		

Research and development expenses for the three months ended March 31, 2026 increased by \$1.1 million, or 2%, to \$52.5 million from \$51.4 million for the three months ended March 31, 2025. The increase in research and development expenses was primarily due to \$2.6 million of additional employee-related costs related to additional development personnel, net of capitalized internal-use software costs, partially offset by \$1.8 million in lower stock-based compensation expense.

*General and Administrative*

	Three Months Ended March 31,		Change	
	2025	2026	\$	%
General and administrative	\$ 54,495	\$ 57,962	\$ 3,467	6 %
Percentage of total revenues	12 %	12 %		

General and administrative expenses for the three months ended March 31, 2026 increased by \$3.5 million, or 6%, to \$58.0 million from \$54.5 million for the three months ended March 31, 2025. General and administrative expenses increased largely due to \$1.6 million in additional employee-related costs.

### Other Income (Expense)

Other income (expense) for the three months ended March 31, 2026 did not materially change as compared to the three months ended March 31, 2025. The change in other income (expense) was primarily due to a \$3.6 million reduction in interest earned on our cash and cash equivalents from lower average balances and lower interest rates, partially offset by a \$3.3 million decrease in interest expense related to less borrowings under our revolving credit facility.

### Income Taxes

Our effective tax rate was 27.7% and 29.2% for the three months ended March 31, 2025 and 2026, respectively. Our effective tax rate for the three months ended March 31, 2025 was higher than the federal statutory rate of 21% primarily due to an increase to non-deductible stock-based compensation under Internal Revenue Code Section 162(m) and state and local income taxes. Our effective tax rate for the three months ended March 31, 2026 was higher than the federal statutory rate of 21% primarily due to stock-based compensation shortfalls realized and state and local income taxes.

### Comparison of Nine Months Ended March 31, 2025 and 2026

#### Revenues

(\$ in thousands)

	Nine Months Ended March 31,		Change	
	2025	2026	\$	%
Recurring and other revenue	\$ 1,101,915	\$ 1,235,768	\$ 133,853	12 %
Percentage of total revenues	92 %	93 %		
Interest income on funds held for clients	\$ 92,569	\$ 90,824	\$ (1,745)	(2)%
Percentage of total revenues	8 %	7 %		

#### Recurring and Other Revenue

Recurring and other revenue for the nine months ended March 31, 2026 increased by \$133.9 million, or 12%, to \$1,235.8 million from \$1,101.9 million for the nine months ended March 31, 2025. Recurring and other revenue increased primarily as a result of incremental revenues from new and existing clients due to the strong performance by our sales team.

#### Interest Income on Funds Held for Clients

Interest income on funds held for clients for the nine months ended March 31, 2026 decreased by \$1.7 million, or 2%, to \$90.8 million from \$92.6 million for the nine months ended March 31, 2025. Interest income on funds held for clients decreased slightly as the negative impact from lower interest rates was mostly offset by positive impact from higher average daily balances of funds held for new and existing clients as compared to the prior fiscal year.

#### Cost of Revenues

(\$ in thousands)

	Nine Months Ended March 31,		Change	
	2025	2026	\$	%
Cost of revenues	\$ 369,358	\$ 401,474	\$ 32,116	9 %
Percentage of total revenues	31 %	30 %		
Gross margin	69 %	70 %		

Cost of revenues for the nine months ended March 31, 2026 increased by \$32.1 million, or 9%, to \$401.5 million from \$369.4 million for the nine months ended March 31, 2025. Cost of revenues increased primarily as a result of the continued growth of our business, in particular, \$16.6 million in additional employee-related costs, \$8.3 million in additional amortization of internal-use software and \$7.2 million in additional processing and delivery-related costs. Gross margin increased from 69% for the nine months ended March 31, 2025 to 70% for the nine months ended March 31, 2026.

## Operating Expenses

(\$ in thousands)

### Sales and Marketing

	Nine Months Ended March 31,		Change	
	2025	2026	\$	%
Sales and marketing	\$ 273,338	\$ 290,178	\$ 16,840	6 %
Percentage of total revenues	23 %	22 %		

Sales and marketing expenses for the nine months ended March 31, 2026 increased by \$16.8 million, or 6%, to \$290.2 million from \$273.3 million for the nine months ended March 31, 2025. The increase in sales and marketing expense was primarily due to \$15.9 million of additional employee-related costs.

### Research and Development

	Nine Months Ended March 31,		Change	
	2025	2026	\$	%
Research and development	\$ 154,811	\$ 165,861	\$ 11,050	7 %
Percentage of total revenues	13 %	12 %		

Research and development expenses for the nine months ended March 31, 2026 increased by \$11.1 million, or 7%, to \$165.9 million from \$154.8 million for the nine months ended March 31, 2025. The increase in research and development expenses was primarily due to \$12.7 million of additional employee-related costs related to additional development personnel, net of capitalized internal-use software costs, partially offset by \$3.8 million in lower stock-based compensation expense.

### General and Administrative

	Nine Months Ended March 31,		Change	
	2025	2026	\$	%
General and administrative	\$ 159,180	\$ 167,508	\$ 8,328	5 %
Percentage of total revenues	13 %	13 %		

General and administrative expenses for the nine months ended March 31, 2026 increased by \$8.3 million, or 5%, to \$167.5 million from \$159.2 million for the nine months ended March 31, 2025. General and administrative expenses increased primarily due to \$6.9 million in additional stock-based compensation expense as compared to the prior fiscal year period, largely driven by executive award forfeitures during the nine months ended March 31, 2025, and \$5.2 million in additional employee-related costs during the nine months ended March 31, 2026, partially offset by a \$2.3 million decrease in acquisition-related costs and other non-recurring items.

### Other Income (Expense)

Other income for the nine months ended March 31, 2026 decreased by \$3.9 million as compared to the nine months ended March 31, 2025. The change in other income was primarily due to a \$9.5 million reduction in interest earned on our cash and cash equivalents from lower average balances and lower interest rates, partially offset by a \$5.0 million decrease in interest expense due to less borrowings under our revolving credit facility.

### *Income Taxes*

Our effective tax rate was 26.3% and 30.7% for the nine months ended March 31, 2025 and 2026, respectively. Our effective tax rate for the nine months ended March 31, 2025 was higher than the federal statutory rate of 21% primarily due to state and local income taxes. Our effective tax rate for the nine months ended March 31, 2026 was higher than the federal statutory rate of 21% primarily due to stock-based compensation shortfalls realized, state and local income taxes and an increase to the valuation allowance as explained below.

On July 4, 2025, the "One Big Beautiful Bill Act" (the "Act") was enacted into law. The most significant provision applicable to us relates to accelerated tax deductions for qualified property and research expenditures. As a result of this provision, deferred tax assets and liabilities and income tax payables and receivables were impacted starting in fiscal 2026 and we expect cash tax benefits due to lower cash tax payments throughout fiscal 2026. Furthermore, we evaluated the impacts of the Act on certain state tax attributes and determined that a valuation allowance was needed to reflect the realizability of those assets based on current federal and state law as of March 31, 2026.

### **Quarterly Trends and Seasonality**

Our overall operating results fluctuate from quarter to quarter as a result of a variety of factors, some of which are outside of our control. Our historical results should not be considered a reliable indicator of our future results of operations.

We experience fluctuations in revenues and related costs on a seasonal basis, which are primarily seen in our fiscal third quarter, which ends on March 31 of each year. Specifically, our recurring revenue is positively impacted in our fiscal third quarter as a result of our preparation of W-2 documents for our clients' employees in advance of tax filing requirements. Our interest income earned on funds held for clients is also positively impacted during our fiscal third quarter as a result of our increased collection of funds held for clients. Certain payroll taxes are primarily collected during our fiscal third quarter and subsequently remitted. The seasonal fluctuations in revenues also positively impact gross profits during our fiscal third quarter. Our historical results for our fiscal third quarter should not be considered a reliable indicator of our future results of operations.

### **Critical Accounting Policies and Estimates**

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses. In accordance with GAAP, we base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual results may differ from our estimates under different assumptions or conditions and, to the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

Accounting estimates used in the preparation of these consolidated financial statements change as new events occur, as more experience is acquired, as additional information is obtained and as the operating environment changes. There have been no material changes in our critical accounting policies and use of estimates from the information provided in Item 7 of our audited consolidated financial statements for the year ended June 30, 2025 included in our Annual Report on Form 10-K filed with the SEC on August 6, 2025.

### **Liquidity and Capital Resources**

Our primary liquidity needs are related to the funding of general business requirements, including working capital requirements, research and development, and capital expenditures. As of March 31, 2026, our principal source of liquidity was \$299.7 million of cash and cash equivalents. We maintain a credit agreement that provides for a \$550.0 million revolving credit facility, which may be increased up to \$825.0 million. During fiscal 2025, we borrowed \$325.0 million under this credit facility to fund the October 2024 acquisition of Airbase Inc. We had \$81.3 million in outstanding borrowings under this credit facility at March 31, 2026, as we repaid \$162.5 million in the second half of fiscal 2025 and an additional \$81.3 million during the first nine months of fiscal 2026. Refer to Notes 4 and 8 of the Notes to the Unaudited Consolidated Financial Statements for additional details on the Airbase acquisition and credit agreement, respectively.

In April 2024, our board of directors authorized the repurchase of up to \$500.0 million of our common stock (the "Repurchase Program"). In July 2025, our board of directors approved a \$500.0 million increase to the Repurchase Program. The extent to which we repurchase shares, the number and price of any shares repurchased and the timing of any repurchases depends on the market price of our common stock, trading volume, general market conditions and other corporate and economic considerations. During the nine months ended March 31, 2026, we repurchased an aggregate of 2.3 million shares for approximately \$350.0 million at an average cost per share of \$153.10 under the Repurchase Program. As of March 31, 2026, approximately \$350.4 million remains authorized for repurchases under the Repurchase Program. In April 2026, our board of directors authorized an additional \$1 billion of our common stock for repurchase under the Repurchase Program. Refer to Note 14 of the Notes to the Unaudited Consolidated Financial Statements included in Part I, Item 1: "Financial Statements" for additional detail on our Repurchase Program.

We may invest portions of our excess cash and cash equivalents in highly liquid, investment-grade marketable securities. These investments may consist of commercial paper, corporate bonds, asset-backed securities, certificates of deposit, U.S. treasury securities, and other securities with credit quality ratings of A-1 or higher as well as in money market funds. As of March 31, 2026, we did not have any corporate investments classified as available-for-sale securities.

In order to grow our business, we intend to increase our personnel and related expenses and to make investments in our platform, data centers and general infrastructure, some of which may be significant. The timing and amount of these investments will vary based on our financial condition, the rate at which we add new clients and new personnel and the scale of our module development, data centers and other activities. Many of these investments will occur in advance of experiencing any direct benefit from them, which could negatively impact our liquidity and cash flows during any particular period and may make it difficult to determine if we are effectively allocating our resources. However, we expect to fund our operations, capital expenditures, acquisitions, share repurchases and other investments principally with cash flows from operations, and to the extent that our liquidity needs exceed our cash from operations, we would look to our cash on hand or utilize the remaining borrowing capacity under our credit facility to satisfy those needs.

Our payroll and spend management processing activities involve the movement of significant funds from accounts of clients to their employees, relevant taxing authorities and vendors. Funds held for clients and client fund obligations will vary substantially from period to period mostly as a result of the timing of payroll and payroll tax obligations due. Though we debit a client's account prior to any disbursement on its behalf, there is a delay between when our payments are due and when the incoming funds from the client to cover these amounts payable actually clear into our operating accounts. We currently have agreements with various major U.S. banks to execute ACH and wire transfers to support our services. We believe we have sufficient capacity under these ACH arrangements to handle all transaction volumes for the foreseeable future. We primarily collect fees for our HCM and payroll services via ACH transactions at the same time we debit the client's account for payroll and payroll tax obligations and thus are able to reduce collectability and accounts receivable risks.

We believe our current cash and cash equivalents, future cash flow from operations, and access to our credit facility will be sufficient to meet our ongoing working capital, capital expenditure and other liquidity requirements for at least the next 12 months, and thereafter, for the foreseeable future.

The following table sets forth data regarding cash flows for the periods indicated:

	Nine Months Ended March 31,	
	2025	2026
	(in thousands)	
Net cash provided by operating activities	\$ 331,657	\$ 421,359
Cash flows from investing activities:		
Purchases of available-for-sale securities	(121,777)	(259,994)
Proceeds from sales and maturities of available-for-sale securities	122,969	268,676
Capitalized internal-use software costs	(45,563)	(49,101)
Purchases of property and equipment	(7,624)	(15,518)
Acquisitions of businesses, net of cash and funds held for clients acquired	(277,851)	—
Other investing activities	1,303	2,228
Net cash used in investing activities	(328,543)	(53,709)
Cash flows from financing activities:		
Net change in client fund obligations	429,856	1,139,099
Borrowings under credit facility	325,000	—
Repayment of credit facility	(81,250)	(81,250)
Repurchases of common shares	(91,080)	(350,000)
Proceeds from employee stock purchase plan	10,561	9,534
Taxes paid related to net share settlement of equity awards	(49,121)	(36,540)
Other financing activities	(400)	(360)
Net cash provided by financing activities	543,566	680,483
Net change in cash, cash equivalents and funds held for clients' cash and cash equivalents	\$ 546,680	\$ 1,048,133

### ***Operating Activities***

Net cash provided by operating activities was \$331.7 million and \$421.4 million for the nine months ended March 31, 2025 and 2026, respectively. The change in net cash provided by operating activities from the nine months ended March 31, 2025 to the nine months ended March 31, 2026 was primarily driven by improved operating results after adjusting for non-cash items, including stock-based compensation expense, depreciation and amortization expense and deferred income tax expense (benefit) and lower income tax payments resulting from the provisions of the One Big Beautiful Bill Act, partially offset by changes in operating assets and liabilities over the same period.

### ***Investing Activities***

Net cash used in investing activities was \$328.5 million and \$53.7 million for the nine months ended March 31, 2025 and 2026, respectively. The net cash used in investing activities is significantly impacted by the timing of purchases and sales and maturities of investments as we invest portions of funds held for clients in highly liquid, investment-grade marketable securities. The amount of funds held for clients invested will vary based on timing of client funds collected and payments due to client employees and taxing and other regulatory authorities.

The change in net cash used in investing activities was primarily due to \$277.9 million paid for the acquisition of Airbase Inc., net of cash and funds held for clients acquired during the nine months ended March 31, 2025. The change was also due to a \$145.7 million increase in proceeds from the sales and maturities of available-for-sale securities, partially offset by a \$138.2 million increase in purchases of available-for-sale securities, during the nine months ended March 31, 2026 as compared to the nine months ended March 31, 2025.

### ***Financing Activities***

Net cash provided by financing activities was \$543.6 million and \$680.5 million for the nine months ended March 31, 2025 and 2026, respectively. The change in net cash provided by financing activities was primarily due to the net change in client fund obligations of \$709.2 million due to the timing of client funds collected and related remittance of those funds to client employees and taxing authorities. This was partially offset by \$325.0 million in borrowings under our credit facility during the nine months ended March 31, 2025 and \$258.9 million in additional share repurchases during the nine months ended March 31, 2026.

### ***Contractual Obligations and Commitments***

At March 31, 2026, our principal commitments consisted of \$81.3 million in borrowings on our revolving credit facility, which is contractually not due in the next twelve months, and related interest payments, as well as \$61.8 million in operating lease obligations, of which \$11.1 million is due in the next twelve months. We also had \$139.6 million in purchase obligations, of which \$76.2 million is due in the next twelve months.

### ***Capital Expenditures***

We expect to continue to invest in capital spending as we continue to grow our business and expand and enhance our operating facilities, data centers and technical infrastructure. Future capital requirements will depend on many factors, including our rate of sales growth. In the event that our sales growth or other factors do not meet our expectations, we may eliminate or curtail capital projects in order to mitigate the impact on our use of cash. Capital expenditures were \$7.6 million and \$15.5 million for the nine months ended March 31, 2025 and 2026, respectively, exclusive of capitalized internal-use software costs of \$45.6 million and \$49.1 million for the same periods, respectively.

### ***New Accounting Pronouncements***

Refer to Note 2 of the Notes to the Unaudited Consolidated Financial Statements for a discussion of recently issued accounting standards.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We have operations primarily in the United States and are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate and certain other exposures including risks relating to changes in the general economic conditions in the United States. Refer to “Part I. Item 1A. Risk Factors” of our Annual Report on Form 10-K filed with the SEC on August 6, 2025 for risks related to our business.

We have not used, nor do we intend to use, derivatives to mitigate the impact of interest rate or other exposure or for trading or speculative purposes.

#### **Interest Rate Risk**

As of March 31, 2026, we had cash and cash equivalents of \$299.7 million and funds held for clients of \$3,838.5 million. We deposit our cash and cash equivalents and significant portions of our funds held for clients in demand deposit accounts with various financial institutions. We may invest portions of our excess cash and cash equivalents and funds held for clients in marketable securities including commercial paper, corporate bonds, asset-backed securities, certificates of deposit, U.S. treasury securities, and other securities, as well as in money market funds. Our investment policy is focused on generating higher yields from these investments while preserving liquidity and capital. However, as a result of our investing activities, we are exposed to changes in interest rates that may materially affect our financial statements.

In a falling rate environment, a decline in interest rates would decrease our interest income earned on both cash and cash equivalents and funds held for clients. An increase in the overall interest rate environment may cause the market value of our investments in fixed rate available-for-sale securities to decline. If we are forced to sell some or all of these securities at lower market values, we may incur investment losses. However, because we classify all marketable securities as available-for-sale, no gains or losses are recognized due to changes in interest rates until such securities are sold or decreases in fair value are deemed due to expected credit losses. We have not recorded any credit impairment losses on our portfolio to date.

Based upon a sensitivity model that measures market value changes caused by interest rate fluctuations, an immediate 100-basis point increase in interest rates would have resulted in a decrease in the market value of our available-for-sale securities by \$16.9 million as of March 31, 2026. An immediate 100-basis point decrease in interest rates would have resulted in an increase in the market value of our available-for-sale securities by \$17.5 million as of March 31, 2026. Fluctuations in the value of our available-for-sale securities caused by changes in interest rates are recorded in other comprehensive income and are only realized if we sell the underlying securities.

Additionally, as described in Note 8 of the Notes to the Unaudited Consolidated Financial Statements, we maintain a credit agreement that provides for a revolving credit facility (“credit facility”) in the aggregate amount of \$550.0 million, which may be increased up to \$825.0 million. Borrowings under the credit facility generally bear interest at a rate based upon the Term Secured Overnight Financing Rate (“SOFR”) plus the SOFR Adjustment or an adjusted base rate plus an applicable margin based on our then-applicable net total leverage ratio. As of March 31, 2026, we had \$81.3 million in borrowings outstanding under our credit facility. Because interest rates applicable to the credit facility are variable, we are exposed to market risk from changes in the underlying index rates, which affects our interest expense. A hypothetical change of 100 basis points in interest rates would not have had a significant impact on our results of operations.

#### **Inflation Risk**

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

#### **Item 4. Controls and Procedures**

##### **Evaluation of Disclosure Controls and Procedures**

The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to a company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2026, the end of the period covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of such date.

##### **Changes in Internal Control over Financial Reporting**

There were no changes to our internal control over financial reporting during the three-month period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II  
OTHER INFORMATION**

**Item 1. Legal Proceedings**

From time to time, we are involved in litigation related to claims arising from the ordinary course of our business. We believe that there are no claims or actions pending or threatened against us, the ultimate disposition of which would have a material adverse effect on us.

**Item 1A. Risk Factors**

There have been no material changes in our risk factors disclosed in “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended June 30, 2025 filed with the SEC on August 6, 2025.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****(a) Sales of Unregistered Securities**

Not applicable.

**(b) Use of Proceeds**

Not applicable.

**(c) Purchases of Equity Securities**

The following describes the Company’s purchases of its common stock during the three months ended March 31, 2026:

	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share (1)</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)</u>
January 1, 2026 - January 31, 2026	—	—	—	\$ 400,362,721
February 1, 2026 - February 28, 2026	441,692	\$ 113.20	441,692	\$ 350,362,799
March 1, 2026 - March 31, 2026	—	—	—	\$ 350,362,799
Total	<u>441,692</u>		<u>441,692</u>	

(1) The average price paid per share excludes excise taxes payable on shares repurchased.

(2) On April 30, 2024, our board of directors approved a share repurchase program (the “Repurchase Program”) under which we are authorized to purchase (in the aggregate) up to \$500 million of our issued and outstanding common stock at such times and prices that management deems to be appropriate. In July 2025, our board of directors approved a \$500 million increase to the Repurchase Program.

**Item 3. Defaults upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

During the three months ended March 31, 2026, the following directors and/or officers (as defined in Rule 16a-1(f)) adopted a “Rule 10b5-1 trading arrangement,” as defined in Item 408(a) of Regulation S-K intending to satisfy the affirmative defense conditions of Rule 10b5-1(c):

<b>Name and Title</b>	<b>Total Shares of Common Stock to be Sold</b>	<b>Duration<sup>(1)</sup></b>	<b>Adoption Date</b>	<b>Expiration Date</b>
Toby Williams				
President, Chief Executive Officer and Director	24,000 <sup>(2)</sup>	August 14, 2026 - March 15, 2027	February 17, 2026	March 15, 2027

<sup>(1)</sup> The trading arrangement permits transactions through and including the earlier to occur of (a) the completion of all sales or (b) the expiration date listed in the table.

<sup>(2)</sup> The number of shares that will be sold is determined, in part, based on pricing triggers outlined in the adopting person's trading arrangement.

No directors or officers terminated a Rule 10b5-1 trading arrangement or entered into or terminated a “non-Rule 10b5-1 trading arrangement” as defined in Item 408(a) of Regulation S-K during the three months ended March 31, 2026.

**Item 6. Exhibits**

<b>Exhibit Nos.</b>	<b>Description</b>
<a href="#">3.1</a>	<a href="#">Third Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 of Paylocity Holding Corporation's Current Report on Form 8-K on December 4, 2023 (File No. 001-36348)).</a>
<a href="#">3.2</a>	<a href="#">Third Amended and Restated Bylaws of Paylocity Holding Corporation (filed as Exhibit 3.2 of Paylocity Holding Corporation's Current Report on Form 8-K on December 4, 2023 (File No. 001-36348)).</a>
<a href="#">31.1*</a>	<a href="#">Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-4 and 15d-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">31.2*</a>	<a href="#">Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-4 and 15d-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">32.1**</a>	<a href="#">Certification pursuant to 18 U.S.C. 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Executive Officer.</a>
<a href="#">32.2**</a>	<a href="#">Certification pursuant to 18 U.S.C. 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Financial Officer.</a>
101.INS*	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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\* Filed herewith

\*\* Furnished herewith



**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO  
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002**

I, Toby J. Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Paylocity Holding Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2026

/s/ Toby J. Williams

**Name:**

**Toby J. Williams**

**Title:**

**President, Chief Executive Officer (Principal Executive Officer)  
and Director**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO  
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002**

I, Ryan Glenn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Paylocity Holding Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2026

/s/ Ryan Glenn

**Name:**

**Ryan Glenn**

**Title:**

**Chief Financial Officer (Principal Financial Officer)**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, the Chief Executive Officer of Paylocity Holding Corporation (the "Company"), does hereby certify under the standards set forth and solely for the purposes of 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2026 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2026

/s/ Toby J. Williams

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**Name:**

**Toby J. Williams**

**Title:**

**President, Chief Executive Officer (Principal Executive Officer)  
and Director**

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, the Chief Financial Officer of Paylocity Holding Corporation (the "Company"), does hereby certify under the standards set forth and solely for the purposes of 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2026 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2026

/s/ Ryan Glenn

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**Name:**

**Ryan Glenn**

**Title:**

**Chief Financial Officer (Principal Financial Officer)**

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.