



# Investor Presentation Q3 FY'23



# Disclaimer

Paycor HCM, Inc.'s (together with its subsidiaries, "Paycor" or the "Company") fiscal year ends on June 30. References to "fiscal 2022" or "FY'22" refer to the fiscal year ended June 30, 2022. References to "fiscal 2021" or "FY'21" refer to the fiscal year ended June 30, 2021. References to "fiscal 2020" or "FY'20" refer to the fiscal year ended June 30, 2020. References to "fiscal 2019" or "FY'19" refer to the arithmetic sum of the results of (i) Paycor, Inc., the Company's accounting predecessor, for the period of July 1, 2018 through November 1, 2018 and (ii) the Company for the period of November 2, 2018 to June 30, 2019. These FY'19 figures do not represent "pro forma" amounts prepared in accordance with SEC rules and regulations, including Article 11 of Regulation S-X. Any references to a year not preceded by fiscal or FY refers to a calendar year.

## Forward-Looking Statements

This presentation contains forward-looking statements that reflect the Company's current expectations and projections with respect to, among other things, its financial condition, results of operations, plans, objectives, future performance and business. These statements may be preceded by, followed by or include the words "anticipate," "estimate," "expect," "project," "plan," "intend," "believe," "may," "will," "should," "can have," "likely," "outlook," "potential," "targets," "project," "contemplates" and the negatives thereof and other words and terms of similar meaning.

All statements other than statements of historical fact are forward-looking statements. The inclusion of forward-looking statements should not be regarded as a representation by the Company, or any other person that the future plans, estimates, or expectations contemplated by the Company will be achieved. Such forward-looking statements are subject to various risks and uncertainties and assumptions relations to the Company's operations, financial results, financial condition, business, prospects, growth strategy, and liquidity. Accordingly, there are, or will be, important factors that could cause the Company's actual results to differ materially from those indicated in these statements. We believe that these risks include, but are not limited to: our ability to manage our growth effectively; the potential breach of our security measures or unauthorized access to our customers' or their employees' personal data; the expansion and retention of our direct sales force with qualified and productive persons and the related effects on the growth of our business; the impact on customer expansion and retention if implementation, user experience, customer service, or performance relating to our solutions is not satisfactory; the timing of payments made to employees and taxing authorities relative to the timing of when a customer's electronic funds transfers are settled to our account; future acquisitions of other companies' businesses, technologies, or customer portfolios; the continued service of our key executives; our ability to innovate and deliver high-quality, technologically advanced products and services; our ability to attract and retain qualified personnel; the proper operation of our software; our relationships with third parties; the ongoing effects of inflation, supply chain disruptions, labor shortages and other adverse macroeconomic conditions in the market in which we and our customers operate; the impact of an economic downturn or recession in the United States or global economy; and the other risks described in our Annual Report on Form 10-K for the year ended June 30, 2022, as well as in our other filings with the Securities and Exchange Commission.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations and assumptions reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We undertake no obligation to publicly update any forward-looking statement after the date of this presentation, whether as a result of new information, future developments or otherwise, or to conform these statements to actual results or revised expectations, except as may be required by law.

## Market and Industry Data

Unless otherwise indicated, information in this presentation concerning economic conditions, the Company's industry, the Company's markets, and the Company's competitive position is based on a variety of sources, including information from independent industry analysts and publications, as well as the Company's own estimates and research. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. While the Company believes the information presented is generally reliable, forecasts, assumptions, expectations, beliefs, estimates, and projections involve risk and uncertainties and are subject to change based on various factors.

## Non-GAAP Financial Measures

This presentation contains financial measures, such as Adjusted Gross Profit, Adjusted Gross Profit Margin, Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted Gross Profit Excluding Depreciation and Amortization, Adjusted Gross Profit Margin Excluding Depreciation and Amortization, Adjusted Sales and Marketing Expense, Adjusted General and Administrative Expense, Adjusted Research and Development Expense, and Adjusted Free Cash Flow, which are not recognized under generally accepted accounting principles in the United States ("GAAP").

The Company believes that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance and assists in comparisons with other companies, some of which use similar non-GAAP financial information to supplement their GAAP results. The non-GAAP financial information is presented for supplemental informational purposes only, and should not be considered a substitute for financial information presented in accordance with GAAP, and may be different from similarly-titled non-GAAP measures used by other companies.

Adjusted Gross Profit, Adjusted Gross Profit Margin, Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted Gross Profit Excluding Depreciation and Amortization, Adjusted Gross Profit Margin Excluding Depreciation and Amortization, Adjusted Sales and Marketing Expense, Adjusted General and Administrative Expense, Adjusted Research and Development Expense, and Adjusted Free Cash Flow have limitations as an analytical tool, and you should not consider this measure either in isolation or as a substitute for other methods of analyzing the results as reported under GAAP. A reconciliation of Adjusted Gross Profit, Adjusted Gross Profit Margin, Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted Gross Profit Excluding Depreciation and Amortization, Adjusted Gross Profit Margin Excluding Depreciation and Amortization, Adjusted Sales and Marketing Expense, Adjusted General and Administrative Expense, Adjusted Research and Development, and Adjusted Free Cash Flow to the most directly comparable GAAP financial measure can be found at the end of this presentation.



# Paycor Investment Highlights

**\$32B underserved market** with strong growth potential

**30+ years in business**  
30,000+ clients with 2.3m+ employees on the platform

**\$429M FY'22 revenue**  
22% revenue growth  
23% seller growth

**Subscription-based business model** with 99% FY'22 recurring revenue

## Who We Are

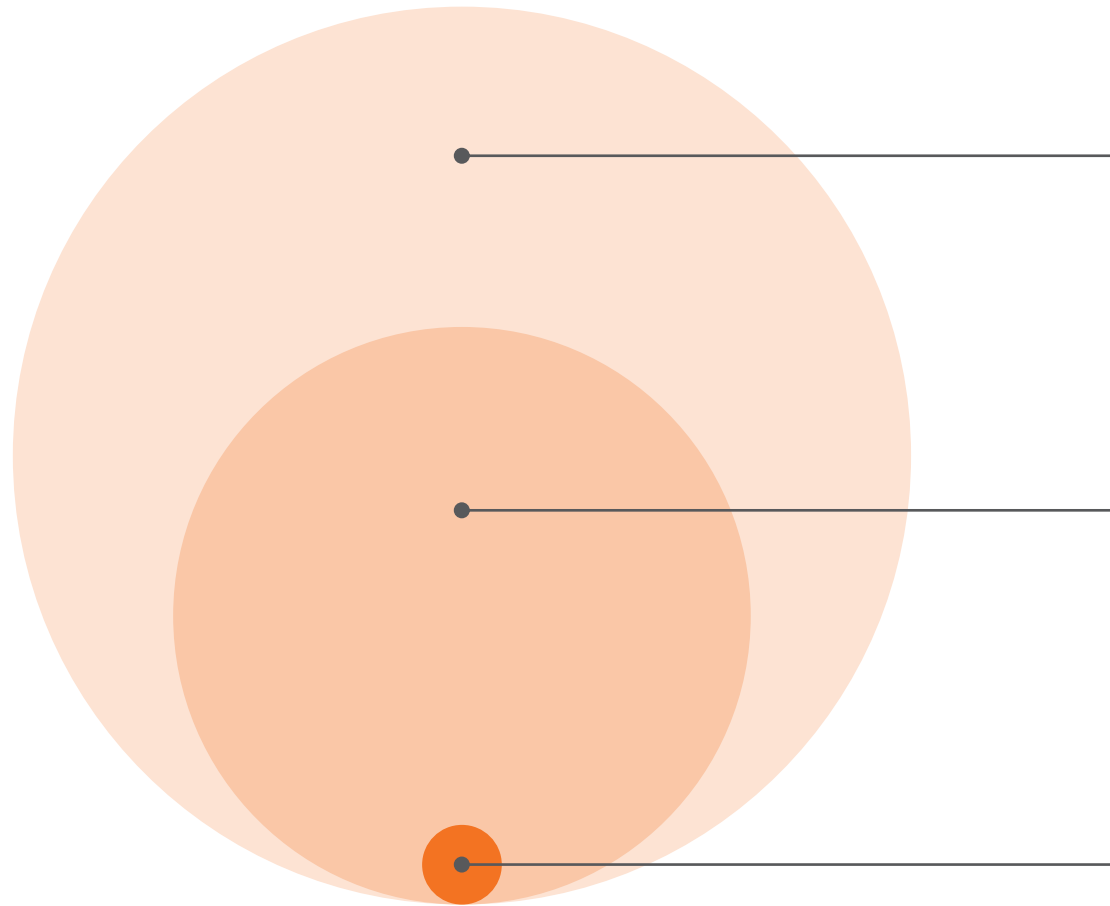
As a leading provider of Human Capital Management (HCM) software for SMBs, we empower leaders to build winning teams by modernizing people management.



Award-winning software and culture



# SMB Opportunity is Massive and Growing



## **\$37B Projected TAM**

~61M U.S. SMB 10-1000 employees x **\$50** Future List PEPM

## **\$32B Current TAM**

~61M U.S. SMB 10-1000 employees x **\$44** List PEPM<sup>(1)</sup>

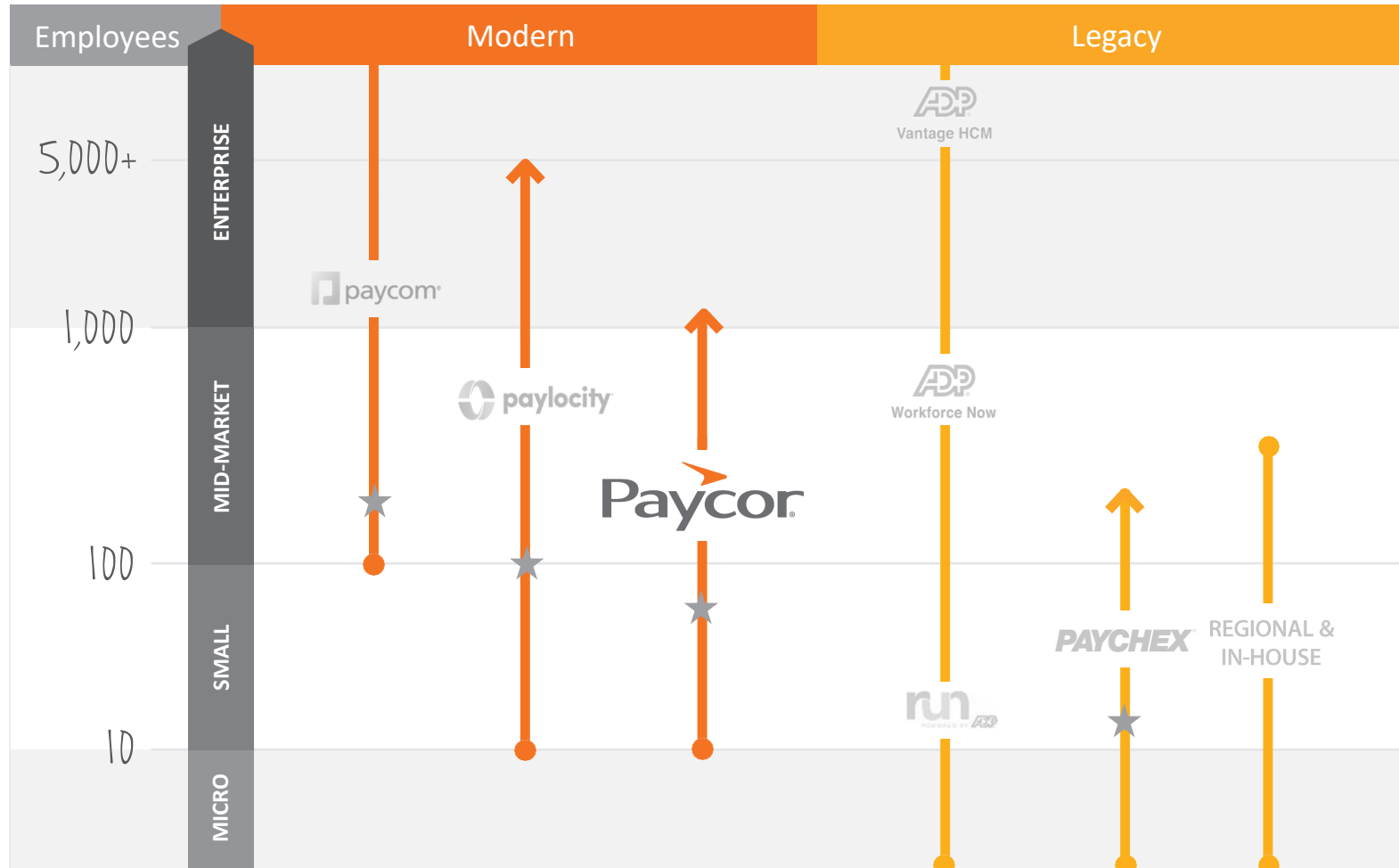
## **<2% PYCR market share<sup>(2)</sup>**

Modern HCM platforms comprise a small portion of the market






Source: U.S. Bureau of Labor Statistics, National Business Employment Dynamics Data by Firm Size Class: May 2023.

1. Sources: BLS data, # of U.S. employees at firms with 10-1000 employees through Q1 2022 multiplied by our list per-employee per-month ("PEPM") rate as of May 10, 2023 for our full suite of products.
2. Represents Paycor revenue for the fiscal year ended June 30, 2022.

# We are Laser Focused on Winning Share in the SMB Segment



**Paycor Advantage**

-  Designed for leaders
-  Configured by industry
-  Cloud-based
-  Unified, extensible platform
-  Modern user experience

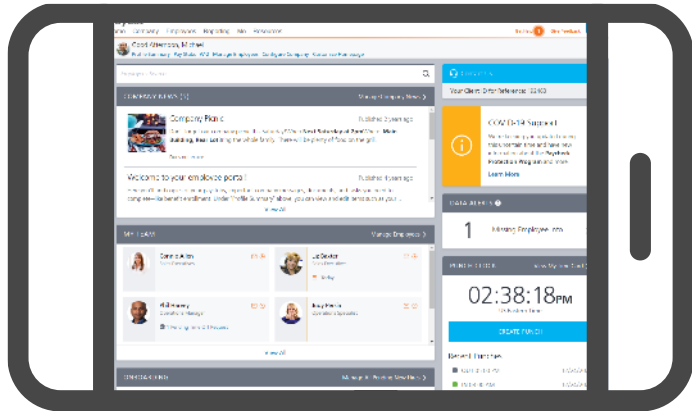


★ Average employees per company

# Our Disruptive SaaS Platform is Differentiated



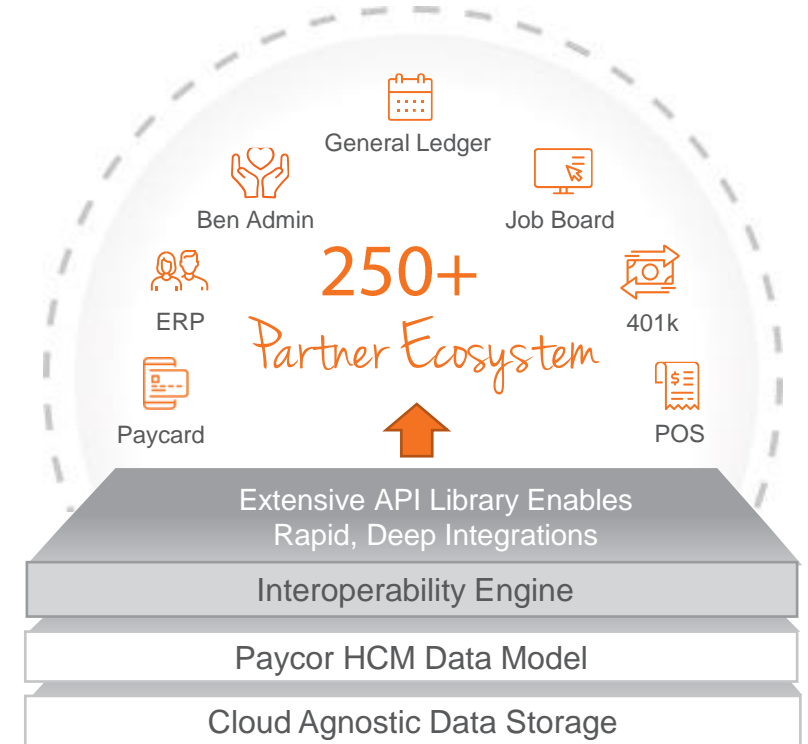
**Single Pane of Glass**



**Unrivaled Product Depth**



**Open, Unified and Interoperable Platform**



# Leaders Drive Engagement and Engagement Drives Results

Paycor modernizes people management, so leaders can focus on what really matters:

Building winning teams that deliver results.



## Talent Management

Onboard,  
Motivate, Develop



## Benefits Administration

Wellness as an  
Advantage



## Workforce Management

Optimize Labor  
Spend



## Employee Experience

Build Inclusive  
Cultures



# Our Robust Industry Program

## Community

Robust user network with industry-specific thought leadership, user groups and online community



## Customer Experience

Industry-skilled implementation and service experts providing a seamless transition and ongoing support



## Product Differentiation

Customized organic software with key partner integrations designed for industry leaders

### Healthcare



Recruit and hire skilled nurses, scheduling, and reporting to meet PBJ requirements

#### Key Integrations

Scheduling  
Compliance  
Ben Admin

### Restaurants



Attract employees with quick hire capabilities and retain them with OnDemand Pay

#### Key Integrations

POS  
OnDemand Pay  
ATS

### Manufacturing



Optimize shift coverage with flexible time collection options and easily claim hiring credits

#### Key Integrations

ERP  
Certified Payroll  
WOTC

### Professional Services



Engage employees with Talent Management and analyze company performance with robust Analytics

#### Key Integrations

Job Boards  
Benefits  
401K



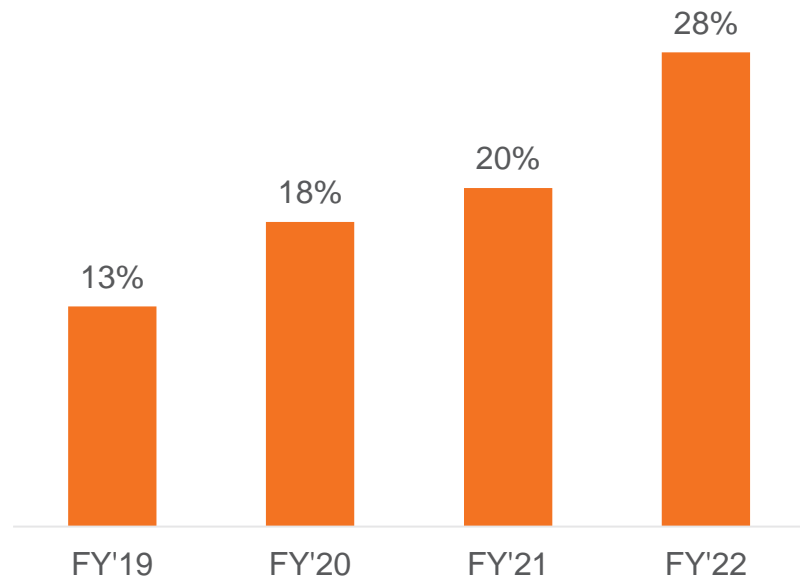


# Powered by a Scalable and Efficient Go-to-Market Engine

## Sales Expansion Focused on Tier 1 Markets

- Expanding from Midwest roots in top U.S. cities
- Seeing improved win rates and deal sizes

Tier 1 Sales Coverage

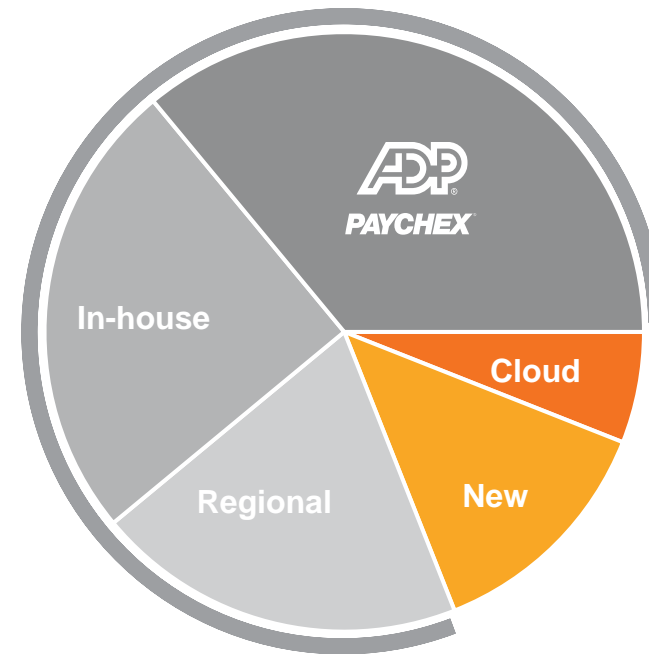


>50% SMB TAM  
in Top 50 Cities

33% of the US  
population is in  
Tier 1 Markets

## Source of Bookings

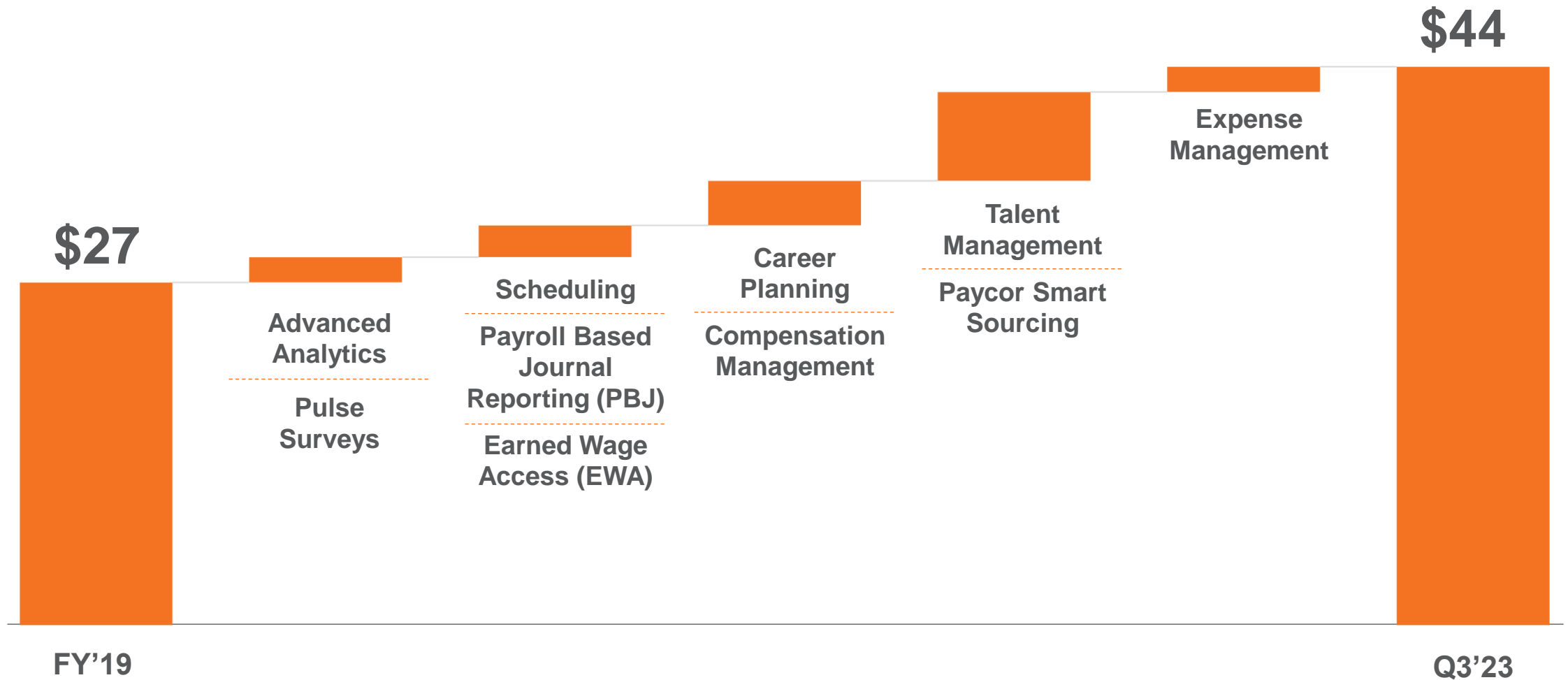
- 80% from legacy incumbents
- 40%+ from broker channel



**22%**  
FY'22 Revenue  
Growth

**~460**  
Total Sellers<sup>(1)</sup>

# Continuously Growing PEPM, Targeting \$3-5 of Annual Expansion



# Q3'23 Highlights



## Accelerated Revenue Growth

Delivered 32% revenue growth year-over-year, driven primarily by strong new client growth and continued PEPM expansion.



## Sales Coverage Expansion

Remain on target to achieve 20%+ seller headcount growth target for the fiscal year to continue expanding sales coverage.



## HCM Suite & PEPM Expansion

Effective PEPM increased 15% year-over-year, driven by cross-sales, pricing initiatives, and higher bundle adoption at the point of sale.



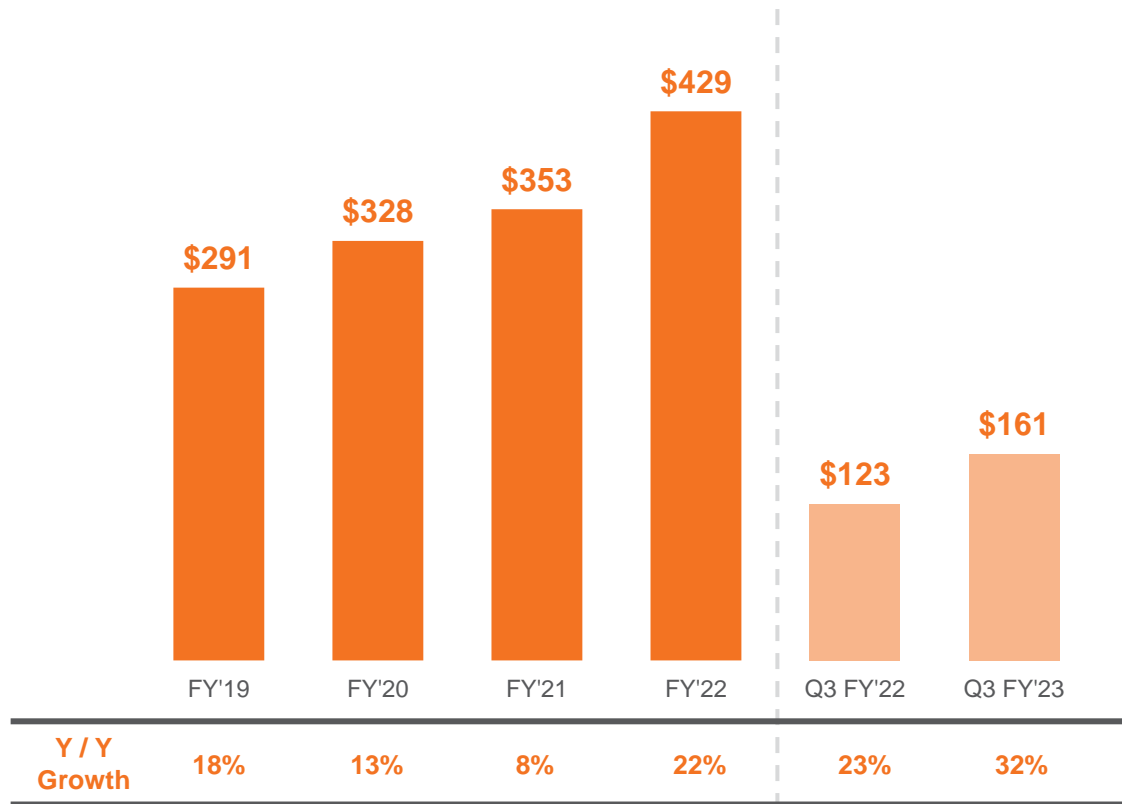
## Margin & FCF Expansion

Expanded adjusted operating income margins >400 bps this quarter and generated just under \$24 million in adjusted free cash flow.

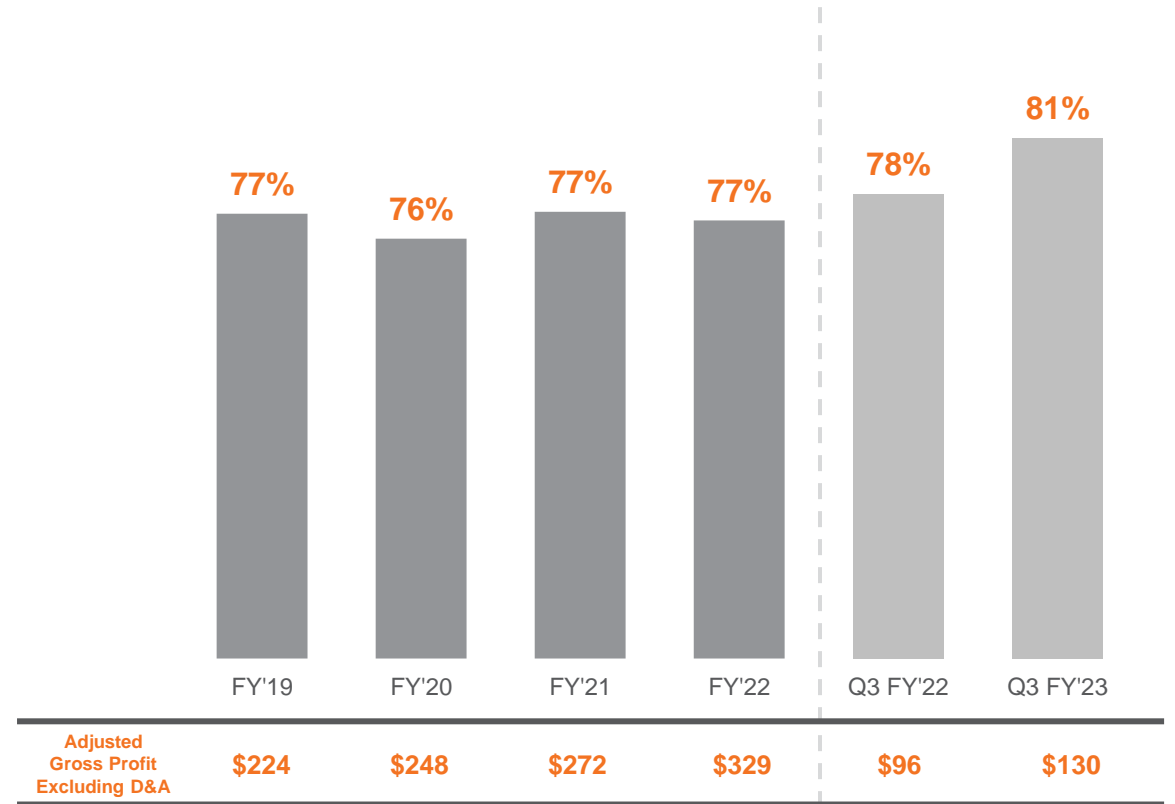


# Strong Revenue Performance

## Total Revenue



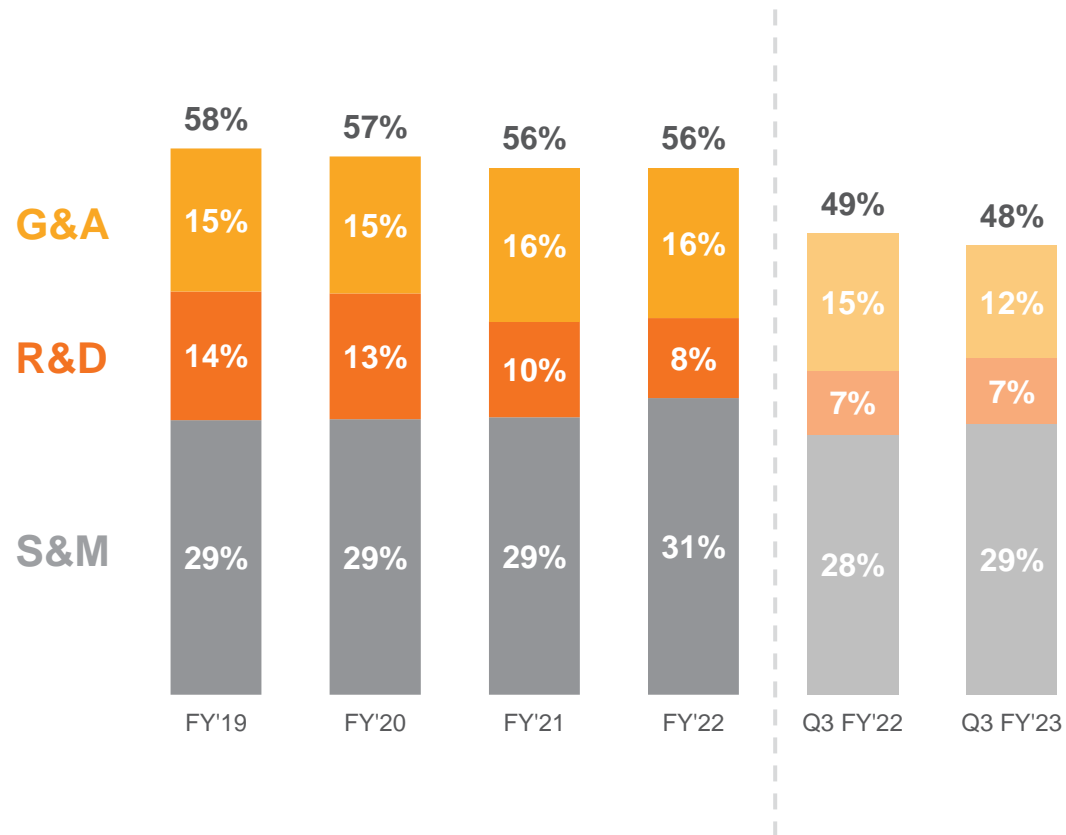
## Adjusted Gross Profit Margin Excluding Depreciation & Amortization



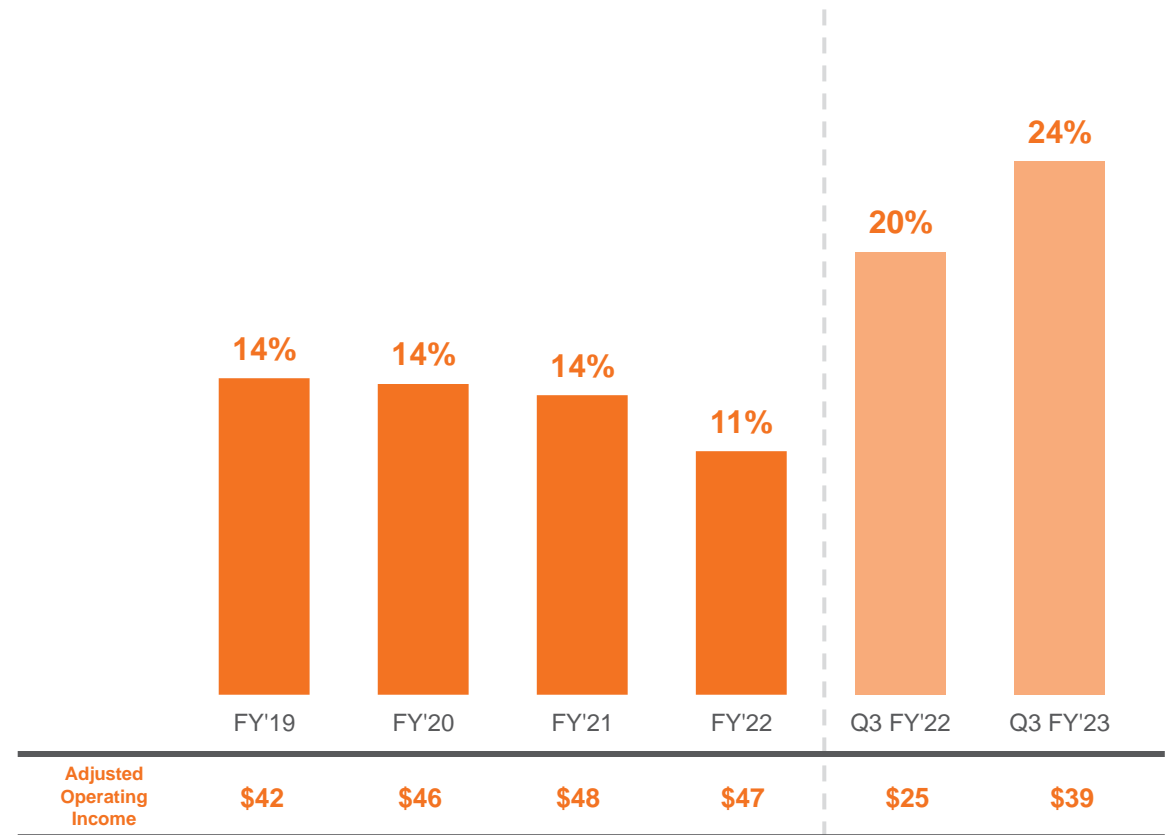
Note: FY'19 actuals are the sum of the GAAP Successor Period (period from November 2, 2018 to June 30, 2019) and GAAP Predecessor Period (period from July 1, 2018 to November 1, 2018), and are reported in such a manner throughout this presentation. \$ in millions. Please see Appendix for GAAP to non-GAAP reconciliation. Amounts may not foot due to rounding.

# Operating Structure Built to Drive Growth

Adjusted Operating Expenses as % of Revenue



Adjusted Operating Income Margin



# Q4 & FY'23 Guidance

	<u>Q4 FY'23</u>	<u>FY'23</u>
<b>Total Revenue</b>	<b>\$135 to \$137</b>	<b>\$548 to \$550</b>
<i>Year-over-year Growth</i>	<i>21.9% to 23.8%</i>	<i>27.6% to 28.1%</i>
<b>Adjusted Operating Income</b>	<b>\$13 to \$14</b>	<b>\$80 to \$81</b>
<i>Adjusted Operating Income Margin</i>	<i>9.6% to 10.2%</i>	<i>14.6% to 14.8%</i>

Note: We are unable to reconcile forward-looking adjusted operating income to forward-looking loss from operations, the most closely comparable GAAP financial measure, because the information needed to provide forward-looking loss from operations and to complete a reconciliation is unavailable at this time without unreasonable effort as the Company is currently unable to predict with a reasonable degree of certainty the type and extent of certain items that would be expected to impact loss from operations for these periods but would not impact adjusted operating income. Such items include stock-based and liability incentive expenses and corporate adjustments. \$ in millions.

# Paycor<sup>®</sup> Is Positioned for Significant Growth



**Massive, growing & still underserved market**



**Unified, disruptive HCM platform for SMB leaders**



**Multiple, proven growth strategies**



**Attractive subscription model & strong financial profile**





## Appendix



# Key Definitions

“We,” “us,” “our,” “the Company,” “Paycor,” and similar references refer to Paycor HCM, Inc., and unless otherwise stated, all of its subsidiaries.

“Apax Partners,” “Apax,” or “our Sponsor” refers to Apax Partners L.P., a global private equity firm, collectively, with its affiliates.

“Metropolitan statistical areas” refers to the metropolitan statistical areas delineated by the United States Office of Management and Budget as in effect as of the date of this prospectus.

“Net revenue retention” refers to the current quarterly period recurring revenue for the cohort of customers at the beginning of the prior year quarterly period, divided by the recurring revenue in the prior year reporting period for that same cohort. In calculating the net revenue retention for a period longer than a quarter, such as a fiscal year, we use the weighted average of the retention rates (calculated in accordance with the preceding sentence) for each applicable quarter included in such period.

“Gross Revenue Retention” is calculated as one minus the prior year respective period recurring revenue for the cohort of customers at the beginning of the prior year respective period who have processed a CLR within the last twelve months, divided by the recurring revenue in the prior year reporting period for the cohort of customers at the beginning of the prior year.

“Recurring revenue” refers to, with respect to any period, all recurring service revenues attributable to payroll, workforce management, and HR-related cloud-based computing services.

“Tier 1 markets” refers to the 15 most populous metropolitan statistical areas in the United States.

“Tier 2 markets” refers to the 15 most populous metropolitan statistical areas in the United States other than Tier 1 markets.

“Tier 3 markets” refers to the 20 most populous metropolitan statistical areas in the United States other than Tier 1 markets and Tier 2 markets.

“Total bookings” with respect to any period is defined as the aggregate year-one values of all new customer contracts acquired during such period, including new sales to existing clients. Total bookings includes both recurring fees and implementation services.

“Total customers” refers to a parent company grouping, which may include multiple subsidiary client accounts with separate taxpayer identification numbers.

“Enterprise Segment” customers with 1,000+ EEs

“Mid-Market Segment” or “MM Segment” customers with 50-999 EEs

“Small Market Segment” or “SM Segment” customers with 10-49 EEs

“Micro Segment” customers with 1-9 EEs



# Non-GAAP Financial Measures

**Adjusted Gross Profit and Adjusted Gross Profit Margin:** We define Adjusted Gross Profit as gross profit before amortization of intangible assets, stock-based compensation expense, and other certain corporate expenses, in each case that are included in costs of recurring revenues. We define Adjusted Gross Profit Margin as Adjusted Gross Profit divided by total revenues.

**Adjusted Gross Profit Excluding D&A and Adjusted Gross Profit Margin Excluding D&A:** We define Adjusted Gross Profit Excluding D&A as gross profit before amortization of intangible assets, stock-based compensation expense, other certain corporate expenses and depreciation and amortization, in each case that are included in costs of revenues. We define Adjusted Gross Profit Margin Excluding D&A as Adjusted Gross Profit Excluding D&A divided by total revenues.

**Adjusted Operating Income and Adjusted Operating Income Margin:** We define Adjusted Operating Income as loss from operations before amortization of acquired intangible assets and naming rights, stock-based compensation expense, exit cost due to exiting leases of certain facilities, and other certain corporate expenses. We define Adjusted Operating Income Margin as Adjusted Operating Income divided by total revenues.

**Adjusted Operating Expenses:** We define Adjusted Sales and Marketing expense as sales and marketing expenses before amortization of naming rights, stock-based compensation expense, and other certain corporate expenses. We define Adjusted General and Administrative expense as general and administrative expenses before amortization of acquired intangible assets, stock-based compensation expense, exit cost due to exiting leases of certain facilities and other certain corporate expenses. We define Adjusted Research and Development expense as research and development expenses before stock-based compensation expense and other certain corporate expenses.

**Adjusted Free Cash Flow:** We define Adjusted Free Cash Flow as cash provided (used) by operating activities less the purchase of property and equipment and internally developed software costs, excluding other certain corporate expenses, which are included in cash provided (used) by operating activities.

# GAAP to Non-GAAP Reconciliation

## Reconciliation to Adjusted Gross Profit Excluding D&A

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019
Revenue	\$161.5	\$122.6	\$429.4	\$352.8	\$327.9	\$291.5
Gross Profit	\$112.2	\$81.4	\$261.2	\$198.3	\$188.2	\$182.0
<i>Gross Profit Margin</i>	69.5%	66.4%	60.8%	56.2%	57.4%	62.4%
Amortization of intangible assets	\$1.4	\$1.4	\$19.3	\$46.1	\$42.9	\$28.1
Stock-based compensation expense	\$2.4	\$1.7	\$6.6	\$0.5	\$0.6	\$0.4
Corporate adjustments	\$0.0	\$0.0	\$0.0	\$0.0	\$1.7	\$0.3
<b>Adjusted Gross Profit</b>	<b>\$116.0</b>	<b>\$84.6</b>	<b>\$287.2</b>	<b>\$244.9</b>	<b>\$233.4</b>	<b>\$210.7</b>
<i>Adjusted Gross Profit Margin</i>	71.8%	69.0%	66.9%	69.4%	71.2%	72.3%
Amortization of deferred contract costs	\$6.8	\$4.6	\$17.3	\$10.6	\$5.7	\$5.8
Amortization of capitalized software	\$7.2	\$5.8	\$22.1	\$13.8	\$6.9	\$5.5
Depreciation	\$0.4	\$0.6	\$2.6	\$2.6	\$2.5	\$2.3
<b>Adjusted Gross Profit, Excluding D&amp;A</b>	<b>\$130.4</b>	<b>\$95.6</b>	<b>\$329.2</b>	<b>\$271.9</b>	<b>\$248.4</b>	<b>\$224.4</b>
<i>Adjusted Gross Profit Margin, Excluding D&amp;A</i>	80.7%	78.0%	76.6%	77.1%	75.8%	77.0%

# GAAP to Non-GAAP Reconciliation (cont'd)

## Reconciliation to Adjusted Operating Income

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019
<b>Loss from Operations</b>	<b>(\$8.0)</b>	<b>(\$23.5)</b>	<b>(\$139.6)</b>	<b>(\$89.3)</b>	<b>(\$94.7)</b>	<b>(\$105.2)</b>
<i>Operating Margin</i>	(5.0%)	(19.1%)	(32.5%)	(25.3%)	(28.9%)	(36.1%)
Amortization of intangible assets	\$24.5	\$22.1	\$102.0	\$125.6	\$120.9	\$80.1
Stock-based compensation expense	\$20.4	\$16.3	\$71.4	\$4.2	\$4.9	\$6.6
Liability incentive award compensation expense	\$0.0	\$0.0	\$0.0	(\$0.2)	\$3.1	\$29.0
Loss on lease exit	\$0.9	\$9.1	\$9.1	\$0.0	\$0.0	\$0.0
Corporate adjustments	\$1.4	\$0.6	\$4.7	\$7.7	\$12.1	\$31.5
<b>Adjusted Operating Income</b>	<b>\$39.1</b>	<b>\$24.7</b>	<b>\$47.5</b>	<b>\$48.0</b>	<b>\$46.3</b>	<b>\$41.9</b>
<i>Adjusted Operating Income Margin</i>	24.2%	20.1%	11.1%	13.6%	14.1%	14.4%

# GAAP to Non-GAAP Reconciliation (cont'd)

	Reconciliation of Adjusted Operating Expenses					
	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019
<b>Sales and Marketing Expense</b>	<b>\$55.5</b>	<b>\$41.5</b>	<b>\$170.6</b>	<b>\$106.1</b>	<b>\$100.0</b>	<b>\$87.1</b>
Amortization of intangible assets	(\$0.8)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Stock-based compensation expense	(\$8.3)	(\$7.6)	(\$35.5)	(\$1.4)	(\$1.7)	(\$2.3)
Liability incentive award compensation expense	\$0.0	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0
Corporate adjustments	\$0.0	\$0.0	(\$0.1)	(\$1.1)	(\$2.5)	\$0.0
<b>Adjusted Sales and Marketing Expense</b>	<b>\$46.4</b>	<b>\$33.9</b>	<b>\$135.1</b>	<b>\$103.7</b>	<b>\$95.8</b>	<b>\$84.9</b>
<i>% of Revenue</i>	28.8%	27.6%	31.5%	29.4%	29.2%	29.1%
<b>General and Administrative Expense</b>	<b>\$51.0</b>	<b>\$54.1</b>	<b>\$187.0</b>	<b>\$145.5</b>	<b>\$137.1</b>	<b>\$158.9</b>
Amortization of intangible assets	(\$22.4)	(\$20.7)	(\$82.6)	(\$79.5)	(\$78.0)	(\$52.0)
Stock-based compensation expense	(\$7.2)	(\$5.8)	(\$22.5)	(\$2.2)	(\$1.9)	(\$3.0)
Liability incentive award compensation expense	\$0.0	\$0.0	\$0.0	\$0.0	(\$3.1)	(\$29.0)
Loss on lease exit	(\$0.9)	(\$9.1)	(\$9.1)	\$0.0	\$0.0	\$0.0
Corporate adjustments	(\$1.4)	(\$0.6)	(\$4.6)	(\$6.5)	(\$6.5)	(\$30.8)
<b>Adjusted General and Administrative Expense</b>	<b>\$19.2</b>	<b>\$17.9</b>	<b>\$68.2</b>	<b>\$57.3</b>	<b>\$47.7</b>	<b>\$44.2</b>
<i>% of Revenue</i>	11.9%	14.6%	15.9%	16.3%	14.5%	15.1%
<b>Research and Development Expense</b>	<b>\$13.7</b>	<b>\$9.3</b>	<b>\$43.1</b>	<b>\$36.0</b>	<b>\$45.9</b>	<b>\$41.1</b>
Stock-based compensation expense	(\$2.5)	(\$1.1)	(\$6.8)	(\$0.1)	(\$0.8)	(\$1.0)
Liability incentive award compensation expense	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Corporate adjustments	\$0.0	\$0.0	\$0.0	(\$0.1)	(\$1.5)	(\$0.4)
<b>Adjusted Research and Development Expense</b>	<b>\$11.2</b>	<b>\$8.2</b>	<b>\$36.4</b>	<b>\$35.9</b>	<b>\$43.6</b>	<b>\$39.7</b>
<i>% of Revenue</i>	6.9%	6.7%	8.5%	10.2%	13.3%	13.6%

Note: \$ in millions. Amounts may not foot due to rounding.

# GAAP to Non-GAAP Reconciliation (cont'd)

## Reconciliation to Adjusted Free Cash Flow

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019
<b>Net cash provided (used) by operating activities</b>	<b>\$34.9</b>	<b>\$30.4</b>	<b>\$24.4</b>	<b>\$10.8</b>	<b>\$0.1</b>	<b>(\$12.6)</b>
Purchase of property and equipment	(\$0.7)	(\$0.4)	(\$2.0)	(\$3.3)	(\$7.8)	(\$1.9)
Internally developed software costs	(\$11.9)	(\$8.5)	(\$30.8)	(\$22.0)	(\$18.8)	(\$18.8)
Corporate adjustments	\$1.4	\$0.6	\$4.7	\$7.7	\$12.1	\$31.5
<b>Adjusted Free Cash Flow</b>	<b>\$23.7</b>	<b>\$22.1</b>	<b>(\$3.8)</b>	<b>(\$6.8)</b>	<b>(\$14.4)</b>	<b>(\$1.8)</b>