

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

Form 10-Q

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

For the quarterly period ended September 30, 2025

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

PAYLOCITY HOLDING CORPORATION

(Exact name of registrant as specified in its charter)

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)

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: 54,381,607 shares of Common Stock, \$0.001 par value per share, as of October 29, 2025.

Paylocity Holding Corporation
Form 10-Q
For the Quarterly Period Ended September 30, 2025

TABLE OF CONTENTS

| | Page |
|--|-------------|
| <u>PART I. FINANCIAL INFORMATION</u> | |
| <u>ITEM 1. FINANCIAL STATEMENTS</u> | |
| <u>Unaudited Consolidated Balance Sheets</u> | 2 |
| <u>Unaudited Consolidated Statements of Operations and Comprehensive Income</u> | 3 |
| <u>Unaudited Consolidated Statement of Changes in Stockholders' Equity</u> | 4 |
| <u>Unaudited Consolidated Statements of Cash Flows</u> | 5 |
| <u>Notes to the Unaudited Consolidated Financial Statements</u> | 6 |
| <u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u> | 21 |
| <u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u> | 32 |
| <u>ITEM 4. CONTROLS AND PROCEDURES</u> | 33 |
| <u>PART II. OTHER INFORMATION</u> | |
| <u>ITEM 1. LEGAL PROCEEDINGS</u> | 34 |
| <u>ITEM 1A. RISK FACTORS</u> | 34 |
| <u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u> | 34 |
| <u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u> | 34 |
| <u>ITEM 4. MINE SAFETY DISCLOSURES</u> | 34 |
| <u>ITEM 5. OTHER INFORMATION</u> | 35 |
| <u>ITEM 6. EXHIBITS</u> | 36 |
| <u>SIGNATURES</u> | 37 |

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

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

| | June 30, 2025 | September 30, 2025 |
|--|---------------------|-----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 398,070 | \$ 165,192 |
| Accounts receivable, net | 41,642 | 41,721 |
| Deferred contract costs | 117,177 | 121,050 |
| Prepaid expenses and other | 50,943 | 59,416 |
| Total current assets before funds held for clients | 607,832 | 387,379 |
| Funds held for clients | 2,704,137 | 2,775,579 |
| Total current assets | 3,311,969 | 3,162,958 |
| Capitalized internal-use software, net | 132,317 | 133,721 |
| Property and equipment, net | 54,210 | 51,723 |
| Operating lease right-of-use assets | 35,997 | 35,413 |
| Intangible assets, net | 92,671 | 87,410 |
| Goodwill | 343,100 | 343,158 |
| Long-term deferred contract costs | 393,671 | 400,418 |
| Long-term prepaid expenses and other | 7,739 | 7,202 |
| Deferred income tax assets | 17,754 | 14,129 |
| Total assets | <u>\$ 4,389,428</u> | <u>\$ 4,236,132</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 17,347 | \$ 6,012 |
| Accrued expenses | 193,081 | 174,181 |
| Total current liabilities before client fund obligations | 210,428 | 180,193 |
| Client fund obligations | 2,694,842 | 2,765,135 |
| Total current liabilities | 2,905,270 | 2,945,328 |
| Long-term debt | 162,500 | 81,250 |
| Long-term operating lease liabilities | 46,772 | 46,238 |
| Other long-term liabilities | 8,580 | 8,487 |
| Deferred income tax liabilities | 32,559 | 51,350 |
| Total liabilities | <u>\$ 3,155,681</u> | <u>\$ 3,132,653</u> |
| Stockholders' equity: | | |
| Preferred stock, \$0.001 par value, 5,000 authorized, no shares issued and outstanding at June 30, 2025 and September 30, 2025 | \$ — | \$ — |
| Common stock, \$0.001 par value, 155,000 shares authorized at June 30, 2025 and September 30, 2025; 55,366 shares issued and outstanding at June 30, 2025 and 54,376 shares issued and outstanding at September 30, 2025 | 55 | 54 |
| Additional paid-in capital | 327,518 | 148,581 |
| Retained earnings | 900,583 | 948,574 |
| Accumulated other comprehensive income | 5,591 | 6,270 |
| Total stockholders' equity | <u>\$ 1,233,747</u> | <u>\$ 1,103,479</u> |
| Total liabilities and stockholders' equity | <u>\$ 4,389,428</u> | <u>\$ 4,236,132</u> |

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 September 30, | |
|---|-------------------------------------|------------|
| | 2024 | 2025 |
| Revenues: | | |
| Recurring and other revenue | \$ 333,105 | \$ 378,858 |
| Interest income on funds held for clients | 29,851 | 29,314 |
| Total revenues | 362,956 | 408,172 |
| Cost of revenues | 114,960 | 128,380 |
| Gross profit | 247,996 | 279,792 |
| Operating expenses: | | |
| Sales and marketing | 88,431 | 96,368 |
| Research and development | 47,260 | 55,607 |
| General and administrative | 48,161 | 53,606 |
| Total operating expenses | 183,852 | 205,581 |
| Operating income | 64,144 | 74,211 |
| Other income | 4,742 | 702 |
| Income before income taxes | 68,886 | 74,913 |
| Income tax expense | 19,313 | 26,922 |
| Net income | \$ 49,573 | \$ 47,991 |
| Other comprehensive income, net of tax | 6,811 | 679 |
| Comprehensive income | \$ 56,384 | \$ 48,670 |
| Net income per share: | | |
| Basic | \$ 0.89 | \$ 0.87 |
| Diluted | \$ 0.88 | \$ 0.86 |
| Weighted-average shares used in computing net income per share: | | |
| Basic | 55,640 | 55,013 |
| Diluted | 56,266 | 55,859 |

See accompanying notes to unaudited consolidated financial statements.

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

Three Months Ended September 30, 2024

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|---|---------------|--------------|----------------------------------|----------------------|---|----------------------------------|
| | Shares | Amount | | | | |
| Balances at June 30, 2024 | 55,514 | \$ 56 | \$ 360,488 | \$ 673,456 | \$ (936) | \$ 1,033,064 |
| Stock-based compensation | — | — | 38,000 | — | — | 38,000 |
| Stock options exercised | 114 | — | 2,822 | — | — | 2,822 |
| Issuance of common stock upon vesting of equity awards | 273 | — | — | — | — | — |
| Net settlement for taxes and/or exercise price related to equity awards | (163) | — | (24,358) | — | — | (24,358) |
| Unrealized gains on securities, net of tax | — | — | — | — | 6,811 | 6,811 |
| Net income | — | — | — | 49,573 | — | 49,573 |
| Balances at September 30, 2024 | <u>55,738</u> | <u>\$ 56</u> | <u>\$ 376,952</u> | <u>\$ 723,029</u> | <u>\$ 5,875</u> | <u>\$ 1,105,912</u> |

Three Months Ended September 30, 2025

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income | Total Stockholders' Equity |
|--|---------------|--------------|----------------------------------|----------------------|--|----------------------------------|
| | Shares | Amount | | | | |
| Balances at June 30, 2025 | 55,366 | \$ 55 | \$ 327,518 | \$ 900,583 | \$ 5,591 | \$ 1,233,747 |
| Stock-based compensation | — | — | 41,501 | — | — | 41,501 |
| Issuance of common stock upon vesting of equity awards | 273 | — | — | — | — | — |
| Net settlement for taxes related to equity awards | (109) | — | (18,723) | — | — | (18,723) |
| Repurchases of common shares | (1,154) | (1) | (201,715) | — | — | (201,716) |
| Unrealized gains on securities, net of tax | — | — | — | — | 733 | 733 |
| Foreign currency translation adjustments | — | — | — | — | (54) | (54) |
| Net income | — | — | — | 47,991 | — | 47,991 |
| Balances at September 30, 2025 | <u>54,376</u> | <u>\$ 54</u> | <u>\$ 148,581</u> | <u>\$ 948,574</u> | <u>\$ 6,270</u> | <u>\$ 1,103,479</u> |

See accompanying notes to the unaudited consolidated financial statements.

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

| | Three Months Ended September 30, | |
|---|-------------------------------------|--------------|
| | 2024 | 2025 |
| Cash flows from operating activities: | | |
| Net income | \$ 49,573 | \$ 47,991 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Stock-based compensation expense | 33,540 | 37,846 |
| Depreciation and amortization expense | 21,552 | 27,453 |
| Deferred income tax expense (benefit) | (2,556) | 22,101 |
| Provision for credit losses | 221 | 332 |
| Net accretion of discounts on available-for-sale securities | (662) | (405) |
| Other | 304 | 355 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (903) | (73) |
| Deferred contract costs | (13,081) | (10,424) |
| Prepaid expenses and other | (773) | (9,833) |
| Accounts payable | 7,885 | (10,530) |
| Accrued expenses and other | (3,645) | (18,357) |
| Net cash provided by operating activities | 91,455 | 86,456 |
| Cash flows from investing activities: | | |
| Purchases of available-for-sale securities | (20,174) | (30,456) |
| Proceeds from sales and maturities of available-for-sale securities | 25,022 | 32,358 |
| Capitalized internal-use software costs | (15,210) | (15,460) |
| Purchases of property and equipment | (2,328) | (3,797) |
| Other investing activities | (638) | (338) |
| Net cash used in investing activities | (13,328) | (17,693) |
| Cash flows from financing activities: | | |
| Net change in client fund obligations | (621,746) | 70,293 |
| Borrowings under credit facility | 325,000 | — |
| Repayment of credit facility | — | (81,250) |
| Repurchases of common shares | — | (200,000) |
| Taxes paid related to net share settlement of equity awards | (21,536) | (18,723) |
| Other financing activities | (11) | (12) |
| Net cash used in financing activities | (318,293) | (229,692) |
| Net change in cash, cash equivalents and funds held for clients' cash and cash equivalents | (240,166) | (160,929) |
| 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 | \$ 2,605,503 | \$ 2,321,597 |
| Supplemental Disclosure of Non-Cash Investing and Financing Activities | | |
| Purchases of property and equipment and capitalized internal-use software, accrued but not paid | \$ 960 | \$ 278 |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid for interest | \$ 123 | \$ 2,325 |
| Cash paid for income taxes | \$ 6,194 | \$ 7,226 |
| Reconciliation of cash, cash equivalents and funds held for clients' cash and cash equivalents to the Consolidated Balance Sheets | | |
| Cash and cash equivalents | \$ 778,549 | \$ 165,192 |
| Funds held for clients' cash and cash equivalents | 1,826,954 | 2,156,405 |
| Total cash, cash equivalents and funds held for clients' cash and cash equivalents | \$ 2,605,503 | \$ 2,321,597 |

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 their employees.

(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 months ended September 30, 2025 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 September 30, | |
|-----------------------------------|-------------------------------------|-------------------|
| | 2024 | 2025 |
| Recurring fees | \$ 319,314 | \$ 364,298 |
| Implementation services and other | 13,791 | 14,560 |
| Total revenues from contracts | <u>\$ 333,105</u> | <u>\$ 378,858</u> |

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 September 30, | |
|------------------------------------|-------------------------------------|------------------|
| | 2024 | 2025 |
| Balance at beginning of the period | \$ 24,883 | \$ 28,306 |
| Deferral of revenue | 11,274 | 12,411 |
| Revenue recognized | (10,760) | (10,799) |
| Balance at end of the period | <u>\$ 25,397</u> | <u>\$ 29,918</u> |

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: \$21,494 in fiscal 2026, \$7,247 in fiscal 2027 and \$1,177 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 September 30, 2024 | | | |
|--------------------------------|---------------------------------------|-------------------|--------------------|-------------------|
| | Beginning Balance | Capitalized Costs | Amortization | Ending Balance |
| Costs to obtain a new contract | \$ 250,136 | \$ 19,412 | \$ (14,525) | \$ 255,023 |
| Costs to fulfill a contract | 195,726 | 19,667 | (10,844) | 204,549 |
| Total | \$ 445,862 | \$ 39,079 | \$ (25,369) | \$ 459,572 |

| | Three Months Ended September 30, 2025 | | | |
|--------------------------------|---------------------------------------|-------------------|--------------------|-------------------|
| | Beginning Balance | Capitalized Costs | Amortization | Ending Balance |
| Costs to obtain a new contract | \$ 282,090 | \$ 22,340 | \$ (16,993) | \$ 287,437 |
| Costs to fulfill a contract | 228,758 | 18,870 | (13,597) | 234,031 |
| Total | \$ 510,848 | \$ 41,210 | \$ (30,590) | \$ 521,468 |

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 \$153,287 as of September 30, 2025, 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 during the three months ended 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) |
| Total | \$ | <u>361,455</u> |

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.

Unaudited Pro Forma Financial Information

The unaudited pro forma information below summarizes the combined results of the Company and Airbase as if the Company's acquisition of Airbase closed on July 1, 2023, but does not necessarily reflect the combined actual results of operations of the Company and Airbase that would have been achieved, nor is it necessarily indicative of future results of operations. The unaudited pro forma information reflects certain adjustments that were directly attributable to the acquisition of Airbase, including amortization of acquired intangible assets, interest expense incurred to fund the acquisition and acquisition related costs.

| | Three Months Ended September 30, | |
|------------|-------------------------------------|------------|
| | 2024 | 2025 |
| Revenue | \$ 369,354 | \$ 408,172 |
| Net income | \$ 41,119 | \$ 47,991 |

(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 | | 332 |
| Write-offs | | (404) |
| Balance at September 30, 2025 | \$ | <u>2,765</u> |

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

| | June 30, 2025 | September 30, 2025 |
|--|--------------------------|-------------------------------|
| Capitalized internal-use software | \$ 400,122 | \$ 418,776 |
| Accumulated amortization | (267,805) | (285,055) |
| Capitalized internal-use software, net | <u>\$ 132,317</u> | <u>\$ 133,721</u> |

Amortization of capitalized internal-use software costs is primarily included in Cost of revenues and amounted to \$13,777 and \$17,250 for the three months ended September 30, 2024 and 2025, respectively.

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

| | June 30, 2025 | September 30, 2025 |
|-------------------------------|--------------------------|-------------------------------|
| Office equipment | \$ 2,779 | \$ 2,779 |
| Computer equipment | 67,372 | 67,832 |
| Furniture and fixtures | 13,317 | 13,478 |
| Software | 12,793 | 13,184 |
| Leasehold improvements | 50,747 | 51,022 |
| Time clocks rented by clients | 10,913 | 11,306 |
| Total | 157,921 | 159,601 |
| Accumulated depreciation | (103,711) | (107,878) |
| Property and equipment, net | <u>\$ 54,210</u> | <u>\$ 51,723</u> |

Depreciation expense amounted to \$5,228 and \$4,942 for the three months ended September 30, 2024 and 2025, respectively.

The following table summarizes changes in goodwill during the three months ended September 30, 2025:

| | | |
|--------------------------------|----|----------------|
| Balance at June 30, 2025 | \$ | 343,100 |
| Measurement period adjustments | | 58 |
| Balance at September 30, 2025 | \$ | <u>343,158</u> |

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 | September 30, 2025 | 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 |
| Total | 156,269 | 156,269 | |
| Accumulated amortization | (63,598) | (68,859) | |
| Intangible assets, net | \$ 92,671 | \$ 87,410 | |

Amortization expense for acquired intangible assets was \$2,547 and \$5,261 for the three months ended September 30, 2024 and 2025, respectively, and is included in Cost of revenues and General and administrative.

Future amortization expense for acquired intangible assets as of September 30, 2025 is as follows:

| | |
|--------------------------|-----------|
| Remainder of fiscal 2026 | \$ 15,371 |
| Fiscal 2027 | 18,256 |
| Fiscal 2028 | 16,391 |
| Fiscal 2029 | 12,925 |
| Fiscal 2030 | 11,038 |
| Thereafter | 13,429 |
| Total | \$ 87,410 |

The components of accrued expenses were as follows:

| | June 30, 2025 | September 30, 2025 |
|-------------------------------------|------------------|-----------------------|
| Accrued payroll and personnel costs | \$ 106,808 | \$ 89,666 |
| Operating lease liabilities | 8,621 | 8,057 |
| Deferred revenue | 35,721 | 38,571 |
| Other | 41,931 | 37,887 |
| Total accrued expenses | \$ 193,081 | \$ 174,181 |

(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 | | | |
|---|----------------|------------------------|-------------------------|--------------|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| 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 |
| Total investments | \$ 3,094,627 | \$ 7,694 | \$ (114) | \$ 3,102,207 |

| Type of Issue | September 30, 2025 | | | |
|---|--------------------|------------------------|-------------------------|--------------|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| Cash and cash equivalents | \$ 165,192 | \$ — | \$ — | \$ 165,192 |
| Funds held for clients' cash and cash equivalents | 2,156,405 | — | — | 2,156,405 |
| Available-for-sale securities: | | | | |
| Corporate bonds | 374,269 | 7,241 | (58) | 381,452 |
| Asset-backed securities | 50,994 | 542 | (1) | 51,535 |
| Certificates of deposit | 59,980 | 14 | — | 59,994 |
| U.S. treasury securities | 76,294 | 454 | — | 76,748 |
| Commercial paper | 17,340 | — | — | 17,340 |
| Other | 31,726 | 403 | (24) | 32,105 |
| Total available-for-sale securities | 610,603 | 8,654 | (83) | 619,174 |
| Total investments | \$ 2,932,200 | \$ 8,654 | \$ (83) | \$ 2,940,771 |

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

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 September 30, 2025.

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

| | June 30, 2025 | September 30, 2025 |
|---------------------------|------------------|-----------------------|
| Cash and cash equivalents | \$ 398,070 | \$ 165,192 |
| Funds held for clients | 2,704,137 | 2,775,579 |
| Total investments | \$ 3,102,207 | \$ 2,940,771 |

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 September 30, 2025 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 |
| Total available-for-sale securities | \$ (42) | \$ 88,477 | \$ (72) | \$ 12,225 | \$ (114) | \$ 100,702 |

| September 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 | \$ (15) | \$ 5,384 | \$ (44) | \$ 1,919 | \$ (59) | \$ 7,303 |
| Asset-backed securities | (1) | 3,516 | — | — | (1) | 3,516 |
| Other | (23) | 6,614 | — | — | (23) | 6,614 |
| Total available-for-sale securities | \$ (39) | \$ 15,514 | \$ (44) | \$ 1,919 | \$ (83) | \$ 17,433 |

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 months ended September 30, 2024 or 2025. All securities in the Company's portfolio held an A-1 rating or better as of September 30, 2025.

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 months ended September 30, 2024 or 2025. There were no realized gains or losses on the sale of available-for-sale securities for the three months ended September 30, 2024 or 2025.

Expected maturities of available-for-sale securities at September 30, 2025 were as follows:

| | Amortized cost | Fair value |
|-------------------------------------|----------------|------------|
| One year or less | \$ 197,216 | \$ 197,709 |
| One year to two years | 84,493 | 85,431 |
| Two years to three years | 96,707 | 98,266 |
| Three years to five years | 221,150 | 226,515 |
| Five years and thereafter | 11,037 | 11,253 |
| Total available-for-sale securities | \$ 610,603 | \$ 619,174 |

(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 on 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 September 30, 2025 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 September 30, 2025.

The fair value levels for the Company's cash and cash equivalents and available-for-sale securities was 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 | \$ 3,102,207 | \$ 2,482,526 | \$ 619,681 | \$ — |

| | September 30, 2025 | | | |
|---|--------------------|--------------|------------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| Cash and cash equivalents | \$ 165,192 | \$ 165,192 | \$ — | \$ — |
| Funds held for clients' cash and cash equivalents | 2,156,405 | 2,156,405 | — | — |
| Available-for-sale securities: | | | | |
| Corporate bonds | 381,452 | — | 381,452 | — |
| Asset-backed securities | 51,535 | — | 51,535 | — |
| Certificates of deposit | 59,994 | — | 59,994 | — |
| U.S. treasury securities | 76,748 | — | 76,748 | — |
| Commercial paper | 17,340 | — | 17,340 | — |
| Other | 32,105 | — | 32,105 | — |
| Total available-for-sale securities | 619,174 | — | 619,174 | — |
| Total investments | \$ 2,940,771 | \$ 2,321,597 | \$ 619,174 | \$ — |

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 three months ended September 30, 2025. As a result, \$81,250 remained outstanding at September 30, 2025. 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 September 30, 2025, 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"). 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 or 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 September 30, 2025, the Company had 1,008 shares available for future grant under the 2023 Plan, and 2,110 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 September 30, | |
|---|-------------------------------------|------------------|
| | 2024 | 2025 |
| Cost of revenues | \$ 4,496 | \$ 4,167 |
| Sales and marketing | 9,341 | 8,792 |
| Research and development | 9,493 | 9,010 |
| General and administrative | 10,210 | 15,877 |
| Total stock-based compensation expense | \$ 33,540 | \$ 37,846 |

In addition, the Company capitalized \$3,831 and \$2,916 of stock-based compensation expense in its capitalized internal-use software costs in the three months ended September 30, 2024 and 2025, 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 three months ended September 30, 2025:

| | Units | Weighted average grant date fair value |
|--|--------------|---|
| RSU balance at July 1, 2025 | 1,361 | \$ 187.32 |
| RSUs granted | 791 | \$ 172.08 |
| RSUs vested | (212) | \$ 217.07 |
| RSUs forfeited | (46) | \$ 169.89 |
| RSU balance at September 30, 2025 | 1,894 | \$ 177.25 |

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 three months ended September 30, 2025:

| | 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 September 30, 2025 | 89 | \$ 167.02 |

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 three months ended September 30, 2025:

| | Units | Weighted average grant date fair value |
|-----------------------------------|-------|---|
| MSU balance at July 1, 2025 | 167 | \$ 311.38 |
| MSUs granted | 31 | \$ 224.22 |
| MSUs vested | (25) | \$ 391.85 |
| MSUs forfeited | (46) | \$ 391.85 |
| MSU balance at September 30, 2025 | 127 | \$ 244.20 |

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

| | Three Months Ended September 30, | |
|-------------------------|-------------------------------------|--------|
| | 2024 | 2025 |
| 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 September 30, 2025, there was \$205,435 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 1.8 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 28.0% and 35.9% for the three months ended September 30, 2024 and 2025, respectively. The Company’s effective tax rate for the three months ended September 30, 2024 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 three months ended September 30, 2025 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 has determined that a valuation allowance is needed to reflect the realizability of those assets based on current federal and state law as of September 30, 2025.

(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 September 30, | |
|--|-------------------------------------|-----------|
| | 2024 | 2025 |
| Numerator: | | |
| Net income | \$ 49,573 | \$ 47,991 |
| Denominator: | | |
| Weighted-average shares used in computing net income per share: | | |
| Basic | 55,640 | 55,013 |
| Weighted-average effect of potentially dilutive shares: | | |
| Employee stock options, RSUs, PSUs and MSUs | 626 | 846 |
| Diluted | 56,266 | 55,859 |
| Net income per share: | | |
| Basic | \$ 0.89 | \$ 0.87 |
| Diluted | \$ 0.88 | \$ 0.86 |

The following table summarizes the outstanding restricted stock units, performance stock units and market stock units as of September 30, 2024 and 2025 that were excluded from the diluted per share calculation for the periods presented because to include them would have been antidilutive:

| | Three Months Ended September 30, | |
|-------|-------------------------------------|------|
| | 2024 | 2025 |
| RSUs | 13 | — |
| PSUs | 14 | — |
| MSUs | 23 | 29 |
| Total | 50 | 29 |

(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 September 30, | |
|-------------------------------------|-------------------------------------|------------|
| | 2024 | 2025 |
| Revenue | \$ 362,956 | \$ 408,172 |
| Adjusted cost of revenue | (94,274) | (101,507) |
| Adjusted sales and marketing | (78,570) | (87,056) |
| Adjusted research and development | (36,828) | (45,134) |
| Adjusted general and administrative | (34,628) | (36,065) |
| Other income | 4,742 | 702 |
| Income tax expense | (19,313) | (26,922) |
| Other segment items | (54,512) | (64,199) |
| Net income | \$ 49,573 | \$ 47,991 |

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

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 their employees. We are expanding the spend management capabilities of our platform beyond expense management to include accounts payable automation, corporate cards, and procurement capabilities through the acquisition of Airbase Inc. in October 2024. This integrated platform will enable HR and finance leaders to manage all their spend, including payroll, on a single platform.

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 \$363.0 million for the three months ended September 30, 2024 to \$408.2 million for the three months ended September 30, 2025, representing a 12% 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 September 30, | |
|--|-------------------------------------|-------------------|
| | 2024 | 2025 |
| (in thousands) | | |
| Reconciliation from Gross Profit to Adjusted Gross Profit | | |
| Gross profit | \$ 247,996 | \$ 279,792 |
| Amortization of capitalized internal-use software costs | 13,777 | 17,250 |
| Amortization of certain acquired intangibles | 2,064 | 4,601 |
| Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises | 4,923 | 4,547 |
| Other items (1) | (78) | 475 |
| Adjusted Gross Profit | <u>\$ 268,682</u> | <u>\$ 306,665</u> |

| | Three Months Ended September 30, | |
|--|-------------------------------------|-------------------|
| | 2024 | 2025 |
| (in thousands) | | |
| Reconciliation from Net income to Adjusted EBITDA | | |
| Net income | \$ 49,573 | \$ 47,991 |
| Interest expense | 400 | 2,355 |
| Income tax expense | 19,313 | 26,922 |
| Depreciation and amortization expense | 21,552 | 27,453 |
| EBITDA | 90,838 | 104,721 |
| Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises | 35,660 | 39,924 |
| Other items (2) | 2,528 | 1,764 |
| Adjusted EBITDA | <u>\$ 129,026</u> | <u>\$ 146,409</u> |

- (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 92% and 93% of our total revenues for the three months ended September 30, 2024 and 2025, 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 \$13.8 million and \$17.3 million of capitalized internal-use software costs during the three months ended September 30, 2024 and 2025, 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 months ended September 30, 2024 and 2025.

| | Three Months Ended September 30, | |
|---|-------------------------------------|-----------|
| | 2024 | 2025 |
| | (in thousands) | |
| Capitalized portion of research and development | \$ 19,297 | \$ 18,654 |
| Expensed portion of research and development | 47,260 | 55,607 |
| Total research and development | \$ 66,557 | \$ 74,261 |

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 September 30, | |
|--|-------------------------------------|------------|
| | 2024 | 2025 |
| (in thousands) | | |
| Consolidated Statements of Operations Data: | | |
| Revenues: | | |
| Recurring and other revenue | \$ 333,105 | \$ 378,858 |
| Interest income on funds held for clients | 29,851 | 29,314 |
| Total revenues | 362,956 | 408,172 |
| Cost of revenues | 114,960 | 128,380 |
| Gross profit | 247,996 | 279,792 |
| Operating expenses: | | |
| Sales and marketing | 88,431 | 96,368 |
| Research and development | 47,260 | 55,607 |
| General and administrative | 48,161 | 53,606 |
| Total operating expenses | 183,852 | 205,581 |
| Operating income | 64,144 | 74,211 |
| Other income | 4,742 | 702 |
| Income before income taxes | 68,886 | 74,913 |
| Income tax expense | 19,313 | 26,922 |
| Net income | \$ 49,573 | \$ 47,991 |

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 September 30, | |
|--|-------------------------------------|-------|
| | 2024 | 2025 |
| Consolidated Statements of Operations Data: | | |
| Revenues: | | |
| Recurring and other revenue | 92 % | 93 % |
| Interest income on funds held for clients | 8 % | 7 % |
| Total revenues | 100 % | 100 % |
| Cost of revenues | 32 % | 31 % |
| Gross profit | 68 % | 69 % |
| Operating expenses: | | |
| Sales and marketing | 24 % | 24 % |
| Research and development | 13 % | 14 % |
| General and administrative | 13 % | 13 % |
| Total operating expenses | 50 % | 51 % |
| Operating income | 18 % | 18 % |
| Other income | 1 % | — % |
| Income before income taxes | 19 % | 18 % |
| Income tax expense | 5 % | 6 % |
| Net income | 14 % | 12 % |

Comparison of Three Months Ended September 30, 2024 and 2025

Revenues

(\$ in thousands)

| | Three Months Ended September 30, | | Change | |
|---|-------------------------------------|------------|-----------|------|
| | 2024 | 2025 | \$ | % |
| Recurring and other revenue | \$ 333,105 | \$ 378,858 | \$ 45,753 | 14 % |
| Percentage of total revenues | 92 % | 93 % | | |
| Interest income on funds held for clients | \$ 29,851 | \$ 29,314 | \$ (537) | (2)% |
| Percentage of total revenues | 8 % | 7 % | | |

Recurring and Other Revenue

Recurring and other revenue for the three months ended September 30, 2025 increased by \$45.8 million, or 14%, to \$378.9 million from \$333.1 million for the three months ended September 30, 2024. 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 September 30, 2025 decreased by \$0.5 million, or 2%, to \$29.3 million from \$29.9 million for the three months ended September 30, 2024. 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)

| | Three Months Ended September 30, | | Change | |
|------------------------------|-------------------------------------|------------|-----------|------|
| | 2024 | 2025 | \$ | % |
| Cost of revenues | \$ 114,960 | \$ 128,380 | \$ 13,420 | 12 % |
| Percentage of total revenues | 32 % | 31 % | | |
| Gross margin | 68 % | 69 % | | |

Cost of revenues for the three months ended September 30, 2025 increased by \$13.4 million, or 12%, to \$128.4 million from \$115.0 million for the three months ended September 30, 2024. Cost of revenues increased primarily as a result of the continued growth of our business, in particular, \$6.4 million in additional employee-related costs, \$3.5 million in additional amortization of internal-use software, \$2.5 million in additional amortization of certain intangible assets and \$1.4 million in additional processing and delivery related costs. Gross margin increased from 68% for the three months ended September 30, 2024 to 69% for the three months ended September 30, 2025.

Operating Expenses

(\$ in thousands)

Sales and Marketing

| | Three Months Ended September 30, | | Change | |
|------------------------------|-------------------------------------|-----------|----------|-----|
| | 2024 | 2025 | \$ | % |
| Sales and marketing | \$ 88,431 | \$ 96,368 | \$ 7,937 | 9 % |
| Percentage of total revenues | 24 % | 24 % | | |

Sales and marketing expenses for the three months ended September 30, 2025 increased by \$7.9 million, or 9%, to \$96.4 million from \$88.4 million for the three months ended September 30, 2024. The increase in sales and marketing expense was primarily due to \$6.7 million of additional employee-related costs, including those incurred to expand our sales team.

Research and Development

| | Three Months Ended September 30, | | Change | |
|------------------------------|-------------------------------------|-----------|----------|------|
| | 2024 | 2025 | \$ | % |
| Research and development | \$ 47,260 | \$ 55,607 | \$ 8,347 | 18 % |
| Percentage of total revenues | 13 % | 14 % | | |

Research and development expenses for the three months ended September 30, 2025 increased by \$8.3 million, or 18%, to \$55.6 million from \$47.3 million for the three months ended September 30, 2024. The increase in research and development expenses was primarily due to \$7.7 million of additional employee-related costs related to additional development personnel, net of capitalized internal-use software costs.

General and Administrative

| | Three Months Ended September 30, | | Change | |
|------------------------------|-------------------------------------|-----------|----------|------|
| | 2024 | 2025 | \$ | % |
| General and administrative | \$ 48,161 | \$ 53,606 | \$ 5,445 | 11 % |
| Percentage of total revenues | 13 % | 13 % | | |

General and administrative expenses for the three months ended September 30, 2025 increased by \$5.4 million, or 11%, to \$53.6 million from \$48.2 million for the three months ended September 30, 2024. General and administrative expenses increased primarily due to \$5.7 million in additional stock-based compensation expense largely driven by executive award forfeitures during the three months ended September 30, 2024.

Other Income (Expense)

Other income for the three months ended September 30, 2025 decreased by \$4.0 million as compared to the three months ended September 30, 2024. The change in other income was primarily due to \$2.1 million reduction in interest earned on our cash and cash equivalents from lower average balances and \$2.0 million in additional interest expense related to borrowings under our revolving credit facility.

Income Taxes

Our effective tax rate was 28.0% and 35.9% for the three months ended September 30, 2024 and 2025, respectively. Our effective tax rate for both the three months ended September 30, 2024 was higher than the federal statutory rate of 21% primarily due to state and local income taxes. Our effective tax rate for the three months ended September 30, 2025 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 in 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 has determined that a valuation allowance is needed to reflect the realizability of those assets based on current federal and state law as of September 30, 2025.

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 September 30, 2025, our principal source of liquidity was \$165.2 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 September 30, 2025, as we repaid \$162.5 million in the second half of fiscal 2025 and an additional \$81.3 million during the first quarter 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 three months ended September 30, 2025, we repurchased an aggregate of 1.2 million shares for approximately \$200.0 million at an average cost per share of \$173.30 under the Repurchase Program. As of September 30, 2025, approximately \$500.4 million remains authorized for repurchases under the 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 September 30, 2025, 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:

| | Three Months Ended September 30, | |
|--|-------------------------------------|---------------------|
| | 2024 | 2025 |
| Net cash provided by operating activities | \$ 91,455 | \$ 86,456 |
| Cash flows from investing activities: | | |
| Purchases of available-for-sale securities | (20,174) | (30,456) |
| Proceeds from sales and maturities of available-for-sale securities | 25,022 | 32,358 |
| Capitalized internal-use software costs | (15,210) | (15,460) |
| Purchases of property and equipment | (2,328) | (3,797) |
| Other investing activities | (638) | (338) |
| Net cash used in investing activities | (13,328) | (17,693) |
| Cash flows from financing activities: | | |
| Net change in client fund obligations | (621,746) | 70,293 |
| Borrowings under credit facility | 325,000 | — |
| Repayment of credit facility | — | (81,250) |
| Repurchases of common shares | — | (200,000) |
| Taxes paid related to net share settlement of equity awards | (21,536) | (18,723) |
| Other financing activities | (11) | (12) |
| Net cash used in financing activities | (318,293) | (229,692) |
| Net change in cash, cash equivalents and funds held for clients' cash and cash equivalents | <u>\$ (240,166)</u> | <u>\$ (160,929)</u> |

Operating Activities

Net cash provided by operating activities was \$91.5 million and \$86.5 million for the three months ended September 30, 2024 and 2025, respectively. The change in net cash provided by operating activities from the three months ended September 30, 2024 to the three months ended September 30, 2025 was primarily due to changes in operating assets and liabilities, partially offset 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) during the three months ended September 30, 2025 as compared to the three months ended September 30, 2024.

Investing Activities

Net cash used in investing activities was \$13.3 million and \$17.7 million for the three months ended September 30, 2024 and 2025, 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 a \$10.3 million increase in purchases of available-for-sale securities, partially offset by a \$7.3 million increase in proceeds from the sales and maturities of available-for-sale securities during the three months ended September 30, 2025 as compared to the three months ended September 30, 2024.

Financing Activities

Net cash used in financing activities was \$318.3 million and \$229.7 million for the three months ended September 30, 2024 and 2025, respectively. The change in net cash used in financing activities was primarily due to an increase in the net change in client fund obligations of \$692.0 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 three months ended September 30, 2024, and \$200.0 million in share repurchases and \$81.3 million repayment of amounts borrowed on our credit facility during the three months ended September 30, 2025.

Contractual Obligations and Commitments

At September 30, 2025, 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 \$63.2 million in operating lease obligations, of which \$10.4 million is due in the next twelve months. We also had \$84.6 million in purchase obligations, of which \$55.2 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 \$2.3 million and \$3.8 million for the three months ended September 30, 2024 and 2025, respectively, exclusive of capitalized internal-use software costs of \$15.2 million and \$15.5 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 September 30, 2025, we had cash and cash equivalents of \$165.2 million and funds held for clients of \$2,775.6 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 \$12.0 million as of September 30, 2025. 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 \$11.6 million as of September 30, 2025. 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 September 30, 2025, 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 September 30, 2025, 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 September 30, 2025:

| | <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> |
|--|---|---|---|---|
| July 1, 2025 - July 31, 2025 | 212,487 | \$ 183.20 | 212,487 | \$ 661,434,481 |
| August 1, 2025 - August 31, 2025 | 284,556 | \$ 178.52 | 284,556 | \$ 610,636,518 |
| September 1, 2025 - September 30, 2025 | 657,029 | \$ 167.84 | 657,029 | \$ 500,362,644 |
| Total | <u>1,154,072</u> | | <u>1,154,072</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 September 30, 2025, 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):

| Name and Title | Total Shares of Common Stock to be Sold⁽¹⁾ | Duration⁽²⁾ | Adoption Date | Expiration Date |
|----------------------------------|--|--|----------------------|------------------------|
| Steven R. Beauchamp | | | | |
| Executive Chairman | 225,000 ⁽³⁾⁽⁴⁾ | January 15, 2026 - November 30, 2026 | August 19, 2025 | November 30, 2026 |
| Andrew Cappotelli | | | | |
| Senior Vice President Operations | Up to 9,210 | November 26, 2025 - September 8, 2026 | August 27, 2025 | September 8, 2026 |
| Ryan Glenn | | | | |
| Chief Financial Officer | Up to 19,225 ⁽⁴⁾ | February 19, 2026 - November 20, 2026 | September 5, 2025 | November 20, 2026 |
| Joshua Scutt | | | | |
| Senior Vice President Sales | Up to 18,433 ⁽⁴⁾ | December 10, 2025 - August 21, 2026 | September 10, 2025 | August 21, 2026 |

⁽¹⁾ Includes shares subject to certain outstanding equity awards with time- and/or performance-based vesting conditions. For shares subject to performance-based vesting conditions, the number of shares included in the table above assumes the target achievement of the performance-based conditions. Additionally, for both time- and performance-based vesting awards, the actual number of shares that may be sold will be net of the number of shares withheld by the Company to satisfy tax withholding obligations arising from the vesting of such awards, which is not determinable at this time.

⁽²⁾ 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.

⁽³⁾ Mr. Beauchamp’s Rule 10b5-1 trading arrangement includes 165,000 shares held directly by Mr. Beauchamp and 60,000 shares to be sold by the IRIE Family Trust where Mr. Beauchamp's spouse is the trustee.

⁽⁴⁾ 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 September 30, 2025.

Item 6. Exhibits

| Exhibit Nos. | Description |
|------------------------|---|
| 3.1 | 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)). |
| 3.2 | 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)). |
| 10.1* | Form of U.S. Executive Restricted Stock Unit Notice of Grant and Award Agreement under 2023 Equity Incentive Plan. |
| 10.2* | Form of U.S. Executive Restricted Stock Unit Notice of Grant and Award Agreement (for California Participants Executive and Board) under 2023 Equity Incentive Plan. |
| 31.1* | 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. |
| 31.2* | 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. |
| 32.1** | Certification pursuant to 18 U.S.C. 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Executive Officer. |
| 32.2** | Certification pursuant to 18 U.S.C. 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Financial Officer. |
| 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). |

* Filed herewith

** Furnished herewith

RSU Grant Notice with Quarterly Vesting Schedule

**PAYLOCITY HOLDING CORPORATION
NOTICE OF GRANT OF RESTRICTED STOCK UNITS
(Contains a Non-Competition Covenant)**

Paylocity Holding Corporation (the “*Company*”) has granted to the Participant an award (the “*Award*”) of certain units pursuant to the Paylocity Holding Corporation 2023 Equity Incentive Plan (the “*Plan*”), each of which represents the right to receive on the applicable Settlement Date one (1) share of Stock, as follows:

Employee ID:

Participant:

Date of Grant:

Total Number of Units: _____ Subject to adjustment as provided by the Restricted Stock Units Agreement.

Settlement Date: Except as provided by the Restricted Stock Units Agreement, the date on which a Unit becomes a Vested Unit.

Vesting Start Date:

Vested Units: Except as provided in the Restricted Stock Units Agreement and provided that the Participant’s Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) as of any date is determined by multiplying the Total Number of Units by the “*Vested Ratio*” determined as of such date, as follows:

Vested Ratio

Superseding Agreement: None

By their signatures below or by electronic acceptance or authentication in a form authorized by the Company, the Company and the Participant agree that the Award is governed by this Grant Notice and by the provisions of the Restricted Stock Units Agreement and the Plan, both of which are made a part of this document, and by the Superseding Agreement, if any. The Participant acknowledges that copies of the Plan, the Restricted Stock Units Agreement and the prospectus for the Plan are posted to the participant’s online account through the Company designated stock compensation administration provider and may be viewed and printed by the Participant for attachment to the Participant’s copy of this Grant Notice. The Participant represents that the Participant has read and is familiar with the provisions of the Restricted Stock Units Agreement and the Plan, and hereby accepts the Award subject to all of their terms and conditions.

PAYLOCITY HOLDING CORPORATION

PARTICIPANT

By: _____

Signature

[Title]

Date

Address: 1400 American Lane
Schaumburg, IL 60173

Address

ATTACHMENTS: 2023 Equity Incentive Plan, as amended to the Date of Grant; Restricted Stock Units Agreement and Plan Prospectus

**PAYLOCITY HOLDING CORPORATION
RESTRICTED STOCK UNITS AGREEMENT
(For U.S. Participants Executive and Board)**

Paylocity Holding Corporation has granted to the Participant named in the *Notice of Grant of Restricted Stock Units* (the “*Grant Notice*”) to which this Restricted Stock Units Agreement (the “*Agreement*”) is attached an Award consisting of Restricted Stock Units (each a “*Unit*”) subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to and shall in all respects be subject to the terms and conditions of the Paylocity Holding Corporation 2023 Equity Incentive Plan (the “*Plan*”), as amended to the Date of Grant, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of and represents that the Participant has read and is familiar with the Grant Notice, this Agreement, the Plan and a prospectus for the Plan prepared in connection with the registration with the Securities and Exchange Commission of the shares issuable pursuant to the Award (the “*Plan Prospectus*”), (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Agreement or the Plan.

1 DEFINITIONS AND CONSTRUCTION.

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

2 ADMINISTRATION.

All questions of interpretation concerning the Grant Notice, this Agreement, the Plan or any other form of agreement or other document employed by the Company in the administration of the Plan or the Award shall be determined by the Committee. All such determinations by the Committee shall be final, binding and conclusive upon all persons having an interest in the Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or the Award or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest in the Award. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, or election.

3 THE AWARD.

3.1 **Grant of Units.** On the Date of Grant, the Participant shall acquire, subject to the provisions of this Agreement, the Total Number of Units set forth in the Grant Notice, subject to adjustment as provided in Section 10. Each Unit represents a right to receive on a date determined in accordance with the Grant Notice and this Agreement one (1) share of Stock.

3.2 **No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Units or shares of Stock issued upon settlement of the Units, the consideration for which shall be past services actually rendered or future services to be rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock issued upon settlement of the Units.

4 VESTING OF UNITS.

Units acquired pursuant to this Agreement shall become Vested Units as provided in the Grant Notice. In addition, Units acquired pursuant to this Agreement shall become Vested Units upon the Participant's death or Disability (defined below) to the extent they have not otherwise become Vested Units. For purposes of determining the number of Vested Units following an Ownership Change Event, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after the Ownership Change Event. "Disability," for purposes of accelerating vesting, means the permanent and total disability of the Participant, within the meaning of Section 22(e)(3) of the Code.

5 COMPANY REACQUISITION RIGHT.

5.1 **Grant of Company Reacquisition Right.** Except to the extent otherwise provided by the Superseding Agreement, if any, in the event that the Participant's Service terminates for any reason or no reason, with or without cause, the Participant shall forfeit and the Company shall automatically reacquire all Units which are not, as of the time of such termination, Vested Units ("**Unvested Units**"), and the Participant shall not be entitled to any payment therefor (the "**Company Reacquisition Right**").

5.2 **Ownership Change Event, Non-Cash Dividends, Distributions and Adjustments.** Upon the occurrence of an Ownership Change Event, a dividend or distribution to the stockholders of the Company paid in shares of Stock or other property, or any other adjustment upon a change in the capital structure of the Company as described in Section 10, any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy) to which the Participant is entitled by reason of the Participant's ownership of Unvested Units shall be immediately subject to the Company Reacquisition Right and included in the terms "Units" and "Unvested Units" for all purposes of the Company Reacquisition Right with the same force and effect as the Unvested Units immediately prior to the Ownership Change Event, dividend, distribution or adjustment, as the case may be. For purposes of determining the number of Vested Units following an Ownership Change Event, dividend, distribution or adjustment, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after any such event.

6 SETTLEMENT OF THE AWARD.

6.1 **Issuance of Shares of Stock.** Subject to the provisions of Section 6.3, the Company shall issue to the Participant on the Settlement Date with respect to each Vested Unit to be settled on such date one (1) share of Stock. The Settlement Date with respect to a Unit shall be the date on which such Unit becomes a Vested Unit as provided by the Grant Notice (an "**Original Settlement Date**"); provided, however, that if the Original Settlement Date would occur on a date on which a sale by the Participant of the shares to be issued in settlement of the Vested Units would violate the Trading Compliance Policy of the Company, the Settlement Date for such Vested Units shall be deferred until the next day on which the sale of such shares would not violate the Trading Compliance Policy, but in any event on or before the 15th day of the third calendar month following calendar year of the Original Settlement Date. Shares of Stock issued in settlement of Units shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to Section 6.3, Section 8 or the Company's Trading Compliance Policy.

6.2 **Beneficial Ownership of Shares; Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit any or all shares acquired by the Participant pursuant to the settlement of the Award with the Company's transfer agent, including any successor transfer agent, to be held in book entry form, or to deposit such shares for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice. Except as provided by the foregoing, a certificate for the shares acquired by the Participant shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

6.3 **Restrictions on Grant of the Award and Issuance of Shares.** The grant of the Award and issuance of shares of Stock upon settlement of the Award shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No shares of Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares subject to the Award shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the Award, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

6.4 **Fractional Shares.** The Company shall not be required to issue fractional shares upon the settlement of the Award.

7 **PARTICIPANT COVENANTS.**

7.1 **Covenant Not to Disclose.** The Participant acknowledges that as a result of the Participant's employment with Paylocity Corporation, an Illinois corporation ("**Paylocity**"), the Participant has gained access to Paylocity's Confidential Information (defined below). During the Participant's employment and thereafter, the Participant will not use, disclose, or reveal to any person any Confidential Information except when acting within the scope of the Participant's duties or with prior written authorization from Paylocity's Chief Human Resources Officer.

(a) **Confidential Information.** The term "**Confidential Information**" shall mean all information belonging to, or otherwise relating to the business of Paylocity (including information received in confidence by Paylocity from its customers or suppliers or other third parties), which is not generally known, regardless of the manner in which it is stored or conveyed to the Participant, and which Paylocity has taken reasonable measures under the circumstances to protect from unauthorized use or disclosure, including, without limitation, Paylocity's trade secrets, intellectual property, formulae and processes, customer and employee information, pricing information, business and marketing strategies, proprietary information and know-how, unpublished or pending patent applications and all related patent rights, discoveries, software code, formulas and processes relating to Paylocity's business. Confidential Information does not include information that: (i) was generally known to the relevant public at the time of disclosure through no fault of the Participant; (ii) was lawfully received by the Participant from a third party; (iii) was known to the Participant prior to receipt from Paylocity; or (iv) was independently developed by the Participant or independent third parties. In each of the foregoing circumstances, this exception applies only if such public knowledge or possession by an independent third party was without breach by the Participant or any third party of any obligation of confidentiality or non-use, including the obligations and restrictions provided in this Agreement.

(b) **Scope of Non-Disclosure; Return of Company Property.** Nothing in this Section shall be deemed to limit the Participant's non-disclosure obligations under any applicable rule, statute, regulation, agreement or other Paylocity policy, or to prevent the Participant from providing truthful information to a government authority or in response to a valid subpoena or other court process. Upon termination of the Participant's employment with Paylocity for any reason, the Participant will immediately return to Paylocity all Paylocity property, including, without limitation, all Confidential Information. The Participant understands that the Participant shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

7.2 Covenants Not to Solicit.

(a) **Customer Non-Solicitation.** During employment with Paylocity and for a period of twenty-four (24) months following the termination of employment for any reason, the Participant agrees not to directly or indirectly contact, solicit or accept business from any of Paylocity's customers, prospective customers, brokers, brokerage firms, business partners, business associates, or end users, with whom the Participant had direct or indirect contact or solicited on behalf of Paylocity in the twelve (12) months prior to the Participant's termination, for the purpose of selling or soliciting products or services that are in competition with the products or services of Paylocity.

(b) **Employee Non-Solicitation.** During employment with Paylocity and for a period of twenty-four (24) months following the termination of employment for any reason, the Participant agrees not to directly or indirectly contact, solicit or recruit any employees or exclusive independent contractors of Paylocity with whom the Participant worked or had contact during the twelve (12) months preceding the termination of the Participant's employment, for the purpose of causing, inviting or encouraging any such employee to (i) terminate his or her employment or business relationship with Paylocity; and/or (ii) become employed or engaged by a person or entity that sells Competing Products (as defined below).

7.3 **Covenant Not to Compete.** During employment with Paylocity and for a period of twelve (12) months following the termination of employment for any reason, the Participant agrees not to directly or indirectly, on behalf of Participant or in conjunction with any other person or entity: (i) own any business (other than less than 3% ownership in a publicly traded company) that sells Competing Products in the Restricted Territory; or (ii) work in the Restricted Territory (whether as an employee, independent contractor, consultant, or otherwise) for any person or entity that sells Competing Products, in any role: (y) that is similar to any position held with the Company during the twenty-four (24) months preceding the termination of the Participant's employment, or (z) in which it would be beneficial for the Participant to use or rely upon Paylocity's Confidential Information. The term "**Competing Products**" shall mean products or services sold by Paylocity, or any prospective product or service Paylocity took steps to develop, and for which the Participant had any responsibility during the twenty-four (24) months preceding the termination of the Participant's employment, including, without limitation, any products or services related to software solutions for payroll, human capital management, human resources, benefits, time and labor, and talent management. The term "**Restricted Territory**" shall mean the geographic territory over which the Participant had responsibility during the twenty-four (24) months preceding the termination of the Participant's employment.

7.4 **Acknowledgments.** The Participant acknowledges that: (i) the covenants of this Section 7 are supported by sufficient consideration, including access to Paylocity's Legitimate Business Interests (defined below), and the Units awarded under this Agreement; (ii) Paylocity has invested substantial resources into the development, protection and retention of its Confidential Information, employees, customers, and business (collectively, "**Legitimate Business Interests**"); (iii) the Legitimate Business Interests have significant intrinsic value and are not readily achieved or duplicated; (iv) solely as a result of the Participant's employment with Paylocity, the Participant has gained access to and familiarity with the Legitimate Business Interests; (v) the covenants of this Section 7 are therefore reasonable and necessary to protect the Legitimate Business Interests, and they are enforceable; and (vi) the provisions of this Section 7 do not restrain competition, limit the Participant's ability to obtain employment of the Participant's choosing or affect the Participant's wages.

7.5 **Remedies and Relief.** In the event of any breach by the Participant of the provisions of this Section 7: (i) the Company shall have the right to require the Participant to deliver to the Company: (a) all Units granted to the Participant in the three (3) years preceding said breach; and (b) to the extent the Participant has disposed of any Units so granted or shares of Stock issued in settlement of such Units, the net proceeds from all such dispositions; and (ii) any unvested Units shall be immediately forfeited (collectively, the "**Repayment Obligation**"). The determination of whether the

Participant has engaged in a breach of Section 7 shall be determined by the Committee in its sole discretion. Any repayment obligations under this Section 7 shall be effected by the Participant within thirty (30) days of receipt of the Company's written demand for repayment. The Company may provide for an offset to any future payments owed by the Participating Company Group to the Participant, if necessary, to satisfy the Repayment Obligation. The Participant agrees to execute such documents as may be necessary to effect the repayment obligations referred to in this Section. Nothing in this Section 7 shall limit Paylocity from pursuing any other remedies otherwise available in law or in equity, including a temporary retaining order, a preliminary injunction, and a permanent injunction enjoining Participant's breach or threatened breach of any of the provisions of this Agreement or from seeking enforcement of any other restrictions by which the Participant is bound under other agreements or applicable law.

7.6 **Severability.** If any provision of this Agreement is held to be unenforceable, such provision will be distinct and severable from the other provisions of this Agreement, and such unenforceability will not affect the validity and enforceability of the remaining provisions. If a court holds that the duration, scope, geographic range or any other restriction stated in any provision of this Agreement is unreasonable under circumstances then existing, the parties agree that the maximum duration, scope, geographic range or other restriction that the court deems reasonable under such circumstances will be substituted and that the court will have the power to revise any of those restrictions to cover the maximum period, scope, geographic range and/or other restriction permitted by law. It is the intent of the parties that the court, in establishing any such substitute restriction, recognize that the parties' desire is that the stated restrictions upon which the parties have agreed be honored to the maximum lawful extent.

7.7 **Tolling.** The restricted time periods in Section 7 shall be tolled during any time period that Participant is in violation of such covenants, as determined by a court of competent jurisdiction, so that Paylocity may realize the full benefit of its bargain. This tolling shall include any time period during which litigation is pending, and during which Participant has continued to violate such protective covenants.

8 **TAX WITHHOLDING.**

8.1 **In General.** At the time the Grant Notice is executed, or at any time thereafter as requested by a Participating Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax (including any social insurance) withholding obligations of the Participating Company, if any, which arise in connection with the Award, the vesting of Units or the issuance of shares of Stock in settlement thereof. The Company shall have no obligation to deliver shares of Stock until the tax withholding obligations of the Participating Company have been satisfied by the Participant.

8.2 **Assignment of Sale Proceeds.** Subject to compliance with applicable law and the Company's Trading Compliance Policy, if permitted by the Company, the Participant may satisfy the Participating Company's tax withholding obligations in accordance with procedures established by the Company providing for delivery by the Participant to the Company or a broker approved by the Company of properly executed instructions, in a form approved by the Company, providing for the assignment to the Company of the proceeds of a sale with respect to some or all of the shares being acquired upon settlement of Units.

8.3 **Withholding in Shares.** The Company shall have the right, but not the obligation, to require the Participant to satisfy all or any portion of a Participating Company's tax withholding obligations by deducting from the shares of Stock otherwise deliverable to the Participant in settlement of the Award a number of whole shares having a fair market value, as determined by the Company as of the date on which the tax withholding obligations arise, not in excess of the amount of such tax withholding obligations determined by the applicable statutory withholding rates.

9 EFFECT OF CHANGE IN CONTROL.

In the event of a Change in Control, except to the extent that the Committee determines to cash out the Award in accordance with Section 13.1(e) of the Plan, the surviving, continuing, successor, or purchasing entity or parent thereof, as the case may be (the “*Acquiror*”), may, without the consent of the Participant, assume or continue in full force and effect the Company’s rights and obligations under all or any portion of the outstanding Units or substitute for all or any portion of the outstanding Units substantially equivalent rights with respect to the Acquiror’s stock. For purposes of this Section, a Unit shall be deemed assumed if, following the Change in Control, the Unit confers the right to receive, subject to the terms and conditions of the Plan and this Agreement, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock); provided, however, that if such consideration is not solely common stock of the Acquiror, the Committee may, with the consent of the Acquiror, provide for the consideration to be received upon settlement of the Unit to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Stock pursuant to the Change in Control. The Award shall terminate and cease to be outstanding effective as of the time of consummation or the Change in Control to the extent that Units subject to the Award are neither assumed or continued by the Acquiror in connection with the Change in Control nor settled as of the time of the Change in Control.

10 ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE.

Subject to any required action by the stockholders of the Company and the requirements of Section 409A of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (other than regular, periodic cash dividends paid on Stock pursuant to the Company’s dividend policy) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number of Units subject to the Award and/or the number and kind of shares or other property to be issued in settlement of the Award, in order to prevent dilution or enlargement of the Participant’s rights under the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as “effected without receipt of consideration by the Company.” Any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends paid on Stock pursuant to the Company’s dividend policy) to which the Participant is entitled by reason of ownership of Units acquired pursuant to this Award will be immediately subject to the provisions of this Award on the same basis as all Units originally acquired hereunder. Any fractional Unit or share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee, and its determination shall be final, binding and conclusive.

11 RIGHTS AS A STOCKHOLDER, DIRECTOR, EMPLOYEE OR CONSULTANT.

The Participant shall have no rights as a stockholder with respect to any shares which may be issued in settlement of this Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the shares are issued, except as provided in Section 10. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Participant, the Participant’s employment is “at will” and is for no specified term. Nothing in this Agreement shall confer upon the Participant any right to continue in the Service of a Participating Company or interfere in any way with any right of the Participating Company Group to terminate the Participant’s Service at any time.

12 LEGENDS.

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of stock issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to this Award in the possession of the Participant in order to carry out the provisions of this Section.

13 COMPLIANCE WITH SECTION 409A.

It is intended that any election, payment or benefit which is made or provided pursuant to or in connection with this Award that may result in Section 409A Deferred Compensation shall comply in all respects with the applicable requirements of Section 409A (including applicable regulations or other administrative guidance thereunder, as determined by the Committee in good faith) to avoid the unfavorable tax consequences provided therein for non-compliance. In connection with effecting such compliance with Section 409A, the following shall apply:

13.1 Separation from Service; Required Delay in Payment to Specified Employee. Notwithstanding anything set forth herein to the contrary, no amount payable pursuant to this Agreement on account of the Participant's termination of Service which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the "**Section 409A Regulations**") shall be paid unless and until the Participant has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, to the extent that the Participant is a "specified employee" within the meaning of the Section 409A Regulations as of the date of the Participant's separation from service, no amount that constitutes a deferral of compensation which is payable on account of the Participant's separation from service shall be paid to the Participant before the date (the "**Delayed Payment Date**") which is first day of the seventh month after the date of the Participant's separation from service or, if earlier, the date of the Participant's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

13.2 Other Changes in Time of Payment. Neither the Participant nor the Company shall take any action to accelerate or delay the payment of any benefits under this Agreement in any manner which would not be in compliance with the Section 409A Regulations.

13.3 Amendments to Comply with Section 409A; Indemnification. Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with the Section 409A Regulations without prior notice to or consent of the Participant. The Participant hereby releases and holds harmless the Company, its directors, officers and stockholders from any and all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Participant in connection with the Award, including as a result of the application of Section 409A.

13.4 Advice of Independent Tax Advisor. The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

14 REPAYMENT/FORFEITURE.

Any benefits a Participant may receive pursuant to this Award shall be subject to repayment or forfeiture as required to comply with (a) any applicable listing standards of a national securities exchange on which the Company's securities are listed or as otherwise required by Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations of the U.S. Securities and Exchange Commission adopted thereunder, including Rule 10D-1 of the Exchange Act, (b) other applicable U.S. laws, and the applicable laws of any other jurisdiction, (c) the Paylocity Holding Corporation Policy for Recovery of Erroneously Awarded Incentive Compensation, or (d) any other repayment or forfeiture policies adopted by the Company, each to the extent determined by the Company in its discretion to be applicable to Participant.

15 MISCELLANEOUS PROVISIONS.

15.1 **Termination or Amendment.** The Committee may terminate or amend the Plan or this Agreement at any time; provided, however, that except as provided in Section 9 in connection with a Change in Control, no such termination or amendment may have a materially adverse effect on the Participant's rights under this Agreement without the consent of the Participant unless such termination or amendment is necessary to comply with applicable law or government regulation, including, but not limited to, Section 409A. No amendment or addition to this Agreement shall be effective unless in writing.

15.2 **Nontransferability of the Award.** Prior to the issuance of shares of Stock on the applicable Settlement Date, neither this Award nor any Units subject to this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

15.3 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

15.4 **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

15.5 **Advice of Counsel.** The Participant is hereby advised to have this Agreement, including without limitation the restrictive covenants set forth in Section 7 herein, reviewed by an attorney of the Participant's choosing. The Participant acknowledges and agrees that the Participant has had a period of at least fourteen (14) days to review and consider this Agreement before entering into it.

15.6 **Delivery of Documents and Notices.** Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver

electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 15.6(a) of this Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice, as described in Section 15.6(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 15.6(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 15.6(a)

(c) **Electronic Signatures.** The Participant agrees that the electronic signatures, whether digital or encrypted, of the parties included in the Agreement are intended to authenticate this writing and to have the same force and effect as manual signatures. Electronic signature means any electronic sound, symbol or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record.

15.7 **Integrated Agreement.** The Grant Notice, this Agreement and the Plan, together with the Superseding Agreement, if any, shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter. To the extent contemplated herein or therein, the provisions of the Grant Notice, this Agreement and the Plan shall survive any settlement of the Award and shall remain in full force and effect.

15.8 **Applicable Law; Forum Selection.** This Agreement shall be governed by the laws of the State of Illinois as such laws are applied to agreements between Illinois residents entered into and to be performed entirely within the State of Illinois, without regard to conflict-of-law rules. The parties agree that any suit, action, or other legal proceeding arising out of or relating to this Agreement will be brought exclusively in a court of competent jurisdiction located within Illinois and will not be commenced or maintained in any other court. The parties agree and consent to Illinois as the exclusive jurisdiction and venue of any such suit, action or proceeding. The parties agree and consent to service by mail of any paper initiating any suit, action, or proceeding at the address set forth herein. The Participant agrees to update the Participant's address with the Company as soon as possible after a change in address occurs and acknowledges that it is the Participant's responsibility to ensure that the Company has the Participant's correct address on file. The Participant waives any objection to service by mail where the Company addresses service to the most recent address provided by the Participant.

15.9 **Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

RSU Grant Notice with Quarterly Vesting Schedule

PAYLOCITY HOLDING CORPORATION NOTICE OF GRANT OF RESTRICTED STOCK UNITS (Contains a Non-Competition Covenant)

Paylocity Holding Corporation (the “*Company*”) has granted to the Participant an award (the “*Award*”) of certain units pursuant to the Paylocity Holding Corporation 2023 Equity Incentive Plan (the “*Plan*”), each of which represents the right to receive on the applicable Settlement Date one (1) share of Stock, as follows:

Employee ID:

Participant:

Date of Grant:

Total Number of Units:

_____ Subject to adjustment as provided by the Restricted Stock Units Agreement.

Settlement Date:

Except as provided by the Restricted Stock Units Agreement, the date on which a Unit becomes a Vested Unit.

Vesting Start Date:

Vested Units:

Except as provided in the Restricted Stock Units Agreement and provided that the Participant’s Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) as of any date is determined by multiplying the Total Number of Units by the “*Vested Ratio*” determined as of such date, as follows:

Vested Ratio

Superseding Agreement:

None

By their signatures below or by electronic acceptance or authentication in a form authorized by the Company, the Company and the Participant agree that the Award is governed by this Grant Notice and by the provisions of the Restricted Stock Units Agreement and the Plan, both of which are made a part of this document, and by the Superseding Agreement, if any. The Participant acknowledges that copies of the Plan, the Restricted Stock Units Agreement and the prospectus for the Plan are posted to the participant’s online account through the Company designated stock compensation administration provider and may be viewed and printed by the Participant for attachment to the Participant’s copy of this Grant Notice. The Participant represents that the Participant has read and is familiar with the provisions of the Restricted Stock Units Agreement and the Plan, and hereby accepts the Award subject to all of their terms and conditions.

PAYLOCITY HOLDING CORPORATION

PARTICIPANT

By: _____

Signature

[Title]

Date

Address: 1400 American Lane
Schaumburg, IL 60173

Address

ATTACHMENTS: 2023 Equity Incentive Plan, as amended to the Date of Grant; Restricted Stock Units Agreement and Plan Prospectus

**FORM OF
PAYLOCITY HOLDING CORPORATION
RESTRICTED STOCK UNITS AGREEMENT
(For California Participants Executive and Board)**

Paylocity Holding Corporation has granted to the Participant named in the *Notice of Grant of Restricted Stock Units* (the “**Grant Notice**”) to which this Restricted Stock Units Agreement (the “**Agreement**”) is attached an Award consisting of Restricted Stock Units (each a “**Unit**”) subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to and shall in all respects be subject to the terms and conditions of the Paylocity Holding Corporation 2023 Equity Incentive Plan (the “**Plan**”), as amended to the Date of Grant, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of and represents that the Participant has read and is familiar with the Grant Notice, this Agreement, the Plan and a prospectus for the Plan prepared in connection with the registration with the Securities and Exchange Commission of the shares issuable pursuant to the Award (the “**Plan Prospectus**”), (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Agreement or the Plan.

1 DEFINITIONS AND CONSTRUCTION.

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive unless the context clearly requires otherwise.

2 ADMINISTRATION.

All questions of interpretation concerning the Grant Notice, this Agreement, the Plan or any other form of agreement or other document employed by the Company in the administration of the Plan or the Award shall be determined by the Committee. All such determinations by the Committee shall be final, binding and conclusive upon all persons having an interest in the Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or the Award or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest in the Award. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, or election.

3 THE AWARD.

3.1 **Grant of Units.** On the Date of Grant, the Participant shall acquire, subject to the provisions of this Agreement, the Total Number of Units set forth in the Grant Notice, subject to adjustment as provided in Section 10. Each Unit represents a right to receive on a date determined in accordance with the Grant Notice and this Agreement one (1) share of Stock.

3.2 **No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Units or

shares of Stock issued upon settlement of the Units, the consideration for which shall be past services actually rendered or future services to be rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock issued upon settlement of the Units.

4 VESTING OF UNITS.

Units acquired pursuant to this Agreement shall become Vested Units as provided in the Grant Notice. In addition, Units acquired pursuant to this Agreement shall become Vested Units upon the Participant's death or Disability (defined below) to the extent they have not otherwise become Vested Units. For purposes of determining the number of Vested Units following an Ownership Change Event, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after the Ownership Change Event. "Disability," for purposes of accelerating vesting, means the permanent and total disability of the Participant, within the meaning of Section 22(e)(3) of the Code.

5 COMPANY REACQUISITION RIGHT.

5.1 **Grant of Company Reacquisition Right.** Except to the extent otherwise provided by the Superseding Agreement, if any, in the event that the Participant's Service terminates for any reason or no reason, with or without cause, the Participant shall forfeit and the Company shall automatically reacquire all Units which are not, as of the time of such termination, Vested Units ("**Unvested Units**"), and the Participant shall not be entitled to any payment therefor (the "**Company Reacquisition Right**").

5.2 **Ownership Change Event, Non-Cash Dividends, Distributions and Adjustments.** Upon the occurrence of an Ownership Change Event, a dividend or distribution to the stockholders of the Company paid in shares of Stock or other property, or any other adjustment upon a change in the capital structure of the Company as described in Section 10, any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy) to which the Participant is entitled by reason of the Participant's ownership of Unvested Units shall be immediately subject to the Company Reacquisition Right and included in the terms "Units" and "Unvested Units" for all purposes of the Company Reacquisition Right with the same force and effect as the Unvested Units immediately prior to the Ownership Change Event, dividend, distribution or adjustment, as the case may be. For purposes of determining the number of Vested Units following an Ownership Change Event, dividend, distribution or adjustment, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after any such event.

6 SETTLEMENT OF THE AWARD.

6.1 **Issuance of Shares of Stock.** Subject to the provisions of Section 6.3, the Company shall issue to the Participant on the Settlement Date with respect to each Vested Unit to be settled on such date one (1) share of Stock. The Settlement Date with respect to a Unit shall be the date on which such Unit becomes a Vested Unit as provided by the Grant Notice (an "**Original Settlement Date**"); provided, however, that if the Original Settlement Date would occur on a date on which a sale by the Participant of the shares to be issued in settlement of the Vested Units would violate the Trading Compliance Policy of the Company, the Settlement Date for such Vested Units shall be deferred until the next day on which the sale of such shares would not violate the Trading Compliance Policy, but in any event on or before the 15th day of the third calendar month following calendar year of the Original Settlement Date. Shares of Stock issued in settlement of Units shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to Section 6.3, Section 8 or the Company's Trading Compliance Policy.

6.2 **Beneficial Ownership of Shares; Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit any or all shares acquired by the Participant pursuant to the settlement of the Award with the Company's transfer agent, including any successor transfer agent, to be held in book entry form, or to deposit such shares for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice. Except as provided by the foregoing, a certificate for the shares acquired by the Participant shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

6.3 **Restrictions on Grant of the Award and Issuance of Shares.** The grant of the Award and issuance of shares of Stock upon settlement of the Award shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No shares of Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares subject to the Award shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the Award, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

6.4 **Fractional Shares.** The Company shall not be required to issue fractional shares upon the settlement of the Award.

7 **PARTICIPANT COVENANTS.**

7.1 **Covenant Not to Disclose.** The Participant acknowledges that as a result of the Participant's employment with Paylocity Corporation, an Illinois corporation ("**Paylocity**"), the Participant has gained access to Paylocity's Confidential Information (defined below). During the Participant's employment and thereafter, the Participant will not use, disclose, or reveal to any person any Confidential Information except when acting within the scope of the Participant's duties or with prior written authorization from Paylocity's Chief Human Resources Officer.

(a) **Confidential Information.** The term "**Confidential Information**" shall mean all information belonging to, or otherwise relating to the business of Paylocity (including information received in confidence by Paylocity from its customers or suppliers or other third parties), which is not generally known, regardless of the manner in which it is stored or conveyed to the Participant, and which Paylocity has taken reasonable measures under the circumstances to protect from unauthorized use or disclosure, including, without limitation, Paylocity's trade secrets, intellectual property, formulae and processes, customer and employee information, pricing information, business and marketing strategies, proprietary information and know-how, unpublished or pending patent applications and all related patent rights, discoveries, software code, formulas and processes relating to Paylocity's business. Confidential Information does not include information that: (i) was generally known to the relevant public at the time of disclosure through no fault of the Participant; (ii) was lawfully received by the Participant from a third party; (iii) was known to the Participant prior to receipt from Paylocity; or (iv) was independently developed by the Participant or independent third parties. In each of the foregoing circumstances, this exception applies only if such public knowledge or possession by an independent third party was without breach by the Participant or any third party of any obligation of confidentiality or non-use, including the obligations and restrictions provided in this Agreement.

(b) **Scope of Non-Disclosure; Return of Company Property.** Nothing in this Section shall be deemed to limit the Participant's non-disclosure obligations under any applicable rule, statute, regulation, agreement or other Paylocity policy, or to prevent the Participant from providing truthful information to a government authority or in response to a valid subpoena or other court process. Upon termination of the Participant's employment with Paylocity for any reason, the Participant will immediately return to Paylocity all Paylocity property, including, without limitation, all Confidential Information. The Participant understands that the Participant shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

7.2 Covenants Not to Solicit.

(a) **Customer Non-Solicitation.** During employment with Paylocity, the Participant agrees not to directly or indirectly contact, solicit or accept business from any of Paylocity's customers, prospective customers, brokers, brokerage firms, business partners, business associates, or end users for the purpose of selling or soliciting products or services that are in competition with the products or services of Paylocity.

(b) **Employee Non-Solicitation.** During employment with Paylocity, the Participant agrees not to directly or indirectly contact, solicit or recruit any employees or exclusive independent contractors of Paylocity for the purpose of causing, inviting or encouraging any such employee to (i) terminate his or her employment or business relationship with Paylocity; and/or (ii) become employed or engaged by a person or entity that sells Competing Products (as defined below).

7.3 **Covenant Not to Compete.** During employment with Paylocity, the Participant agrees not to directly or indirectly, on behalf of Participant or in conjunction with any other person or entity: (i) own any business (other than less than 3% ownership in a publicly traded company) that sells Competing Products in the Restricted Territory; or (ii) work (whether as an employee, independent contractor, consultant, or otherwise) for any person or entity that sells Competing Products, in any role: (y) that is similar to the Participant's then-current position or to any position the Participant held with the Company during the previous twenty-four (24) months, or (z) in which it would be beneficial for the Participant to use or rely upon Paylocity's Confidential Information. The term "**Competing Products**" shall mean products or services sold by Paylocity, or any prospective product or service Paylocity has taken steps to develop, including, without limitation, any products or services related to software solutions for payroll, human capital management, human resources, benefits, time and labor, and talent management.

7.4 **Acknowledgments.** The Participant acknowledges that: (i) the covenants of this Section 7 are supported by sufficient consideration, including access to Paylocity's Legitimate Business Interests (defined below), and the Units awarded under this Agreement; (ii) Paylocity has invested substantial resources into the development, protection and retention of its Confidential Information, employees, customers, and business (collectively, "**Legitimate Business Interests**"); (iii) the Legitimate Business Interests have significant intrinsic value and are not readily achieved or duplicated; (iv) solely as a result of the Participant's employment with Paylocity, the Participant has gained access to and familiarity with the Legitimate Business Interests; (v) the covenants of this Section 7 are therefore reasonable and necessary to protect the Legitimate Business Interests, and they are enforceable; and (vi) the provisions of this Section 7 do not restrain competition, limit the Participant's ability to obtain employment of the Participant's choosing or affect the Participant's wages.

7.5 **Remedies and Relief.** In the event of any breach by the Participant of the provisions of this Section 7: (i) the Company shall have the right to require the Participant to deliver to the Company: (a) all Units granted to the Participant in the three (3) years preceding said breach; and (b) to the extent the

Participant has disposed of any Units so granted or shares of Stock issued in settlement of such Units, the net proceeds from all such dispositions; and (ii) any unvested Units shall be immediately forfeited (collectively, the “**Repayment Obligation**”). The determination of whether the Participant has engaged in a breach of Section 7 shall be determined by the Committee in its sole discretion. Any repayment obligations under this Section 7 shall be effected by the Participant within thirty (30) days of receipt of the Company’s written demand for repayment. The Company may provide for an offset to any future payments owed by the Participating Company Group to the Participant, if necessary, to satisfy the Repayment Obligation. The Participant agrees to execute such documents as may be necessary to effect the repayment obligations referred to in this Section. Nothing in this Section 7 shall limit Paylocity from pursuing any other remedies otherwise available in law or in equity, including a temporary retaining order, a preliminary injunction, and a permanent injunction enjoining Participant’s breach or threatened breach of any of the provisions of this Agreement or from seeking enforcement of any other restrictions by which the Participant is bound under other agreements or applicable law.

7.6 **Severability.** If any provision of this Agreement is held to be unenforceable, such provision will be distinct and severable from the other provisions of this Agreement, and such unenforceability will not affect the validity and enforceability of the remaining provisions. If a court holds that the duration, scope, geographic range or any other restriction stated in any provision of this Agreement is unreasonable under circumstances then existing, the parties agree that the maximum duration, scope, geographic range or other restriction that the court deems reasonable under such circumstances will be substituted and that the court will have the power to revise any of those restrictions to cover the maximum period, scope, geographic range and/or other restriction permitted by law. It is the intent of the parties that the court, in establishing any such substitute restriction, recognize that the parties’ desire is that the stated restrictions upon which the parties have agreed be honored to the maximum lawful extent.

8 TAX WITHHOLDING.

8.1 **In General.** At the time the Grant Notice is executed, or at any time thereafter as requested by a Participating Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax (including any social insurance) withholding obligations of the Participating Company, if any, which arise in connection with the Award, the vesting of Units or the issuance of shares of Stock in settlement thereof. The Company shall have no obligation to deliver shares of Stock until the tax withholding obligations of the Participating Company have been satisfied by the Participant.

8.2 **Assignment of Sale Proceeds.** Subject to compliance with applicable law and the Company’s Trading Compliance Policy, if permitted by the Company, the Participant may satisfy the Participating Company’s tax withholding obligations in accordance with procedures established by the Company providing for delivery by the Participant to the Company or a broker approved by the Company of properly executed instructions, in a form approved by the Company, providing for the assignment to the Company of the proceeds of a sale with respect to some or all of the shares being acquired upon settlement of Units.

8.3 **Withholding in Shares.** The Company shall have the right, but not the obligation, to require the Participant to satisfy all or any portion of a Participating Company’s tax withholding obligations by deducting from the shares of Stock otherwise deliverable to the Participant in settlement of the Award a number of whole shares having a fair market value, as determined by the Company as of the date on which the tax withholding obligations arise, not in excess of the amount of such tax withholding obligations determined by the applicable statutory withholding rates.

9 EFFECT OF CHANGE IN CONTROL.

In the event of a Change in Control, except to the extent that the Committee determines to cash out the Award in accordance with Section 13.1(e) of the Plan, the surviving, continuing, successor, or purchasing entity or parent thereof, as the case may be (the “*Acquiror*”), may, without the consent of the Participant, assume or continue in full force and effect the Company’s rights and obligations under all or any portion of the outstanding Units or substitute for all or any portion of the outstanding Units substantially equivalent rights with respect to the Acquiror’s stock. For purposes of this Section, a Unit shall be deemed assumed if, following the Change in Control, the Unit confers the right to receive, subject to the terms and conditions of the Plan and this Agreement, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock); provided, however, that if such consideration is not solely common stock of the Acquiror, the Committee may, with the consent of the Acquiror, provide for the consideration to be received upon settlement of the Unit to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Stock pursuant to the Change in Control. The Award shall terminate and cease to be outstanding effective as of the time of consummation or the Change in Control to the extent that Units subject to the Award are neither assumed or continued by the Acquiror in connection with the Change in Control nor settled as of the time of the Change in Control.

10 ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE.

Subject to any required action by the stockholders of the Company and the requirements of Section 409A of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (other than regular, periodic cash dividends paid on Stock pursuant to the Company’s dividend policy) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number of Units subject to the Award and/or the number and kind of shares or other property to be issued in settlement of the Award, in order to prevent dilution or enlargement of the Participant’s rights under the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as “effected without receipt of consideration by the Company.” Any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends paid on Stock pursuant to the Company’s dividend policy) to which the Participant is entitled by reason of ownership of Units acquired pursuant to this Award will be immediately subject to the provisions of this Award on the same basis as all Units originally acquired hereunder. Any fractional Unit or share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee, and its determination shall be final, binding and conclusive.

11 RIGHTS AS A STOCKHOLDER, DIRECTOR, EMPLOYEE OR CONSULTANT.

The Participant shall have no rights as a stockholder with respect to any shares which may be issued in settlement of this Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the shares are issued, except as provided in Section 10. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Participant, the Participant’s employment is “at will” and is for no specified term. Nothing in this Agreement shall confer upon the Participant any right to continue in the Service of a

Participating Company or interfere in any way with any right of the Participating Company Group to terminate the Participant's Service at any time.

12 **LEGENDS.**

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of stock issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to this Award in the possession of the Participant in order to carry out the provisions of this Section.

13 **COMPLIANCE WITH SECTION 409A.**

It is intended that any election, payment or benefit which is made or provided pursuant to or in connection with this Award that may result in Section 409A Deferred Compensation shall comply in all respects with the applicable requirements of Section 409A (including applicable regulations or other administrative guidance thereunder, as determined by the Committee in good faith) to avoid the unfavorable tax consequences provided therein for non-compliance. In connection with effecting such compliance with Section 409A, the following shall apply:

13.1 **Separation from Service; Required Delay in Payment to Specified Employee.** Notwithstanding anything set forth herein to the contrary, no amount payable pursuant to this Agreement on account of the Participant's termination of Service which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the "**Section 409A Regulations**") shall be paid unless and until the Participant has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, to the extent that the Participant is a "specified employee" within the meaning of the Section 409A Regulations as of the date of the Participant's separation from service, no amount that constitutes a deferral of compensation which is payable on account of the Participant's separation from service shall be paid to the Participant before the date (the "**Delayed Payment Date**") which is first day of the seventh month after the date of the Participant's separation from service or, if earlier, the date of the Participant's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

13.2 **Other Changes in Time of Payment.** Neither the Participant nor the Company shall take any action to accelerate or delay the payment of any benefits under this Agreement in any manner which would not be in compliance with the Section 409A Regulations.

13.3 **Amendments to Comply with Section 409A; Indemnification.** Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with the Section 409A Regulations without prior notice to or consent of the Participant. The Participant hereby releases and holds harmless the Company, its directors, officers and stockholders from any and all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Participant in connection with the Award, including as a result of the application of Section 409A.

13.4 **Advice of Independent Tax Advisor.** The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The

Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

14 REPAYMENT/FORFEITURE.

Any benefits a Participant may receive pursuant to this Award shall be subject to repayment or forfeiture as required to comply with (a) any applicable listing standards of a national securities exchange on which the Company's securities are listed or as otherwise required by Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations of the U.S. Securities and Exchange Commission adopted thereunder, including Rule 10D-1 of the Exchange Act, (b) other applicable U.S. laws, and the applicable laws of any other jurisdiction, (c) the Paylocity Holding Corporation Policy for Recovery of Erroneously Awarded Incentive Compensation, or (d) any other repayment or forfeiture policies adopted by the Company, each to the extent determined by the Company in its discretion to be applicable to Participant.

15 MISCELLANEOUS PROVISIONS.

15.1 **Termination or Amendment.** The Committee may terminate or amend the Plan or this Agreement at any time; provided, however, that except as provided in Section 9 in connection with a Change in Control, no such termination or amendment may have a materially adverse effect on the Participant's rights under this Agreement without the consent of the Participant unless such termination or amendment is necessary to comply with applicable law or government regulation, including, but not limited to, Section 409A. No amendment or addition to this Agreement shall be effective unless in writing.

15.2 **Nontransferability of the Award.** Prior to the issuance of shares of Stock on the applicable Settlement Date, neither this Award nor any Units subject to this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

15.3 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

15.4 **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

15.5 **Advice of Counsel.** The Participant is hereby advised to have this Agreement, including without limitation the restrictive covenants set forth in Section 7 herein, reviewed by an attorney of the Participant's choosing. The Participant acknowledges and agrees that the Participant has had a period of at least fourteen (14) days to review and consider this Agreement before entering into it.

15.6 **Delivery of Documents and Notices.** Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 15.6(a) of this Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice, as described in Section 15.6(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 15.6(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 15.6(a)

(c) **Electronic Signatures.** The Participant agrees that the electronic signatures, whether digital or encrypted, of the parties included in the Agreement are intended to authenticate this writing and to have the same force and effect as manual signatures. Electronic signature means any electronic sound, symbol or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record.

15.7 Integrated Agreement. The Grant Notice, this Agreement and the Plan, together with the Superseding Agreement, if any, shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter. To the extent contemplated herein or therein, the provisions of the Grant Notice, this Agreement and the Plan shall survive any settlement of the Award and shall remain in full force and effect.

15.8 Applicable Law; Forum Selection. This Agreement shall be governed by the laws of the State of California. The parties agree that any suit, action, or other legal proceeding arising out of or relating to this Agreement may be brought in a court of competent jurisdiction located within California. The parties agree and consent to service by mail of any paper initiating any suit, action, or proceeding at the address set forth herein. The Participant agrees to update the Participant's address with the Company as soon as possible after a change in address occurs and acknowledges that it is the Participant's responsibility to ensure that the Company has the Participant's correct address on file. The Participant waives any objection to service by mail where the Company addresses service to the most recent address provided by the Participant.

15.9 Counterparts. The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**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: November 5, 2025

/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: November 5, 2025

/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 September 30, 2025 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: November 5, 2025

/s/ Toby J. Williams

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 September 30, 2025 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: November 5, 2025

/s/ Ryan Glenn

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.