UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024

☐ **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 001-40640

PAYCOR HCM, INC.

(Exact name of registrant as specified in its charter)

Delaware	**83-1813909**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4811 Montgomery Road Cincinnati, OH	**45212**
(Address of Principal Executive Offices)	*(Zip Code)*

(800) 381-0053

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	PYCR	The NASDAQ Stock Market LLC (Nasdaq Global Select Market)

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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

As of April 30, 2024, the number of shares of the Registrant’s Common Stock outstanding was 178,210,132 shares.

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Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including the sections entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors,” contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, our objectives for future operations, and any statements of a general economic or industry specific nature, are forward-looking statements. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. Words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “will,” “should,” “can have,” “likely,” “outlook,” “potential,” “targets,” “contemplates,” or the negative or plural of these words and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe, based on information currently available to our management, may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, related to our operations, financial results, financial condition, business, prospects, growth strategy, and liquidity. Accordingly, there are, or will be, important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to:

- Our ability to manage our growth effectively.
- The resulting effects of unauthorized access to our customers’ or their employees’ personal data as a result of a breach of our or our vendors’ securities measures, including by way of computer viruses, worms, phishing and ransomware attacks, malicious software programs, and other data security threats.
- 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, including software developers and skilled IT, sales, marketing, and operation personnel.
- The proper operation of our software.
- Our relationships with third parties.
- Damage, failure, or disruption of our Software-as-a-Service (“SaaS”) delivery model, data centers, or our third-party providers’ services.
- Our ability to protect our intellectual and proprietary rights.
- The use of open source software in our applications.
- The growth of the market for cloud-based human capital management and payroll software among small and medium- sized businesses (“SMBs”).
- The competitiveness of our market generally.
- The ongoing effects of inflation, supply chain disruptions, labor shortages and other adverse macroeconomic conditions in the markets in which we and our customers operate.
- The impact of an economic downturn or recession in the United States (“U.S.”) or global economy.
- Our customers’ dependence on our solutions to comply with applicable laws.
- Our ability to comply with anti-corruption, anti-bribery and similar laws.

- Changes in laws, regulations, or requirements applicable to our software and services.
- The impact of privacy, data protection, tax and other laws and regulations.
- Our ability to maintain effective internal controls over financial reporting.
- The other risk factors set forth under Item 1A of Part I of our Annual Report on Form 10-K, filed with the SEC on August 28, 2023.

Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

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 report, 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.

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

Paycor HCM, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands, except share amounts)

	March 31, 2024	June 30, 2023
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 90,098	$ 95,233
Accounts receivable, net	43,989	30,820
Deferred contract costs	67,156	54,448
Prepaid expenses	16,985	10,448
Other current assets	7,772	2,581
Current assets before funds held for clients	226,000	193,530
Funds held for clients	1,418,233	1,049,156
Total current assets	1,644,233	1,242,686
Property and equipment, net	35,780	34,573
Operating lease right-of-use assets	14,968	16,834
Goodwill	766,739	767,738
Intangible assets, net	190,818	260,472
Capitalized software, net	64,987	53,983
Long-term deferred contract costs	184,480	162,657
Other long-term assets	3,344	2,232
Total assets	$ 2,905,349	$ 2,541,175
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 20,005	$ 28,350
Accrued expenses and other current liabilities	25,088	24,119
Accrued payroll and payroll related expenses	36,754	43,858
Deferred revenue	14,017	13,083
Current liabilities before client fund obligations	95,864	109,410
Client fund obligations	1,420,159	1,053,926
Total current liabilities	1,516,023	1,163,336
Deferred income taxes	13,696	18,047
Long-term operating leases	14,009	16,061
Other long-term liabilities	70,251	70,047
Total liabilities	1,613,979	1,267,491
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Common stock $0.001 par value per share, 500,000,000 shares authorized, 178,030,253 shares outstanding at March 31, 2024 and 176,535,236 shares outstanding at June 30, 2023	178	177
Treasury stock, at cost, 10,620,260 shares at March 31, 2024 and June 30, 2023	(245,074)	(245,074)
Preferred stock, $0.001 par value, 50,000,000 shares authorized, — shares outstanding at March 31, 2024 and June 30, 2023	—	—
Additional paid-in capital	2,067,497	2,011,194
Accumulated deficit	(530,147)	(489,495)
Accumulated other comprehensive loss	(1,084)	(3,118)
Total stockholders' equity	1,291,370	1,273,684
Total liabilities and stockholders' equity	$ 2,905,349	$ 2,541,175

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

Paycor HCM, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Operations
(in thousands, except share amounts)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Revenues:				
Recurring and other revenue	$ 171,973	$ 150,757	$ 451,913	$ 389,908
Interest income on funds held for clients	15,046	10,725	38,235	22,741
Total revenues	187,019	161,482	490,148	412,649
Cost of revenues	58,736	49,323	165,239	138,692
Gross profit	128,283	112,159	324,909	273,957
Operating expenses:				
Sales and marketing	55,839	55,499	166,370	155,607
General and administrative	49,921	51,033	154,843	151,405
Research and development	15,067	13,658	45,787	39,935
Total operating expenses	120,827	120,190	367,000	346,947
Income (loss) from operations	7,456	(8,031)	(42,091)	(72,990)
Other (expense) income:				
Interest expense	(1,146)	(1,970)	(3,543)	(3,461)
Other	1,133	2,003	319	2,514
Income (loss) before benefit for income taxes	7,443	(7,998)	(45,315)	(73,937)
Income tax expense (benefit)	1,250	(658)	(4,663)	(10,082)
Net income (loss)	$ 6,193	$ (7,340)	$ (40,652)	$ (63,855)
Basic and diluted net income (loss) per share	$ 0.03	$ (0.04)	$ (0.23)	$ (0.36)
Weighted average common shares outstanding:				
Basic and diluted	177,968,744	176,306,017	177,494,795	175,879,962

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

Paycor HCM, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss)
(in thousands)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Net income (loss)	$ 6,193	$ (7,340)	$ (40,652)	$ (63,855)
Other comprehensive (loss) income, net of tax:				
Unrealized (loss) gain on foreign currency translation	(154)	21	(139)	(286)
Unrealized (loss) gain on available-for-sale securities, net of tax	(926)	641	2,173	175
Other comprehensive (loss) income, net of tax	(1,080)	662	2,034	(111)
Comprehensive income (loss)	$ 5,113	$ (6,678)	$ (38,618)	$ (63,966)

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

Paycor HCM, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share amounts)

	Three Months Ended March 31, 2023								
	Preferred Stock		Common Stock			Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Treasury Stock				
Balance, December 31, 2022	—	$ —	175,856,650	$ 176	$ (245,074)	$ 1,967,352	$ (451,904)	$ (2,554)	$ 1,267,996
Net loss	—	—	—	—	—	—	(7,340)	—	(7,340)
Stock-based compensation expense	—	—	—	—	—	20,384	—	—	20,384
Net settlement for taxes	—	—	—	—	—	(423)	—	—	(423)
Issuance of common stock under employee stock plans	—	—	583,772	—	—	3,985	—	—	3,985
Other comprehensive income	—	—	—	—	—	—	—	662	662
Balance, March 31, 2023	—	$ —	176,440,422	$ 176	$ (245,074)	$ 1,991,298	$ (459,244)	$ (1,892)	$ 1,285,264

	Three Months Ended March 31, 2024								
	Preferred Stock		Common Stock			Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Treasury Stock				
Balance, December 31, 2023	—	$ —	177,634,296	$ 178	$ (245,074)	$ 2,049,501	$ (536,340)	$ (4)	$ 1,268,261
Net income	—	—	—	—	—	—	6,193	—	6,193
Stock-based compensation expense	—	—	—	—	—	14,849	—	—	14,849
Net settlement for taxes	—	—	—	—	—	(544)	—	—	(544)
Issuance of common stock under employee stock plans	—	—	395,957	—	—	3,691	—	—	3,691
Other comprehensive loss	—	—	—	—	—	—	—	(1,080)	(1,080)
Balance, March 31, 2024	—	$ —	178,030,253	$ 178	$ (245,074)	$ 2,067,497	$ (530,147)	$ (1,084)	$ 1,291,370

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

Paycor HCM, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share amounts)

Nine Months Ended March 31, 2023

	Preferred Stock		Common Stock			Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Treasury Stock				
Balance, June 30, 2022	—	$ —	174,909,539	$ 175	$ (245,074)	$ 1,926,800	$ (395,389)	$ (1,781)	$ 1,284,731
Net loss	—	—	—	—	—	—	(63,855)	—	(63,855)
Stock-based compensation expense	—	—	—	—	—	58,019	—	—	58,019
Net settlement for taxes	—	—	—	—	—	(2,150)	—	—	(2,150)
Issuance of common stock under employee stock plans	—	—	1,530,883	1	—	8,629	—	—	8,630
Other comprehensive loss	—	—	—	—	—	—	—	(111)	(111)
Balance, March 31, 2023	—	$ —	176,440,422	$ 176	$ (245,074)	$ 1,991,298	$ (459,244)	$ (1,892)	$ 1,285,264

Nine Months Ended March 31, 2024

	Preferred Stock		Common Stock			Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Treasury Stock				
Balance, June 30, 2023	—	—	176,535,236	$ 177	$ (245,074)	$ 2,011,194	$ (489,495)	$ (3,118)	$ 1,273,684
Net loss	—	—	—	—	—	—	(40,652)	—	(40,652)
Stock-based compensation expense	—	—	—	—	—	50,813	—	—	50,813
Net settlement for taxes	—	—	—	—	—	(2,373)	—	—	(2,373)
Issuance of common stock under employee stock plans	—	—	1,495,017	1	—	7,863	—	—	7,864
Other comprehensive income	—	—	—	—	—	—	—	2,034	2,034
Balance, March 31, 2024	$ —	$ —	$ 178,030,253	$ 178	$ (245,074)	$ 2,067,497	$ (530,147)	$ (1,084)	$ 1,291,370

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

Paycor HCM, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

	Nine Months Ended March 31, 2024	Nine Months Ended March 31, 2023
Cash flows from operating activities:		
Net loss	$ (40,652)	$ (63,855)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	4,464	3,571
Amortization of intangible assets and software	101,872	92,727
Amortization of deferred contract costs	46,524	33,246
Stock-based compensation expense	50,813	58,019
Deferred tax benefit	(4,670)	(10,287)
Bad debt expense	4,937	3,233
Loss on sale of investments	280	232
Loss on foreign currency exchange	186	381
(Gain) loss on lease exit	(24)	950
Naming rights accretion expense	3,066	3,198
Change in fair value of contingent consideration	2,816	—
Other	66	(930)
Changes in assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(18,124)	(12,063)
Prepaid expenses and other assets	(9,567)	(6,510)
Accounts payable	(8,478)	6,229
Accrued liabilities and other	(13,944)	(19,602)
Deferred revenue	1,190	1,119
Deferred contract costs	(81,055)	(73,273)
Net cash provided by operating activities	39,700	16,385
Cash flows from investing activities:		
Purchases of client funds available-for-sale securities	(226,919)	(365,196)
Proceeds from sale and maturities of client funds available-for-sale securities	178,134	259,097
Purchase of property and equipment	(2,451)	(3,285)
Acquisition of intangible assets	(4,954)	(18,842)
Acquisition of businesses, net of cash acquired	82	(18,793)
Internally developed software costs	(38,268)	(30,600)
Net cash used in investing activities	(94,376)	(177,619)
Cash flows from financing activities:		
Net change in cash and cash equivalents held to satisfy client funds obligations	364,028	(453,685)
Payment of capital expenditure financing	(3,689)	—
Repayments of debt and finance lease obligations	(809)	(211)
Withholding taxes paid related to net share settlements	(2,373)	(2,150)
Proceeds from exercise of stock options	—	345
Proceeds from employee stock purchase plan	7,864	8,285
Net cash provided by (used in) financing activities	365,021	(447,416)
Impact of foreign exchange on cash and cash equivalents	(3)	(15)
Net change in cash, cash equivalents, restricted cash and short-term investments, and funds held for clients	310,342	(608,665)
Cash, cash equivalents, restricted cash and short-term investments, and funds held for clients, beginning of period	879,046	1,682,923
Cash, cash equivalents, restricted cash and short-term investments, and funds held for clients, end of period	$ 1,189,388	$ 1,074,258
Supplemental disclosure of non-cash investing, financing and other cash flow information:		
Capital expenditures in accounts payable	$ 20	$ 2
Cash paid for interest	$ 145	$ —
Right-of-use assets obtained in exchange for operating lease liabilities	$ —	$ 6,257
Capital lease asset obtained in exchange for capital lease liabilities	$ 3,393	$ —
Reconciliation of cash, cash equivalents, restricted cash and short-term investments, and funds held for clients to the Consolidated Balance Sheets		
Cash and cash equivalents	$ 90,098	$ 82,858
Funds held for clients	1,099,290	991,400
Total cash, cash equivalents, restricted cash and short-term investments, and funds held for clients	$ 1,189,388	$ 1,074,258

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

Paycor HCM, Inc. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements
(all amounts in thousands, except share and per share data)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS:

Paycor HCM, Inc. (“Paycor HCM” or “the Company”) is a leading provider of human capital management (“HCM”) software located primarily in the United States (“U.S.”). Paycor’s solutions target small and medium-sized businesses with tens to thousands of employees. Solutions provided include payroll, human resources (“HR”) services, talent acquisition, talent management, workforce management, benefits administration, reporting and analytics, and other payroll-related services. Services are generally provided in a Software-as-a-Service (“SaaS”) delivery model utilizing a cloud-based platform.

Paycor HCM is a holding company with no material operating assets or operations that was formed on August 24, 2018 to effect the acquisition of Paycor, Inc. and its subsidiaries (“Paycor”) by certain investment funds (the “Apax Funds”) advised by Apax Partners LLP, a leading global private equity advisory firm (“Apax Partners”). On September 7, 2018, Paycor HCM, through its subsidiary companies, entered into the Agreement and Plan of Merger to acquire Paycor (the “Apax Acquisition”). The Apax Acquisition closed on November 2, 2018. As a result of the Apax Acquisition, Paycor became an indirect controlled subsidiary of Paycor HCM.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of presentation and consolidation

The accompanying interim unaudited condensed consolidated financial statements of the Company were prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and include all of the information and disclosures required by generally accepted accounting principles in the United States of America (“U.S. GAAP”) for interim reporting. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes for the year ended June 30, 2023 in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on August 28, 2023. The unaudited condensed consolidated financial statements for interim periods do not include all disclosures required by U.S. GAAP for annual financial statements and are not necessarily indicative of results for any future interim periods and the full fiscal year ending June 30, 2024. Adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of the unaudited condensed consolidated financial position, results of operations and cash flows at the dates and for the periods presented have been included. All intercompany transactions and balances have been eliminated in consolidation.

Use of estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the evaluation of potential impairment of goodwill and intangible assets and the valuation of stock-based compensation.

The Company’s results of operations and financial condition can also be affected by economic, political, legislative, regulatory and legal actions, including but not limited to health epidemics and pandemics and their resulting economic impact. Economic conditions, such as recessionary trends, inflation, interest and monetary exchange rates, and government fiscal policies can have a significant effect on the Company’s results of operations and financial condition. While the Company maintains reserves for anticipated liabilities and carries various levels of insurance, the Company could be affected by civil, criminal, regulatory or administrative actions, claims or proceedings.

Accounts receivable, net

Accounts receivable balances are shown on the unaudited condensed consolidated balance sheets net of the allowance for doubtful accounts of $11,880 and $7,032 as of March 31, 2024 and June 30, 2023, respectively. The allowance for doubtful accounts considers factors such as historical experience, credit quality, age of the accounts receivable balance and current and forecasted economic conditions that may affect a client’s ability to pay. The Company performs ongoing credit evaluations and generally requires no collateral from clients. Management reviews individual accounts as they become past due to determine collectability. The allowance for doubtful accounts is adjusted periodically based on management’s consideration of past due accounts. Individual accounts are charged against the allowance when all reasonable collection efforts have been exhausted.

Sales and marketing

Sales and marketing expenses consist of costs associated with the Company's direct sales and marketing staff, including employee-related costs, marketing, advertising and promotion expenses, and other related costs. Advertising and promotion costs are expensed as incurred. Advertising and promotion expenses totaled approximately $8,459 and $8,014 for the three months ended March 31, 2024 and 2023, respectively. Advertising and promotion expenses totaled approximately $24,730 and $21,415 for the nine months ended March 31, 2024 and 2023, respectively.

Stock-based compensation

The Company recognizes all employee and director stock-based compensation as a cost in the unaudited condensed consolidated financial statements. Equity-classified awards are measured at the grant date fair value of the award and expense is recognized, net of actual forfeitures, on a straight-line basis over the requisite service period for the award.

The Company establishes the grant date fair value of restricted stock units ("RSUs") based on the fair value of the Company's underlying common stock. The Company estimates the grant date fair value of stock options, including common stock purchased as a part of the Company's Employee Stock Purchase Plan ("ESPP"), using the Black-Scholes option pricing model, which requires management to make assumptions with respect to the fair value of the Company's award on the grant date, including the expected term of the award, the expected volatility of the Company's stock calculated based on a period of time generally commensurate with the expected term of the award, the expected risk-free rate of return, and expected dividend yields of the Company's stock. The Company recognized stock-based compensation expense for the three months ended March 31, 2024 and 2023 of $14,849 and $20,384, respectively. The Company recognized stock-based compensation expense for the nine months ended March 31, 2024 and 2023 of $50,813 and $58,019, respectively.

3. REVENUE:

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Recurring fees	$ 168,105	$ 147,491	$ 440,616	$ 380,426
Implementation services and other	3,868	3,266	11,297	9,482
Recurring and other revenue	$ 171,973	$ 150,757	$ 451,913	$ 389,908

Deferred revenue

The Company recognizes deferred revenue for nonrefundable upfront fees as well as for subscription services related to certain ancillary products invoiced prior to the satisfaction of the performance obligation.

The nonrefundable upfront fees related to implementation services are typically included on the client's first invoice. Implementation fees are deferred and recognized as revenue over an estimated 24-month period to which the material right exists, which is the period the client is expected to benefit from not having to pay an additional nonrefundable implementation fee upon renewal of the service.

The following table summarizes the changes in deferred revenue related to the nonrefundable upfront fees and recurring subscription services:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Balance, beginning of period	$ 18,952	$ 17,037	$ 18,697	$ 17,046
Deferred revenue acquired	—	7	—	300
Deferral of revenue	6,391	6,279	16,444	16,186
Revenue recognized	(5,458)	(4,949)	(15,252)	(15,052)
Impact of foreign exchange	(23)	(4)	(27)	(110)
Balance, end of period	$ 19,862	$ 18,370	$ 19,862	$ 18,370

Deferred revenue is recorded within deferred revenue and other long-term liabilities on the unaudited condensed consolidated balance sheets. The Company will recognize deferred revenue of $4,192 in fiscal year 2024, $11,822 in fiscal year 2025, and $3,848 in fiscal year 2026.

Deferred contract costs

The following table presents the deferred contract costs balance and related amortization expense for these deferred contract costs.

	As of and for the Three Months Ended March 31, 2024			
	Beginning Balance	Capitalization of Costs	Amortization	Ending Balance
Costs to obtain a contract	$ 101,235	$ 10,880	$ (7,111)	$ 105,004
Costs to fulfill a contract	139,898	16,271	(9,537)	146,632
Total	$ 241,133	$ 27,151	$ (16,648)	$ 251,636

	As of and for the Three Months Ended March 31, 2023			
	Beginning Balance	Capitalization of Costs	Amortization	Ending Balance
Costs to obtain a contract	$ 82,423	$ 10,559	$ (5,316)	$ 87,666
Costs to fulfill a contract	107,482	15,189	(6,836)	115,835
Total	$ 189,905	$ 25,748	$ (12,152)	$ 203,501

	As of and for the Nine Months Ended March 31, 2024			
	Beginning Balance	Capitalization of Costs	Amortization	Ending Balance
Costs to obtain a contract	$ 93,317	$ 31,685	$ (19,998)	$ 105,004
Costs to fulfill a contract	123,788	49,370	(26,526)	146,632
Total	$ 217,105	$ 81,055	$ (46,524)	$ 251,636

	As of and for the Nine Months Ended March 31, 2023			
	Beginning Balance	Capitalization of Costs	Amortization	Ending Balance
Costs to obtain a contract	$ 72,342	$ 29,949	$ (14,625)	$ 87,666
Costs to fulfill a contract	91,132	43,324	(18,621)	115,835
Total	$ 163,474	$ 73,273	$ (33,246)	$ 203,501

Deferred contract costs are recorded within deferred contract costs and long-term deferred contract costs on the unaudited condensed consolidated balance sheets. Amortization of costs to fulfill a contract and costs to obtain a contract are recorded in cost of revenues and sales and marketing expenses in the unaudited condensed consolidated statements of operations, respectively. The Company regularly reviews its deferred costs for impairment and did not recognize an impairment loss during any period presented.

4. BUSINESS COMBINATION AND ASSET ACQUISITION:

Acquisition of Verb, Inc.

On May 2, 2023, the Company acquired 100% of the equity interests of Verb, Inc., a modern behavioral science-based microlearning solution to develop frontline leaders and their teams (the "Verb Acquisition"), for an initial cash purchase price of $6,000, plus up to a maximum of $2,000 in additional cash payments based on the achievement of an established earnout. The acquisition was funded with cash on hand.

The acquisition was accounted for as a business combination. The preliminary purchase price was allocated to the assets acquired and liabilities assumed based on the estimated fair value of the total consideration transferred at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired was allocated to goodwill, none of which is deductible for tax purposes. Goodwill consists primarily of the synergistic benefits and growth opportunities. The factors contributing to the recognition of goodwill were based on strategic benefits that are expected to be realized from the Verb Acquisition. The benefits include acquiring a software technology tailored to small and medium-sized businesses that can be integrated into the current suite of the Company's products. The preliminary purchase price for the Verb Acquisition was allocated to individual assets acquired and liabilities assumed as follows:

		May 2, 2023
Fair value of total consideration	$	5,677
Cash acquired		(295)
Net purchase price	$	5,382
Assets acquired:		
Accounts receivable	$	144
Other current assets		119
Property and equipment		22
Technology intangible assets		2,680
Other non-current assets		586
Total identifiable assets acquired		3,551
Liabilities assumed:		
Accounts payable		(49)
Accrued expenses		(96)
Deferred revenue		(749)
Total identifiable liabilities assumed		(894)
Goodwill		2,725
Fair value of total consideration transferred	$	5,382

The technology intangible assets acquired have a weighted average useful life of 3 years.

The fair value of the contingent consideration was measured at the acquisition date based on management's estimate of future payments and recorded as a liability within other long-term liabilities on the unaudited condensed consolidated balance sheets.

Acquisition of Talenya Ltd.

On October 27, 2022, the Company acquired 100% of the equity interests of Talenya Ltd., an Israeli-based provider of an artificial intelligence-driven solution for talent sourcing and recruiting employees (the "Talenya Acquisition"), for an initial cash purchase price of $20,000, plus up to a maximum of $10,000 in additional cash payments based on the achievement of established earnouts over a two-year period. The acquisition was funded with cash on hand.

The acquisition was accounted for as a business combination. The preliminary purchase price was allocated to the assets acquired and liabilities assumed based on the estimated fair value of the total consideration transferred at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired was allocated to goodwill, none of which is deductible for tax purposes. Goodwill consists primarily of the synergistic benefits and growth opportunities. The factors contributing to the recognition of goodwill were based on strategic benefits that are expected to be realized from the Talenya Acquisition. The benefits include acquiring a software technology tailored to small and medium-sized businesses that can be integrated into the current suite of the Company's products. The final purchase price for the Talenya Acquisition was allocated to individual assets acquired and liabilities assumed as follows:

	October 27, 2022
Fair value of total consideration	$ 23,240
Cash acquired	(172)
Net purchase price	$ 23,068
Assets acquired:	
Accounts receivable	$ 217
Other current assets	34
Property and equipment	13
Technology intangible assets	6,760
Other non-current assets	2,222
Total identifiable assets acquired	9,246
Liabilities assumed:	
Accounts payable	(211)
Accrued expenses	(294)
Deferred revenue	(300)
Total identifiable liabilities assumed	(805)
Goodwill	14,627
Fair value of total consideration transferred	$ 23,068

The technology intangible assets acquired have a weighted average useful life of 7 years.

The fair value of the contingent consideration was measured at the acquisition date based on management's estimate of future payments and recorded as a liability within accrued expenses and other current liabilities and other long-term liabilities on the unaudited condensed consolidated balance sheets.

The Company incurred transaction costs of $— related to the Talenya Acquisition for both the three months ended March 31, 2024 and 2023 and $— and $1,174 related to the Talenya Acquisition for the nine months ended March 31, 2024 and 2023, respectively. These costs were expensed as incurred in general and administrative expenses within the accompanying unaudited condensed consolidated statements of operations.

Asset Acquisitions

The Company periodically acquires customer relationships from other HCM providers. The asset purchase agreements usually provide for an initial payment as well as contingent payments to the seller based on revenue generated by the acquired clients over a defined timeframe. Contingent payments made under such agreements for both the three months ended March 31, 2024 and 2023 were $—. Contingent payments made under such agreements for the nine months ended March 31, 2024 and 2023 were $3,596 and $4,259, respectively.

The acquired customer relationships are recorded within intangible assets on the unaudited condensed consolidated balance sheets and are being amortized on a straight-line basis over three years. As of March 31, 2024, the weighted average remaining amortization period for these intangible assets was approximately 1.9 years. The contingent payments were recognized when each contingency was resolved and the consideration was paid or became payable as an increase to the acquired intangible asset, amortized on a straight-line basis over the remaining period of the initial acquired intangible asset.

5. FUNDS HELD FOR CLIENTS:

Funds held for clients are as follows:

	March 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Demand deposit accounts and other cash equivalents	$ 1,099,290	$ —	$ —	$ 1,099,290
U.S. Treasury and direct obligations of U.S. government agencies	86,707	33	(315)	86,425
Corporate bonds	212,839	214	(1,048)	212,005
Commercial paper	618	—	—	618
Other securities	20,042	17	(164)	19,895
	$ 1,419,496	$ 264	$ (1,527)	$ 1,418,233

	June 30, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Demand deposit accounts and other cash equivalents	$ 783,813	$ —	$ —	$ 783,813
U.S. Treasury and direct obligations of U.S. government agencies	72,173	—	(776)	71,397
Corporate bonds	172,570	91	(3,049)	169,612
Commercial paper	2,977	—	(3)	2,974
Other securities	21,776	2	(418)	21,360
	$ 1,053,309	$ 93	$ (4,246)	$ 1,049,156

Other securities are primarily comprised of municipal obligations and certificates of deposit.

Proceeds from sales and maturities of investment securities for the three months ended March 31, 2024 and 2023 were approximately $74,680 and $45,080, respectively. Proceeds from sales and maturities of investment securities for the nine months ended March 31, 2024 and 2023 were approximately $178,134 and $259,097, respectively.

The Company is exposed to interest rate risk as rate volatility will cause fluctuations in the earnings potential of future investments. The Company does not utilize derivative financial instruments to manage interest rate risk.

The Company reviews its investments on an ongoing basis to determine if any allowance for credit loss is warranted due to changes in credit risk or other potential valuation concerns. The Company has no material individual securities that have been in a continuous unrealized loss position greater than twelve months. The Company believes unrealized losses, to the extent they exist, generally result from changes in interest rates rather than credit risk, and therefore does not believe the related investments need to be assessed to determine whether an allowance for the credit loss is warranted. Additionally, the Company believes it will recover its cost basis in the securities with unrealized losses and has the ability to hold the securities until they recover in value and had no intent to sell them at March 31, 2024.

Expected maturities as of March 31, 2024 for client fund assets are as follows:

Due within fiscal year 2024	$	1,110,120
Due within fiscal year 2025		68,232
Due within fiscal year 2026		127,759
Due within fiscal year 2027		80,870
Due within fiscal year 2028		23,368
Thereafter		7,884
Total	$	1,418,233

6. PROPERTY AND EQUIPMENT, NET:

A summary of the Company’s property and equipment, net is as follows:

		March 31, 2024		June 30, 2023
Land	$	3,680	$	3,680
Land improvements		910		910
Building and improvements		22,845		22,845
Computer, equipment and software		23,135		18,702
Furniture and fixtures		2,248		2,250
Office equipment		2,903		2,880
Leasehold improvements		5,207		4,114
		60,928		55,381
Accumulated depreciation and amortization		(25,148)		(20,808)
Property and equipment, net	$	35,780	$	34,573

Depreciation and amortization of property and equipment was approximately $1,467 and $1,175 for the three months ended March 31, 2024 and 2023, respectively. Depreciation and amortization of property and equipment was approximately $4,464 and $3,571 for the nine months ended March 31, 2024 and 2023, respectively.

7. CAPITALIZED SOFTWARE, NET:

A summary of the Company’s capitalized software, net is as follows:

		March 31, 2024		June 30, 2023
Capitalized software	$	163,976	$	125,707
Accumulated amortization		(98,989)		(71,724)
Capitalized software, net	$	64,987	$	53,983

Amortization expense for capitalized software was approximately $9,625 and $7,166 for the three months ended March 31, 2024 and 2023, respectively. Amortization expense for capitalized software was approximately $27,264 and $20,317 for the nine months ended March 31, 2024 and 2023, respectively.

The following is a schedule of future amortization expense as of March 31, 2024:

2024 (remaining three months)	$	9,448
2025		31,651
2026		19,695
2027		4,193
	$	64,987

8. GOODWILL AND INTANGIBLE ASSETS:

Changes in the carrying amount of goodwill are presented below:

Balance at June 30, 2023	$	767,738
Verb Acquisition		(661)
Foreign currency translation		(338)
Balance at March 31, 2024	$	766,739

On August 7, 2022, the Company entered into a 16-year partnership with the Cincinnati Bengals of the National Football League that grants the Company exclusive naming rights to Paycor Stadium (the "Naming Rights"), home to the Cincinnati Bengals since 2000. Contractual payments under the naming rights agreement (the "Naming Rights Agreement") began in August 2022 and end in 2038.

The Naming Rights have been recorded within intangible assets on the unaudited condensed consolidated balance sheet in an amount equal to the present value of the future contractual cash flows with an offsetting liability for payments to be made in the future. The intangible asset reflects the Naming Rights to the Bengals stadium including co-branding and shared promotion, along with the right for the Company to place its logo on and around the stadium.

The discount between the offsetting liability and overall payment obligation is amortized to interest expense over the term of the Naming Rights Agreement using the effective interest method. The intangible asset is being amortized over the life of the Naming Rights Agreement on a straight-line basis through sales and marketing expenses. The liability is included within accrued expenses and other current liabilities and other long-term liabilities on the unaudited condensed consolidated balance sheets.

Components of intangible assets were as follows:

		March 31, 2024		June 30, 2023
Cost:				
Technology	$	153,011	$	151,855
Customer relationships		466,248		462,452
Trade name		105,670		105,670
Naming rights		66,698		66,698
Total cost	$	791,627	$	786,675
Accumulated amortization:				
Technology	$	(144,057)	$	(141,309)
Customer relationships		(411,523)		(348,123)
Trade name		(38,171)		(32,889)
Naming rights		(7,058)		(3,882)
Total accumulated amortization	$	(600,809)	$	(526,203)
Intangible assets, net	$	190,818	$	260,472

Amortization expense for intangible assets was approximately $23,935 and $24,467 for the three months ended March 31, 2024 and 2023, respectively. Amortization expense for intangible assets was approximately $74,608 and $72,410 for the nine months ended March 31, 2024 and 2023, respectively.

The following is a schedule of future amortization expense as of March 31, 2024:

2024 (remaining three months)	$	23,028
2025		44,853
2026		17,779
2027		12,420
2028		12,244
Thereafter		80,494
	$	190,818

9. DEBT AGREEMENTS AND LETTERS OF CREDIT:

Credit Agreement

Paycor, Inc. is party to a credit agreement (as amended, the "Credit Agreement") with PNC Bank, National Association ("PNC"), Fifth Third, National Association, and other lenders, providing a $200,000 senior secured revolving credit facility (the "Revolving Credit Facility"). The Revolving Credit Facility includes an "accordion feature" that allows the Company, under certain circumstances, to increase the size of the Revolving Credit Facility by an additional principal amount of up to $200,000, with a resulting maximum principal amount of $400,000, subject to the participating lenders electing to increase their commitments or new lenders being added to the Credit Agreement. The Revolving Credit Facility will mature on June 11, 2026.

The Company had no outstanding borrowings under the Revolving Credit Facility as of March 31, 2024 and June 30, 2023. Additionally, the Company had no outstanding letters of credit as of March 31, 2024 and June 30, 2023.

10. FAIR VALUE MEASUREMENTS:

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is 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 fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company can access.

Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The fair value of certain assets, such as nonfinancial assets, primarily long-lived assets, goodwill, intangible assets and certain other assets, are recognized or disclosed in connection with impairment evaluations. All non-recurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy.

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, and accounts payable approximated fair value as of March 31, 2024 and June 30, 2023, because of the relatively short maturity of these instruments.

The following table presents information on the Company's financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2024 and June 30, 2023:

	March 31, 2024			
	Level 1	Level 2	Level 3	Total
Funds held for clients—cash and cash equivalents:				
Demand deposit accounts and other cash equivalents	$ 1,099,290	$ —	$ —	$ 1,099,290
Funds held for clients—available-for-sale:				
U.S. Treasury and direct obligations of U.S. government agencies	—	86,425	—	86,425
Corporate bonds	—	212,005	—	212,005
Commercial paper	—	618	—	618
Other securities	—	19,895	—	19,895
	$ 1,099,290	$ 318,943	$ —	$ 1,418,233

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Funds held for clients—cash and cash equivalents:				
Demand deposit accounts and other cash equivalents	$ 783,813	$ —	$ —	$ 783,813
Funds held for clients—available-for-sale:				
U.S. Treasury and direct obligations of U.S. government agencies	—	71,397	—	71,397
Corporate bonds	—	169,612	—	169,612
Commercial paper	—	2,974	—	2,974
Other securities	—	21,360	—	21,360
	$ 783,813	$ 265,343	$ —	$ 1,049,156

Available-for-sale securities included in Level 1 are valued using closing prices for identical instruments that are traded on active exchanges. Available-for-sale securities included in Level 2 are valued by reference to quoted prices of similar assets or liabilities in active markets, adjusted for any terms specific to that asset or liability.

11. CAPITAL STOCK:

The Company’s Second Amended and Restated Certificate of Incorporation authorized the issuance of up to 500,000,000 shares of common stock with a par value of $0.001 per share and 50,000,000 shares of preferred stock with a par value of $0.001 per share. As of March 31, 2024 and June 30, 2023, there were 178,030,253 and 176,535,236 shares of common stock outstanding, respectively, and no shares of preferred stock outstanding.

On March 6, 2024, our principal stockholder, Pride Aggregator, LP (“Pride Aggregator”), which is the investment vehicle controlled by certain funds advised by Apax Partners LLP, completed a secondary underwritten public offering of 8,000,000 shares of the Company’s common stock. The Company did not receive any proceeds from this sale.

12. NET INCOME (LOSS) PER SHARE:

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted average shares of common stock outstanding during the period.

Diluted net income (loss) per share is computed by dividing net income (loss) adjusted as necessary for the impact of potentially dilutive securities, by the weighted average shares outstanding during the period and the impact of securities that would have a dilutive effect. Potentially dilutive securities during the three and nine months ended March 31, 2024 and 2023 included RSUs, stock options and ESPP purchase rights. Due to the net loss for the nine months ended March 31, 2024 and both the three and nine months ended March 31, 2023, any potentially dilutive securities were excluded from the denominator in calculating diluted net loss per share because including them would have had an anti-dilutive effect. Additionally, the Company excluded the impact of stock-based compensation awards held by certain employees consisting of membership interest units in Pride Aggregator for both the three and nine months ended March 31, 2024 and 2023.

Basic and diluted net loss per share was the same for the nine months ended March 31, 2024 and both the three and nine months ended March 31, 2023, as the inclusion of all potential common shares outstanding in the computation of diluted net loss for each such period would have been anti-dilutive. The following table sets forth the computation of basic and diluted net income (loss) per share:

	Three Months Ended March 31,		**Nine Months Ended March 31,**	
(in thousands, except per share data)	**2024**	**2023**	**2024**	**2023**
Net income (loss)	$ 6,193	$ (7,340)	$ (40,652)	$ (63,855)
Weighted average common shares outstanding:				
Basic and diluted	177,968,744	176,306,017	177,494,795	175,879,962
Basic and diluted net income (loss) per share	$ 0.03	$ (0.04)	$ (0.23)	$ (0.36)

13. COMMITMENTS AND CONTINGENCIES:

The Company is subject to various claims, litigation and regulatory compliance matters in the normal course of business. When a loss is considered probable and reasonably estimable, the Company records a liability in the amount of its best estimate for the ultimate loss. The resolution of these claims, litigation and regulatory compliance matters, individually or in the aggregate, is not expected to have a material adverse impact on the Company's unaudited condensed consolidated statements of operations, balance sheets or statements of cash flows. These matters are subject to inherent uncertainties and management's view of these matters may change in the future.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis summarizes the significant factors affecting our unaudited condensed consolidated operating results, financial condition, liquidity, and cash flows as of and for the periods presented below. The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this report as well as management's discussion and analysis and audited consolidated financial statements included in our most recent Annual Report on Form 10-K. This discussion and analysis reflects our historical results of operations and financial position. The discussion contains forward-looking statements that are based on the beliefs of management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward-looking statements because of various factors, including those discussed elsewhere in this report, particularly "Note Regarding Forward-Looking Statements" and Item 1A. "Risk Factors" in our most recent Annual Report on Form 10-K and in our other filings with the Securities and Exchange Commission ("SEC").

Unless we state otherwise or the context otherwise requires, the terms "we," "us," and "our" and similar references refer to the Company and its consolidated subsidiaries.

Overview

We are a leading provider of human capital management ("HCM") software. Our solutions target small and medium-sized businesses with tens to thousands of employees. Our unified, cloud-based platform is designed to empower leaders to build winning teams by modernizing people management. Our Software-as-a-Service ("SaaS") HCM solution automates routine management tasks so frontline leaders can focus on the key elements that drive business performance and employee engagement, such as goal setting, coaching, and talent development. Our comprehensive suite of solutions enables organizations to streamline administrative workflows and achieve regulatory compliance while serving as the single, secure system of record for employee data. Our modern, extensible platform is augmented by industry-specific domain expertise and offers award-winning ease-of-use with an intuitive user experience and deep third-party integrations. As of March 31, 2024, approximately 30,600 customers across all 50 states trusted us to empower their leaders to build winning teams.

Our Business Model

Our revenue is almost entirely recurring in nature and largely attributable to the sale of SaaS subscriptions of our cloud-based HCM software platform. We typically generate revenue from customers on a per-employee-per-month ("PEPM") basis whereby our revenue is derived from the number of employees of a given customer, and the amount, type, and timing of products provided to a customer's employees. As a result, we increase our recurring revenue as we add more customers and expand our HCM suite and as our customers add more employees and purchase additional product modules. Our subscription-based business model is highly recurring in nature and provides significant visibility into our future operating results. Recurring and other revenues are primarily revenues derived from the provision of our five HCM software bundles and nonrefundable implementation fees, which represented approximately 92% of total revenues for both the three and nine months ended March 31, 2024. In addition, we earn interest income on funds held for clients.

Our go-to-market strategy consists of a robust organic sales and marketing engine and broad referral network of health insurance and retirement benefits brokers. We primarily market and sell our solutions through a direct sales force, which is organized into field and inside sales teams based on customer size and geography. In addition, during the nine months ended March 31, 2024, we launched an Embedded HCM Solution that expands our distribution model through technology and service partnerships. Our highly efficient and multi-pronged go-to-market strategy is a key driver of our growth.

The table below sets forth selected results of operations for the three and nine months ended March 31, 2024 and 2023.

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in thousands)	2024	2023	2024	2023
Total Revenues	$ 187,019	$ 161,482	$ 490,148	$ 412,649
Income (Loss) from Operations	$ 7,456	$ (8,031)	$ (42,091)	$ (72,990)
Operating Margin	4.0 %	(5.0)%	(8.6)%	(17.7)%
Adjusted Operating Income*	$ 47,730	$ 39,107	$ 86,947	$ 67,163
Adjusted Operating Income Margin*	25.5 %	24.2 %	17.7 %	16.3 %
Net Income (Loss)	$ 6,193	$ (7,340)	$ (40,652)	$ (63,855)

**Adjusted Operating Income and Adjusted Operating Income Margin are non-U.S. GAAP ("non-GAAP") financial measures. See Non-GAAP Financial Measures below for a definition of our non-GAAP measures and reconciliations to the most closely comparable U.S. GAAP measures.*

Impact of Adverse Macroeconomic Conditions

Negative macroeconomic conditions, such as supply chain disruptions, labor shortages, extended periods of inflation and rising interest rates, are expected to continue to pose risks to our and our customers' businesses for the foreseeable future and may impact our business. It is also possible that fiscal or monetary policies adopted in an attempt to curtail the broadening or protracted extension of these negative conditions could lead to an economic slowdown or cause a recession in the U.S. or global economy. Further, bank failures and the follow-on effects of those events may cause instability in the banking industry or result in failures at other banks or financial institutions to which we or our customers may face direct or indirect exposure. If a significant number of our customers are unable to continue as viable businesses or if they significantly reduce headcount in response to these conditions, we or our customers are unable (temporarily or otherwise) to access deposits or utilize existing sources of liquidity, there is a reduction in business confidence and activity, a decrease in government and consumer spending, a decrease in HCM and payroll solutions spending by SMBs, or a decrease in overall domestic production or consumption of goods and services more globally, our business, financial condition, and results of operations could be materially and adversely impacted.

Key Factors Affecting Our Performance

Our historical financial performance has been, and we expect our financial performance in the future to be, driven by our ability to:

Expand Our Sales Footprint to Add New Customers

Our current customer base represents a small portion of the U.S. market for HCM and payroll solutions. We believe there is substantial opportunity to continue to broaden our customer base, particularly in the 15 most populous metropolitan statistical areas in the United States (i.e., Tier 1 markets), by expanding our sales headcount. Our ability to do so will depend on several factors, including the ability to recruit and retain qualified sales staff, the effectiveness of our products, the relative pricing of our products, our competitors' offerings, and the effectiveness of our marketing efforts.

We define a customer as a parent company grouping, which may include multiple subsidiary client accounts with separate taxpayer identification numbers. We also track client accounts as it provides an alternative measure of the scale of our business and customers. We believe the number of customer employees on our platform is a key indicator of the growth of our business. We define customer employees as the number of our customers' employees at the end of any particular period. As of March 31, 2024 and 2023, we had approximately 2,616,000 and 2,396,000 customer employees, respectively, representing a period-over-period increase of 9.2%.

In addition, we are focused on maintaining and expanding broker relationships to drive the acquisition of new customers through mutual referrals. Insurance and benefits brokers are trusted advisors to SMBs and are often influential in the HCM selection process.

Increase Product Penetration with Existing and New Customers

In recent years we have increasingly focused our product pricing strategy away from sales of individual products and solutions towards a simplified bundled pricing approach whereby we market multi-product offerings to our customers. We believe our cloud platform and pricing model provides much better value and predictability for our customers and for Paycor. This strategy has enabled us to effectively drive increased product penetration and PEPM growth at the initial point of sale, as well as stronger retention. We define “effective PEPM” as recurring and other revenue for the period divided by the average number of customer employees, which we calculate as the sum of the number of customer employees at the end of each month over the period divided by the total number of months in the period. We intend to advance this strategy by progressively expanding the breadth of features included in our product bundles. In addition to sales to new customers, there is a substantial opportunity within our existing customer base to cross-sell additional products from our portfolio, including Workforce Management, Benefits Administration, Talent Acquisition and Talent Management.

Our ability to successfully increase revenue per customer is dependent upon several factors, including the number of employees working for our customers, the number of products purchased by each of our customers, our customers’ satisfaction with our solutions and support, and our ability to add new products to our suite.

Ongoing Product Innovation and Optimization

We believe that our product features and functionality are key differentiators of our offerings. We intend to continue to invest in research and development, particularly regarding the functionality of our platform, to sustain and advance our product leadership. For instance, in fiscal year 2019, we acquired Ximble’s scheduling solution and in fiscal year 2020, we released Paycor Analytics. In fiscal year 2021, we launched our compensation management product and a full suite of talent management tools, including performance reviews, one-on-one coaching, objectives and key results and structured goal setting. In fiscal year 2022, we introduced OnDemand Pay, expense management and a Developer Portal to enhance Paycor’s industry-leading interoperability, making it even easier for clients and partners to seamlessly integrate and sync data between HR and third-party systems. We also released a new payroll-based journal reporting platform to simplify complex staffing reporting requirements for nursing facilities and a predictive resignation feature providing leaders with actionable insights to identify the top drivers of employee resignation. In fiscal year 2023, we acquired Talenya’s intelligent candidate sourcing technology, now Paycor Smart Sourcing, and Verb, Inc.’s behavioral science-based microlearning platform, now part of Paycor Paths, to enhance our industry-leading talent solutions. We also introduced the COR Leadership Framework, empowering organizations to transform frontline managers into effective leaders through the provision of technology and expertise. As a result of these and other product launches, the total list PEPM and customer-perceived value for our full suite of products continues to increase. In fiscal year 2024, we introduced a generative AI analytics digital assistant, powered by Visier, that empowers leaders to quickly and easily consume people-focused analytics in a conversational chat interface. We also introduced pay benchmarking, which provides market salary insights to enable competitive compensation strategies, and launched labor forecasting, which empowers leaders to right-size their labor costs to their operations by leveraging historical data and demand data forecasts to maximize return on investment and service quality. Our ability to innovate and introduce competitive new products is dependent on our ability to recruit and retain top technical talent and invest in research and development initiatives.

Components of Results of Operations

Basis of Presentation

Revenues

Recurring and Other Revenue

We derive our revenue from contractual agreements, which contain recurring and non-recurring service fees. The majority of our contracts are cancellable by the customer on 60 days’ notice or less. We recognize revenue when control of the promised goods or services is transferred to customers in an amount that reflects the consideration that we are entitled to for those goods or services. Recurring revenue consists primarily of revenues derived from the provision of our payroll and HR-related cloud-based computing services, Workforce Management, Talent Management, Talent Acquisition and Benefits Administration. The performance obligations related to recurring services are generally satisfied monthly as services are provided, with fees charged and collected based on a PEPM basis. Recurring revenue is generally recognized as the services are provided during each client’s payroll period.

Other revenue and non-recurring services fees consist mainly of nonrefundable implementation fees, which involve onboarding and configuring the customer within our cloud-based platform. These nonrefundable implementation fees provide certain clients with a material right to renew the contract, with revenue deferred and recognized over the period to which the material right exists. This is a period of 24 months from finalization of onboarding, which typically concludes within three to six months of the original booking. Deferred revenue also includes an immaterial portion related to recurring subscription services where revenue is recognized over the subscription period. Deferred revenue for these nonrefundable upfront fees and recurring subscription services was $19.9 million as of March 31, 2024, with $5.5 million and $15.3 million of revenue recognized for the three and nine months ended March 31, 2024, respectively. Deferred revenue for these nonrefundable upfront fees and recurring subscription services was $18.4 million as of March 31, 2023, with $4.9 million and $15.1 million of revenue recognized for the three and nine months ended March 31, 2023, respectively.

We defer certain commission costs that meet the capitalization criteria. We also capitalize certain costs to fulfill a contract related to our proprietary products if they are identifiable, generate or enhance resources used to satisfy future performance obligations and are expected to be recovered. We utilize the portfolio approach to account for both the cost of obtaining a contract and the cost of fulfilling a contract.

Capitalized costs to fulfill a contract and cost to obtain a contract are amortized over the expected period of benefit, which is generally six years based on our average client life and other qualitative factors, including rate of technological changes. We do not incur any additional costs to obtain or fulfill contracts upon renewal. We recognize additional selling and commission costs and fulfillment costs when an existing client purchases additional services. The additional costs only relate to the additional services purchased and do not relate to the renewal of previous services. We continue to expense certain costs to obtain a contract and cost to fulfill a contract if those costs do not meet the capitalization criteria.

We expect recurring and other revenue to increase as we continue to add new customer employees and sell additional products to our existing customers.

Interest Income on Funds Held for Clients

We earn interest income on funds held for clients. We generally collect substantially all funds for employee payroll payments and related taxes in advance of remittance to employees and taxing authorities. Prior to remittance to employees and taxing authorities, we generally earn interest on these funds through demand deposit accounts with financial institutions with which we have automated clearinghouse arrangements. We also earn interest by investing a portion of funds held for clients in highly liquid, investment-grade marketable securities. We expect funds held for our clients to generally grow as the employees per customer increase and as we add customers to our platform. Interest income on funds held for clients will fluctuate based on market rates of demand deposit accounts, as well as the highly liquid, investment-grade marketable securities in which we invest the client funds.

Cost of Revenues

Cost of revenues includes costs relating to the provision of ongoing customer support and implementation activities, payroll tax filing, distribution of printed checks and other materials providing our payroll and other HCM solutions. These costs primarily consist of employee-related expenses for associates who service customers, as well as third-party processing fees, delivery costs, hosting costs, and bank fees associated with client fund transfers. Costs for recurring support are generally expensed as incurred, while such costs for onboarding and configuring our products for our customers are capitalized and amortized over a period of six years.

We amortized $9.5 million and $6.8 million of capitalized contract fulfillment costs during the three months ended March 31, 2024 and 2023, respectively, and $26.5 million and $18.6 million of capitalized contract fulfillment costs during the nine months ended March 31, 2024 and 2023, respectively. We expect to realize increased amortization in future periods as the total capitalized contract fulfillment costs on our balance sheet increases.

We also capitalize a portion of our internal-use software costs including external direct costs of materials and services associated with developing or obtaining internal-use software and certain payroll and payroll-related costs for associates who are directly associated with internal-use software projects, which are then generally amortized over a period of three years into cost of revenues. We amortized $10.4 million and $8.5 million of capitalized internal-use and acquired software costs during the three months ended March 31, 2024 and 2023, respectively, and $30.0 million and $24.1 million of capitalized internal-use and acquired software costs during the nine months ended March 31, 2024 and 2023, respectively.

Our cost of revenues is expected to increase in absolute dollars as we expand our customer employee base. However, in the long-term we expect cost of revenues to reduce as a percentage of total revenues as our business scales.

Operating Expenses

Sales and Marketing

Sales and marketing expenses consist primarily of employee-related expenses for our direct sales and marketing staff, marketing, advertising and promotion expenses, including amortization expense associated with the exclusive naming rights to Paycor Stadium (the “Naming Rights”), home to the Cincinnati Bengals since 2000, and other related costs. We capitalize certain commission costs related to new contracts or purchases of additional services by our existing customers and amortize such items over a period of six years.

We amortized $7.1 million and $5.3 million of capitalized contract acquisition costs during the three months ended March 31, 2024 and 2023, respectively, and $20.0 million and $14.6 million of capitalized contract acquisition costs during the nine months ended March 31, 2024 and 2023, respectively. Additionally, we recorded $1.1 million and $0.8 million of amortization expense associated with the Naming Rights during the three months ended March 31, 2024 and 2023, respectively, and $3.2 million and $2.8 million of amortization expense associated with the Naming Rights during the nine months ended March 31, 2024 and 2023, respectively. We expect to realize increased amortization in future periods as the total capitalized contract acquisition costs on our balance sheet increases.

We seek to grow our number of customer employees and upsell existing customers, and therefore our sales and marketing expenses are expected to continue to increase in absolute dollars as we grow our sales organization and expand our marketing activities.

General and Administrative

General and administrative expenses consist primarily of employee-related costs for our administrative, finance, accounting, legal, enterprise technology and human resources departments. Additional expenses include consulting and professional fees, occupancy costs, insurance, and other corporate expenses.

We amortized $22.1 million and $22.4 million of intangible assets, excluding acquired software amortized through cost of revenues and the Naming Rights amortized through sales and marketing expenses, during the three months ended March 31, 2024 and 2023, respectively, and $68.7 million and $65.8 million of intangible assets, excluding acquired software amortized through cost of revenues and the Naming Rights amortized through sales and marketing, during the nine months ended March 31, 2024 and 2023, respectively. The period-to-period changes are driven by the remaining amortizable life of the underlying intangible assets from multiple acquisitions.

We expect our general and administrative expenses to increase in absolute dollars as we grow and scale our business.

Research and Development

Research and development expenses consist primarily of employee-related expenses for our software development and product management staff. 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, including costs associated with preliminary project stage activities, training, maintenance, and all other post-implementation stage activities are expensed as incurred.

We capitalize a portion of our development costs related to internal-use software, which are amortized over a period of three years into cost of revenues. 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 costs for the following periods:

(in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Nine Months Ended March 31, 2024	Nine Months Ended March 31, 2023
Capitalized software	$ 12,328	$ 10,956	$ 36,356	$ 28,698
Research and development expenses	$ 15,067	$ 13,658	$ 45,787	$ 39,935

We expect to increase our research and development expenses in absolute dollars 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 customers.

Interest Expense

Interest expense consists primarily of interest payments and accruals relating to outstanding borrowings as well as accretion expense associated with the Naming Rights liability. We expect interest expense to vary each reporting period depending on the amount of outstanding borrowings and prevailing interest rates.

Other Income

Other income generally consists of other income and expense items outside of our normal operations, such as interest income on operating cash, realized gains or losses on the sale of certain positions of funds held for clients, change in fair value of contingent consideration, gains or losses on the extinguishment of debt and expenses relating to our financing arrangements.

Results of Operations

The following table sets forth our unaudited condensed consolidated statements of operations for the periods indicated.

(in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Nine Months Ended March 31, 2024	Nine Months Ended March 31, 2023
Consolidated Statement of Operations Data:				
Revenues:				
Recurring and other revenue	$ 171,973	$ 150,757	$ 451,913	$ 389,908
Interest income on funds held for clients	15,046	10,725	38,235	22,741
Total revenues	187,019	161,482	490,148	412,649
Cost of revenues	58,736	49,323	165,239	138,692
Gross profit	128,283	112,159	324,909	273,957
Operating expenses:				
Sales and marketing	55,839	55,499	166,370	155,607
General and administrative	49,921	51,033	154,843	151,405
Research and development	15,067	13,658	45,787	39,935
Total operating expenses	120,827	120,190	367,000	346,947
Income (loss) from operations	7,456	(8,031)	(42,091)	(72,990)
Interest expense	(1,146)	(1,970)	(3,543)	(3,461)
Other income	1,133	2,003	319	2,514
Income (loss) before expense (benefit) for income taxes	7,443	(7,998)	(45,315)	(73,937)
Income tax expense (benefit)	1,250	(658)	(4,663)	(10,082)
Net income (loss)	$ 6,193	$ (7,340)	$ (40,652)	$ (63,855)

Comparison of the Three Months Ended March 31, 2024 and March 31, 2023

Revenues

	Three Months Ended			
(in thousands)	March 31, 2024	March 31, 2023	$ Change	% Change
Revenues:				
Recurring and other revenue	$ 171,973	$ 150,757	$ 21,216	14 %
Interest income on funds held for clients	15,046	10,725	4,321	40
Total revenues	$ 187,019	$ 161,482	$ 25,537	16 %

Total revenues for the three months ended March 31, 2024 and 2023 were $187.0 million and $161.5 million, respectively. For the three months ended March 31, 2024 and 2023, recurring and other revenue accounted for $172.0 million and $150.8 million, respectively, of total revenues. Additionally, interest income on funds held for clients accounted for $15.0 million and $10.7 million, respectively, for the three months ended March 31, 2024 and 2023. Total revenues increased over the prior year period primarily as a result of an increase in customer employees and effective PEPM, driving $14.0 million and $7.2 million of increased revenue, respectively, as well as a $4.3 increase in interest income on funds held for clients.

Interest income on funds held for clients increased primarily as a result of higher average daily balances for funds held due to the addition of customer employees and higher average interest rates across our portfolio of debt-security investments. Average client funds balances for the three months ended March 31, 2024 and 2023 were $1,271.1 million and $1,166.1 million, respectively.

Cost of Revenues

	Three Months Ended			
(in thousands)	March 31, 2024	March 31, 2023	$ Change	% Change
Cost of revenues	$ 58,736	$ 49,323	$ 9,413	19 %
Percentage of total revenues	31 %	31 %		
Gross profit	$ 128,283	$ 112,159	$ 16,124	14 %
Percentage of total revenues	69 %	69 %		

Total cost of revenues for the three months ended March 31, 2024 and 2023 were $58.7 million and $49.3 million, respectively. Our total cost of revenues increased primarily as a result of a $2.7 million increase in amortization of deferred contract costs, a $2.5 million increase in amortization expense relating to capitalized software, a $2.2 million increase in employee-related costs to support new customers, including a $0.8 million decrease in stock-based compensation expense, and a $0.7 million increase in licensing fees.

Operating Expenses

Sales and Marketing

	Three Months Ended			
(in thousands)	March 31, 2024	March 31, 2023	$ Change	% Change
Sales and marketing	$ 55,839	$ 55,499	$ 340	1 %
Percentage of total revenues	30 %	34 %		

Sales and marketing expenses for the three months ended March 31, 2024 and 2023 were $55.8 million and $55.5 million, respectively. The increase in sales and marketing expenses was primarily the result of a $1.8 million increase in amortization expense associated with costs to obtain a contract and a $0.4 million increase in amortization expense associated with the Naming Rights Agreement and advertising expenses, partially offset by a $1.3 million decrease in employee-related costs, including a $3.5 million decrease in stock-based compensation expense.

General and Administrative

	Three Months Ended			
(in thousands)	March 31, 2024	March 31, 2023	$ Change	% Change
General and administrative	$ 49,921	$ 51,033	$ (1,112)	(2)%
Percentage of total revenues	27 %	32 %		

General and administrative expenses for the three months ended March 31, 2024 and 2023 were $49.9 million and $51.0 million, respectively. The decrease in general and administrative expenses was primarily driven by a $0.8 million decrease in loss from exiting leases of certain facilities and a $0.7 million decrease in employee-related costs, including a $1.1 million decrease in stock-based compensation expense.

Research and Development

	Three Months Ended			
(in thousands)	March 31, 2024	March 31, 2023	$ Change	% Change
Research and development	$ 15,067	$ 13,658	$ 1,409	10 %
Percentage of total revenues	8 %	8 %		

Research and development expenses for the three months ended March 31, 2024 and 2023 were $15.1 million and $13.7 million, respectively. The increase in research and development expenses was primarily the result of a $1.1 million increase in employee-related costs, including a $0.1 million decrease in stock-based compensation expense, and a $0.6 million increase in licensing fees.

Interest Expense

	Three Months Ended			
(in thousands)	March 31, 2024	March 31, 2023	$ Change	% Change
Interest expense	$ 1,146	$ 1,970	$ (824)	(42)%
Percentage of total revenues	<1 %	<2 %		

Interest expense for the three months ended March 31, 2024 and 2023 was $1.1 million and $2.0 million, respectively. Interest expense primarily consists of accretion expense associated with the Naming Rights Agreement.

Other income

	Three Months Ended			
(in thousands)	March 31, 2024	March 31, 2023	$ Change	% Change
Other income	$ 1,133	$ 2,003	$ (870)	(43)%

Other income for the three months ended March 31, 2024 and 2023 was $1.1 million and $2.0 million, respectively. Other income during the three months ended March 31, 2024 and 2023 primarily consists of interest income earned on operating cash.

Income tax expense (benefit)

Income tax expense for the three months ended March 31, 2024 was $1.3 million, reflecting an effective income tax rate for the current period of 17.2%. Income tax benefit for the three months ended March 31, 2023 was $0.7 million, reflecting an effective income tax rate for the prior year period of 8.2%. The change in income tax expense (benefit) was primarily related to a lower loss before benefit for income taxes recognized for the current period and an increase in expense related to executive compensation for which no income tax benefit can be recognized for the current period, partially offset by an increase in tax deductible stock-based compensation expense for the current period.

Comparison of the Nine Months Ended March 31, 2024 and March 31, 2023

Revenues

	Nine Months Ended			
(in thousands)	March 31, 2024	March 31, 2023	$ Change	% Change
Revenues:				
Recurring and other revenue	$ 451,913	$ 389,908	$ 62,005	16 %
Interest income on funds held for clients	38,235	22,741	15,494	68
Total revenues	$ 490,148	$ 412,649	$ 77,499	19 %

Total revenues for the nine months ended March 31, 2024 and 2023 were $490.1 million and $412.6 million, respectively. For the nine months ended March 31, 2024 and 2023, recurring and other revenue accounted for $451.9 million and $389.9 million, respectively, of total revenues. Additionally, interest income on funds held for clients accounted for $38.2 million and $22.7 million, respectively, for the nine months ended March 31, 2024 and 2023. Total revenues increased over the prior year period primarily as a result of an increase in customer employees and effective PEPM, driving $37.2 million and $24.8 million of increased revenue, respectively, as well as a $15.5 million increase in interest income on funds held for clients.

Interest income on funds held for clients increased primarily as a result of higher average daily balances for funds held due to the addition of customer employees and higher average interest rates across our portfolio of debt-security investments. Average client funds balance for the nine months ended March 31, 2024 and 2023 were $1,126.4 million and $1,034.5 million, respectively.

Cost of Revenues

	Nine Months Ended			
(in thousands)	March 31, 2024	March 31, 2023	$ Change	% Change
Cost of revenues	$ 165,239	$ 138,692	$ 26,547	19 %
Percentage of total revenues	34 %	34 %		
Gross profit	$ 324,909	$ 273,957	$ 50,952	19 %
Percentage of total revenues	66 %	66 %		

Total cost of revenues for the nine months ended March 31, 2024 and 2023 were $165.2 million and $138.7 million, respectively. Our total cost of revenues increased primarily as a result of a $7.9 million increase in amortization of deferred contract costs, a $7.0 million increase in employee-related costs to support new customers, including a $1.1 million decrease in stock-based compensation expense, a $6.9 million increase in amortization expense relating to capitalized software and a $2.0 million increase in licensing fees.

Operating Expenses

Sales and Marketing

	Nine Months Ended			
(in thousands)	March 31, 2024	March 31, 2023	$ Change	% Change
Sales and marketing	$ 166,370	$ 155,607	$ 10,763	7 %
Percentage of total revenues	34 %	38 %		

Sales and marketing expenses for the nine months ended March 31, 2024 and 2023 were $166.4 million and $155.6 million, respectively. The increase in sales and marketing expenses was primarily the result of a $5.4 million increase in amortization expense associated with costs to obtain a contract, a $3.2 million increase in amortization expense associated with the Naming Rights and advertising expenses, and a $2.7 million increase in employee-related costs, including a $8.1 million decrease in stock-based compensation expense.

General and Administrative

	Nine Months Ended			
(in thousands)	March 31, 2024	March 31, 2023	$ Change	% Change
General and administrative	$ 154,843	$ 151,405	$ 3,438	2 %
Percentage of total revenues	32 %	37 %		

General and administrative expenses for the nine months ended March 31, 2024 and 2023 were $154.8 million and $151.4 million, respectively. The increase in general and administrative expenses was primarily driven by a $5.6 million increase in employee-related costs, including a $1.3 million increase in stock-based compensation expense, a $2.9 million increase in intangible amortization expense primarily associated with asset acquisitions, including the capitalization of contingent payments, and a $0.8 million increase in licensing fees, partially offset by a $4.0 million decrease in professional services, consulting fees and other costs and a $1.7 million decrease in loss from exiting leases of certain facilities.

Research and Development

	Nine Months Ended			
(in thousands)	March 31, 2024	March 31, 2023	$ Change	% Change
Research and development	$ 45,787	$ 39,935	$ 5,852	15 %
Percentage of total revenues	9 %	10 %		

Research and development expenses for the nine months ended March 31, 2024 and 2023 were $45.8 million and $39.9 million, respectively. The increase in research and development expenses was primarily the result of a $4.1 million increase in employee-related costs, including a $0.6 million increase in stock-based compensation, and a $2.0 million increase in licensing fees.

Interest Expense

	Nine Months Ended			
(in thousands)	March 31, 2024	March 31, 2023	$ Change	% Change
Interest expense	$ 3,543	$ 3,461	$ 82	2 %
Percentage of total revenues	<1 %	<1 %		

Interest expense for both of the nine months ended March 31, 2024 and 2023 was $3.5 million. Interest expense primarily consisted of accretion expense associated with the Naming Rights Agreement.

Other income

	Nine Months Ended			
(in thousands)	March 31, 2024	March 31, 2023	$ Change	% Change
Other income	$ 319	$ 2,514	$ (2,195)	(87)%

Other income for the nine months ended March 31, 2024 and 2023 was $0.3 million and $2.5 million, respectively. Other income for the nine months ended March 31, 2024 primarily consisted of interest income earned on operating cash, partially offset by the change in fair value of the contingent consideration related to the acquisition of Talenya. Other income for the nine months ended March 31, 2023 primarily consisted of interest income earned on operating cash.

Income tax benefit

Income tax benefit for the nine months ended March 31, 2024 and 2023 was $4.7 million and $10.1 million, respectively, reflecting effective tax rates for those periods of 10.3% and 13.6%, respectively. The decrease in income tax benefit is primarily related a lower loss before benefit for income taxes recognized for the current period and an increase in expense related to executive compensation for which no income tax benefit can be recognized for the current period, partially offset by an increase in tax deductible stock-based compensation expense for the current period.

Non-GAAP Financial Measures

In addition to our results determined in accordance with U.S. GAAP, we believe the following non-GAAP measures are useful in evaluating our operating performance. We believe 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 U.S. 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 U.S. GAAP and may be different from similarly titled non-GAAP measures used by other companies. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with U.S. GAAP. Investors are encouraged to review the related U.S. GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable U.S. 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.

We use Adjusted Gross Profit and Adjusted Gross Profit Margin to understand and evaluate our core operating performance and trends. We believe these metrics are useful measures to us and to our investors to assist in evaluating our core operating performance because it provides consistency and direct comparability with our past financial performance and between fiscal periods, as the metrics eliminate the effects of variability of items, such as stock-based compensation expense and amortization of intangible assets, which are non-cash expenses that may fluctuate for reasons unrelated to overall operating performance.

Adjusted Gross Profit and Adjusted Gross Profit Margin have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP and should not be considered as replacements for gross profit and gross profit margin, as determined by U.S. GAAP, or as measures of our profitability. We compensate for these limitations by relying primarily on our U.S. GAAP results and using non-GAAP measures only for supplemental purposes.

Adjusted Gross Profit was $130.7 million and $116.0 million, or 69.9% and 71.8% of total revenue, for the three months ended March 31, 2024 and 2023, respectively. Adjusted Gross Profit was $333.3 million and $284.5 million, or 68.0% and 68.9% of total revenues, for the nine months ended March 31, 2024 and 2023, respectively. Adjusted Gross Profit increased for the three and nine months ended March 31, 2024, primarily driven by the increase in revenue from employee customer growth, partially offset by additional employee-related costs to support new customers, amortization of costs to fulfill contracts within cost of revenues and amortization of capitalized software.

(in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Nine Months Ended March 31, 2024	Nine Months Ended March 31, 2023
Gross Profit*	$ 128,283	$ 112,159	$ 324,909	$ 273,957
Gross Profit Margin	*68.6 %*	*69.5 %*	*66.3 %*	*66.4 %*
Amortization of intangible assets	740	1,358	2,749	3,786
Stock-based compensation expense	1,677	2,440	5,676	6,755
Adjusted Gross Profit*	$ 130,700	$ 115,957	$ 333,334	$ 284,498
Adjusted Gross Profit Margin	*69.9 %*	*71.8 %*	*68.0 %*	*68.9 %*

* *Gross Profit and Adjusted Gross Profit were burdened by depreciation expense of $0.6 million and $0.4 million for the three months ended March 31, 2024 and 2023, respectively, and $1.7 million and $1.3 million for the nine months ended March 31, 2024 and 2023, respectively. Gross Profit and Adjusted Gross Profit were burdened by amortization of capitalized software of $9.6 million and $7.2 million for the three months ended March 31, 2024 and 2023, respectively, and $27.3 million and $20.3 million for the nine months ended March 31, 2024 and 2023, respectively. Gross Profit and Adjusted Gross Profit are burdened by amortization of deferred contract costs of $9.5 million and $6.8 million for the three months ended March 31, 2024 and 2023, respectively, and $26.5 million and $18.6 million for the nine months ended March 31, 2024 and 2023, respectively.*

Adjusted Operating Income

We define Adjusted Operating Income as income (loss) from operations before amortization of acquired intangible assets and Naming Rights, stock-based compensation expense, exit costs due to exiting leases of certain facilities and other certain corporate expenses, such as costs related to acquisitions. We define Adjusted Operating Income Margin as Adjusted Operating Income divided by total revenues.

We use Adjusted Operating Income and Adjusted Operating Income Margin to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget, and to develop short-term and long-term operating plans. We believe that Adjusted Operating Income and Adjusted Operating Income Margin facilitate comparison of our operating performance on a consistent basis between periods, and when viewed in combination with our results prepared in accordance with U.S. GAAP, help provide a broader picture of factors and trends affecting our results of operations. While the amortization expense relating to intangible assets is excluded from Adjusted Operating Income, the revenue related to such intangible assets is reflected in Adjusted Operating Income as these assets contribute to our revenue generation.

Adjusted Operating Income and Adjusted Operating Income Margin have limitations as analytical tools, and you should not consider them in isolation, or as substitutes for analysis of our results as reported under U.S. GAAP. Because of these limitations, Adjusted Operating Income and Adjusted Operating Income Margin should not be considered as replacements for operating income (loss) and operating income (loss) margin, as determined by U.S. GAAP, or as measures of our profitability. We compensate for these limitations by relying primarily on our U.S. GAAP results and using non-GAAP measures only for supplemental purposes.

Adjusted Operating Income was $47.7 million and $39.1 million for the three months ended March 31, 2024 and 2023, respectively. Adjusted Operating Income was $86.9 million and $67.2 million for the nine months ended March 31, 2024 and 2023, respectively. Adjusted Operating Income increased for the three and nine months ended March 31, 2024 primarily driven by an increase in total revenues, partially offset by continued investment in employee-related costs to support new customers, expand our sales coverage, and develop our products, as well as increased amortization related to deferred contract costs and capitalized software.

(in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Nine Months Ended March 31, 2024	Nine Months Ended March 31, 2023
Income (loss) from Operations	$ 7,456	$ (8,031)	$ (42,091)	$ (72,990)
Operating Margin	*4.0 %*	*(5.0)%*	*(8.6)%*	*(17.7)%*
Amortization of intangible assets	23,935	24,467	74,608	72,410
Stock-based compensation expense	14,849	20,384	50,813	58,019
Loss (gain) on lease exit*	5	915	(24)	1,733
Corporate adjustments**	1,485	1,372	3,641	7,991
Adjusted Operating Income	$ 47,730	$ 39,107	$ 86,947	$ 67,163
Adjusted Operating Income Margin	*25.5 %*	*24.2 %*	*17.7 %*	*16.3 %*

* *Represents exit costs due to exiting leases of certain facilities.*

** *Corporate adjustments for the three and nine months ended March 31, 2024 relate to costs associated with the secondary offering completed in March 2024 ("March 2024 Secondary Offering") and December 2023 ("December 2023 Secondary Offering") of $0.9 million and $1.5 million, respectively, and professional, consulting, and other costs of $0.6 million and $2.1 million, respectively. Corporate adjustments for the three and nine months ended March 31, 2023 relate to costs associated with secondary offerings completed in December 2022 ("December 2022 Secondary Offering") and September 2022 ("September 2022 Secondary Offering") of $— million and $2.2 million, respectively, professional, consulting, and other costs of $1.0 million and $3.5 million, respectively, and transaction expenses and other costs of $0.4 million and $2.3 million, respectively.*

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 costs 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.

We use Adjusted Sales and Marketing expense, Adjusted General and Administrative expense and Adjusted Research and Development expense (collectively, "Adjusted Operating Expenses") to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget, and to develop short-term and long-term operating plans. We believe that Adjusted Operating Expenses facilitate comparison of our operating performance on a consistent basis between periods, and when viewed in combination with our results prepared in accordance with U.S. GAAP, help provide a broader picture of factors and trends affecting our results of operations.

Adjusted Operating Expenses have limitations as analytical tools, and you should not consider them in isolation, or as substitutes for analysis of our results as reported under U.S. GAAP. Because of these limitations, Adjusted Operating Expenses should not be considered as replacements for operating expenses, as determined by U.S. GAAP. We compensate for these limitations by relying primarily on our U.S. GAAP results and using non-GAAP measures only for supplemental purposes.

Adjusted Sales and Marketing expense was $50.0 million and $46.4 million for the three months ended March 31, 2024 and 2023, respectively, and $146.9 million and $128.4 million for the nine months ended March 31, 2024 and 2023, respectively. Adjusted Sales and Marketing expense increased for the three and nine months ended March 31, 2024, primarily driven by expanding our sales coverage, an increase in advertising expense and an increase in amortization of costs to obtain contracts.

Adjusted General and Administrative expense was $20.2 million and $19.2 million for the three months ended March 31, 2024 and 2023, respectively, and $61.5 million and $56.1 million for the nine months ended March 31, 2024 and 2023, respectively. Adjusted General and Administrative expense increased for the three and nine months ended March 31, 2024, primarily driven by an increase in employee-related costs and an increase in licensing fees.

Adjusted Research and Development expense was $12.7 million and $11.2 million for the three months ended March 31, 2024 and 2023, respectively, and $38.1 million and $32.8 million for the nine months ended March 31, 2024 and

2023, respectively. Adjusted Research and Development expense increased for the three and nine months ended March 31, 2024, primarily driven by an increase in employee-related costs and an increase in licensing fees.

	Three Months Ended		Nine Months Ended	
(in thousands)	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Sales and Marketing expense	$ 55,839	$ 55,499	$ 166,370	$ 155,607
Amortization of intangible assets	(1,059)	(756)	(3,176)	(2,823)
Stock-based compensation expense	(4,783)	(8,311)	(16,325)	(24,408)
Adjusted Sales and Marketing expense	$ 49,997	$ 46,432	$ 146,869	$ 128,376
General and Administrative expense	$ 49,921	$ 51,033	$ 154,843	$ 151,405
Amortization of intangible assets	(22,136)	(22,353)	(68,684)	(65,801)
Stock-based compensation expense	(6,059)	(7,168)	(21,082)	(19,765)
(Loss) gain on lease exit*	(5)	(915)	24	(1,733)
Corporate adjustments**	(1,485)	(1,372)	(3,641)	(7,991)
Adjusted General and Administrative expense	$ 20,236	$ 19,225	$ 61,460	$ 56,115
Research and Development expense	$ 15,067	$ 13,658	$ 45,787	$ 39,935
Stock-based compensation expense	(2,330)	(2,465)	(7,730)	(7,091)
Adjusted Research and Development expense	$ 12,737	$ 11,193	$ 38,057	$ 32,844

* *Represents exit costs due to exiting leases of certain facilities.*

** *Corporate adjustments for the three and nine months ended March 31, 2024 relate to costs associated with the March 2024 Secondary Offering and December 2023 Secondary Offering of $0.9 million and $1.5 million, respectively, and professional, consulting, and other costs of $0.6 million and $2.1 million, respectively. Corporate adjustments for the three and nine months ended March 31, 2023 relate to costs associated with the December 2022 Secondary Offering and the September 2022 Secondary Offering of $— million and $2.2 million, respectively, professional, consulting, and other costs of $1.0 million and $3.5 million, respectively, and transaction expenses and other costs of $0.4 million and $2.3 million, respectively.*

Adjusted Net Income and Adjusted Net Income Per Share

We define Adjusted Net Income as income (loss) before expense (benefit) for income tax after adjusting for amortization of acquired intangible assets and Naming Rights, accretion expense associated with the Naming Rights, stock-based compensation expense, gain or loss on the extinguishment of debt, change in fair value of contingent consideration, exit costs due to exiting leases of certain facilities and other certain corporate expenses, such as costs related to acquisitions, all of which are tax effected by applying an adjusted effective income tax rate. We define Adjusted Net Income Per Share as Adjusted Net Income divided by adjusted shares outstanding. Adjusted shares outstanding includes potentially dilutive securities excluded from the U.S. GAAP dilutive net loss per share calculation.

We use Adjusted Net Income and Adjusted Net Income Per Share to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget, and to develop short-term and long-term operating plans. We believe that Adjusted Net Income and Adjusted Net Income Per Share facilitate comparison of our operating performance on a consistent basis between periods, and when viewed in combination with our results prepared in accordance with U.S. GAAP, help provide a broader picture of factors and trends affecting our results of operations. While the amortization expense relating to intangible assets is excluded from Adjusted Net Income, the revenue related to such intangible assets is reflected in Adjusted Net Income as these assets contribute to our revenue generation.

Adjusted Net Income and Adjusted Net Income Per Share have limitations as analytical tools, and you should not consider these in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Because of these limitations, Adjusted Net Income should not be considered as a replacement for Net Income (Loss), and Adjusted Net Income Per Share should not be considered as a replacement for diluted net income (loss) per share, as determined by U.S. GAAP, or as a measure of our profitability. We compensate for these limitations by relying primarily on our U.S. GAAP results and using non-GAAP measures only for supplemental purposes.

Adjusted Net Income was $37.5 million and $31.6 million for the three months ended March 31, 2024 and 2023, respectively, and was $69.0 million and $53.4 million for the nine months ended March 31, 2024 and 2023, respectively. Adjusted Net Income increased for both the three and nine months ended March 31, 2024, primarily driven by an increase in total revenues, partially offset by continued investment in employee-related costs to support new customers, expand our sales coverage, and develop our products, as well as increased amortization related to deferred contract costs and capitalized software.

	Three Months Ended		Nine Months Ended	
(in thousands)	**March 31, 2024**	**March 31, 2023**	**March 31, 2024**	**March 31, 2023**
Net income (loss) before expense (benefit) for income taxes	$ 7,443	$ (7,998)	$ (45,315)	$ (73,937)
Amortization of intangible assets	23,935	24,467	74,608	72,410
Naming rights accretion expense	1,005	1,884	3,066	3,198
Change in fair value of contingent consideration	—	—	2,816	—
Stock-based compensation expense	14,849	20,384	50,813	58,019
Loss (gain) on lease exit*	5	915	(24)	1,733
Corporate adjustments**	1,485	1,372	3,641	7,991
Non-GAAP adjusted income before applicable income taxes	48,722	41,024	89,605	69,414
Income tax effect on adjustments***	(11,206)	(9,435)	(20,609)	(15,965)
Adjusted Net Income	$ 37,516	$ 31,589	$ 68,996	$ 53,449
Adjusted Net Income Per Share	$ 0.21	$ 0.18	$ 0.39	$ 0.30
Adjusted shares outstanding****	178,124,254	176,499,160	177,731,239	176,211,488

** Represents exit costs due to exiting leases of certain facilities.*

*** Corporate adjustments for the three and nine months ended March 31, 2024 relate to costs associated with the March 2024 Secondary Offering and December 2023 Secondary Offering of $0.9 million and $1.5 million, respectively, and professional, consulting, and other costs of $0.6 million and $2.1 million, respectively. Corporate adjustments for the three and nine months ended March 31, 2023 relate to costs associated with the December 2022 Secondary Offering and the September 2022 Secondary Offering of $— million and $2.2 million, respectively, professional, consulting, and other costs of $1.0 million and $3.5 million, respectively, and transaction expenses and other costs of $0.4 million and $2.3 million, respectively.*

**** Non-GAAP adjusted income before applicable income taxes is tax effected using an adjusted effective income tax rate of 23.0% for each of the three and nine months ended March 31, 2024 and 2023.*

***** Adjusted shares outstanding for the three and nine months ended March 31, 2024 and 2023 are based on the if-converted method and include potentially dilutive securities that are excluded from the U.S. GAAP dilutive net income per share calculation because including them in the computation of net income per share would have an anti-dilutive effect.*

Liquidity and Capital Resources

General

As of March 31, 2024, our principal sources of liquidity were cash and cash equivalents totaling $90.1 million, which was held for working capital purposes, as well as $200.0 million of borrowing capacity available under our revolving credit facility, described further below. As of March 31, 2024, our cash and cash equivalents principally included demand deposit accounts. We expect our operating cash flows to further improve as we increase our operational efficiency and experience economies of scale.

We have historically financed our operations primarily through cash received from operations and debt financing and, more recently, with the issuance of equity in our initial public offering. We believe our existing cash and cash equivalents, borrowings available under our revolving credit facility and cash provided by sales of our solutions and services will be sufficient to meet our working capital and capital expenditure needs for at least the next twelve months. Our future capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, and the introduction of new and enhanced products and services offerings. In the future, we may enter into arrangements to acquire or invest in complementary businesses, services, and technologies, including intellectual property rights.

We may be required to seek additional equity or debt financing. If additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies, this could reduce our ability to compete successfully and harm our results of operations.

The majority of the Company's recurring fees are satisfied over time as the services are provided and invoiced by the customer payroll processing period or by month. The Company recognizes deferred revenue for nonrefundable upfront fees as well as for subscription services related to certain ancillary products invoiced prior to the satisfaction of the performance obligation. As of March 31, 2024, we had deferred revenue of $19.9 million, of which $14.0 million was recorded as a current liability and is expected to be recorded as revenue in the next twelve months, provided all other revenue recognition criteria have been met.

Revolving Credit Facility

Paycor, Inc. is party to a credit agreement (as amended, the "Credit Agreement") with PNC Bank, National Association ("PNC"), Fifth Third, National Association, and other lenders, providing a $200.0 million senior secured revolving credit facility (the "Revolving Credit Facility"). The Revolving Credit Facility includes an "accordion feature" that allows us, under certain circumstances, to increase the size of the Revolving Credit Facility by an additional principal amount of up to $200.0 million, with a resulting maximum principal amount of $400.0 million, subject to the participating lenders electing to increase their commitments or new lenders being added to the Credit Agreement. The Revolving Credit Facility will mature on June 11, 2026.

Borrowings under the Revolving Credit Facility, if any, have variable interest rates. During the periods covered by this report, the variable interest rates were equal to, at our option, either, (i) in the case of ABR borrowings, the highest of (a) the PNC prime rate and (b) the Federal funds rate plus 0.50% or (ii) in the case of Eurocurrency borrowings, the applicable term Secured Overnight Financing Rate (as adjusted, "Benchmark Replacement SOFR"), plus, in each case, an applicable margin of (i) in the case of ABR borrowings, 0.375% per annum or (ii) in the case of Eurocurrency borrowings, 1.375% per annum, in each case, with step downs based on achievement of certain total leverage ratios.

The Credit Agreement contains financial covenants, which are reviewed for compliance on a quarterly basis, including a total leverage ratio financial covenant of 3.50 to 1.00 and an interest coverage ratio financial covenant of 3.00 to 1.00. As of March 31, 2024, the Company was compliant with all covenants under the Credit Agreement.

Cash Flows

The following table presents a summary of our unaudited condensed consolidated cash flows from operating, investing and financing activities for the nine months ended March 31, 2024 and 2023.

(in thousands)	Nine Months Ended March 31, 2024	Nine Months Ended March 31, 2023
Net cash provided by operating activities	$ 39,700	$ 16,385
Net cash used in investing activities	(94,376)	(177,619)
Net cash provided by (used in) financing activities	365,021	(447,416)
Impact of foreign exchange on cash and cash equivalents	(3)	(15)
Net change in cash and cash equivalents	310,342	(608,665)
Cash and cash equivalents at beginning of period	879,046	1,682,923
Cash and cash equivalents at end of period	$ 1,189,388	$ 1,074,258

Operating Activities

Net cash provided by operating activities was $39.7 million and $16.4 million for the nine months ended March 31, 2024 and 2023, respectively. The change in net cash provided by operating activities for the nine months ended March 31, 2024 is primarily attributable to a decrease in net loss.

Investing Activities

Net cash used in investing activities was $94.4 million and $177.6 million, for the nine months ended March 31, 2024 and 2023, respectively. The change in investing activities for the nine months ended March 31, 2024 was primarily attributable to the timing of proceeds and purchases within our client funds portfolio.

Financing Activities

Net cash provided by financing activities was $365.0 million for the nine months ended March 31, 2024 and consisted primarily of an increase in funds held to satisfy client fund obligations. Net cash used in financing activities was $447.4 million for the nine months ended March 31, 2023 and consisted primarily of a decrease in funds held to satisfy client fund obligations.

Contractual Obligations and Commitments

Our principal commitments at March 31, 2024 primarily consist of leases for office space and obligations associated with the Naming Rights. There have been no material changes to our contractual obligations disclosed in the contractual obligations section of Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K that was filed with the SEC on August 28, 2023 ("Form 10-K"). For additional information regarding our leases, long-term debt and our commitments and contingencies, see "Note 10. Leases", "Note 9. Debt Agreements and Letters of Credit" and "Note 18. Commitments and Contingencies" in the Form 10-K and "Note 9. Debt Agreements and Letters of Credit" and "Note 13. Commitments and Contingencies" in the notes to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that may be material to investors.

Critical Accounting Policies and Significant Judgments and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these unaudited condensed consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenue and expenses and related disclosures of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions, impacting our reported results of operations and financial condition.

Certain accounting policies involve significant judgments and assumptions by management, which have a material impact on the carrying value of assets and liabilities and the recognition of income and expenses. Management considers these accounting policies to be critical accounting policies. The estimates and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. The significant accounting policies which we believe are the most critical to aid in fully understanding and evaluating our reported financial results are described in the critical accounting policies and estimates section of Management's Discussion and Analysis of Financial Condition and Results of Operations in the Form 10-K. There have been no material changes to the critical accounting policies disclosed in the Form 10-K, except as described in Note 2 to our unaudited condensed consolidated financial statements: "Summary of Significant Accounting Policies."

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of exposure due to potential changes in inflation or interest rates. We do not hold financial instruments for trading purposes.

Foreign Currency Exchange Risk

The functional currencies of our foreign subsidiaries are generally the respective local currencies. Most of our sales are denominated in U.S. dollars, and therefore our revenue is not currently subject to significant foreign currency risk. Our operating expenses are denominated in the currencies of the countries in which our operations are located, which are primarily in the United States, Canada, and Serbia. Our unaudited condensed consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative financial instruments. During the three and nine months ended March 31, 2024, a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our unaudited condensed consolidated financial statements.

Interest Rate Risk

As of March 31, 2024, we had cash and cash equivalents totaling $90.1 million and funds held for clients of $1,418.2 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 invest funds held for clients in debt-security investments classified as available-for-sale consisting of U.S. Treasury Notes, direct obligations of U.S. government agencies such as the Federal Home Loan Bank, the Federal National Mortgage Association and the Federal Farm Credit Bank, high grade corporate bonds, FDIC insured certificates of deposit, and other short-term and long-term investments.

Our cash and cash equivalents and funds held for clients are subject to market risk due to changes in interest rates. A decline in interest rates would decrease our interest income earned. Additionally, an increase in interest rates may cause the market value of our investments in fixed-rate available-for-sale securities to decline. We may incur losses on our fixed-rate available-for-sale securities if we are forced to sell some or all of these securities at lower market values. However, as a result of us classifying 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 allowance for credit impairment losses on available-for-sale securities. A 100-basis point change in interest rates would have had an immaterial effect on the market value of our available-for-sale securities as of March 31, 2024.

We are also exposed to changing Eurodollar-based interest rates. Interest rate risk is highly sensitive due to many factors, including European Union and U.S. monetary and tax policies, U.S. and international economic factors and other factors beyond our control. Borrowings under the Revolving Credit Facility bear interest at a variable rate at the Company's option based on certain benchmark interest rates (e.g., the Federal funds rate or Benchmark Replacement SOFR), plus an applicable margin (as described in the liquidity and capital resources section of Management's Discussion and Analysis of Financial Condition and Results of Operations above).

At March 31, 2024, we had no outstanding debt under the Revolving Credit Facility and, as a result, a 100-basis point increase or decrease in market interest rates over a twelve-month period would result in no change to interest expense.

Impact of Inflation

While inflation may impact our revenues and costs of revenues, we believe the effects of inflation, if any, have not had a direct, material impact on our results of operations and financial condition to date. Nonetheless, if our costs become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. There can be no assurance that our results of operations and financial condition will not be materially impacted by inflation in the future.

In the event the Federal Reserve were to raise interest rates to temper the rate of inflation (or for other reasons), we could potentially benefit from increased interest income on our funds held for clients balance invested at higher interest rates. However, the cost to us of any future borrowings under the Revolving Credit Facility would increase in a rising interest rate environment since borrowings under the Revolving Credit Facility bear interest at a variable rate at the Company's option based on certain benchmark interest rates (e.g., the Federal funds rate or Benchmark Replacement SOFR), plus an applicable margin. As of March 31, 2024, we had no outstanding borrowings under the Revolving Credit Facility.

Item 4. Controls and Procedures

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.

We have established disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance that material information relating to us, including our consolidated subsidiaries, is made known on a timely basis to management and the Board of Directors. No control system, no matter how well designed and operated, can provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (the “Certifying Officers”), evaluated the design and operating effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2024. Based on this evaluation, the Certifying Officers concluded that, as of March 31, 2024, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting during the three months ended March 31, 2024, that have materially affected, or that 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 may become involved in legal proceedings arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, we believe would individually or taken together have a material adverse effect on our business, financial condition, or liquidity. For additional information, see Note 13 to our Consolidated Financial Statements - “Commitments and Contingencies.”

Item 1A. Risk Factors

There have been no material changes from the information set forth in “Item 1A. Risk Factors” in our Annual Report on Form 10-K filed with the SEC on August 28, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

Insider Trading Arrangements

None of the Company’s directors or officers (as defined in Section 16 of the Exchange Act) adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” (each as defined in Item 408(a) and (c) of Regulation S-K) during the Company’s fiscal quarter ended March 31, 2024.

Item 6. Exhibits

The following exhibits are incorporated herein by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K):

3.1	Second Amended and Restated Certificate of Incorporation of Paycor HCM, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 26, 2021)
3.2	Amended and Restated Bylaws of Paycor HCM, Inc., effective July 23, 2021 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 26, 2021)
10.9	Paycor HCM, Inc. Executive Severance Plan (as amended)
10.10	Paycor HCM, Inc. Executive Change in Control Severance Plan (as amended)
31.1	Certification of Principal Executive Officer, Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer, Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002
32.1*	Certification of the Chief Executive Officer, Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of the Chief Financial Officer, Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance 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 with applicable taxonomy extension information contained in Exhibits 101)

* This exhibit is furnished herewith and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

			Paycor HCM, Inc.
Date:	May 9, 2024	By:	/s/ ADAM ANTE
		Name:	Adam Ante
		Title:	Chief Financial Officer (Principal Financial Officer)
Date:	May 9, 2024	By:	/s/ SARAH HAINES
		Name:	Sarah Haines
		Title:	Chief Accounting Officer (Principal Accounting Officer)

Exhibit 10.9

PAYCOR HCM, INC.

EXECUTIVE SEVERANCE PLAN

ARTICLE I
PURPOSE

The purpose of this Executive Severance Plan (this "Plan") is to provide severance benefits to certain eligible employees of Paycor HCM, Inc. (the "Company") and its Affiliates, who experience a Qualifying Termination under the conditions described in this Plan. Capitalized terms used herein without definition shall have the meanings ascribed to such terms in Article II.

ARTICLE II
DEFINITIONS

As used herein the following words and phrases shall have the following respective meanings (unless the context clearly indicates otherwise):

"Accrued Obligations" means, with respect to a Participant's Termination of Employment, (a) such Participant's base salary through the Termination Date; (b) reimbursement for business expenses in accordance with Company policy; (c) any accrued but unused paid time off to the extent not theretofore paid; and (d) vested employee benefits accrued through the Termination Date in accordance with applicable law or the governing plan rules.

"Administrator" means the Committee or such other Person as selected by the Committee.

"Affiliate" means any Subsidiary or other entity that is directly or indirectly controlled by the Company or any entity in which the Company has a significant ownership interest as determined by the Administrator.

"Annual Base Salary" means, with respect to a Participant, the annual rate of base salary in effect for such Participant as of such Participant's Termination Date.

"Annual Base Salary Multiple" means, with respect to a Participant, a whole or a fractional number so designated for such Participant on Annex A attached hereto

"Board" means the Board of Directors of the Company.

"COBRA" means the U.S. Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

"COBRA Period" means, with respect to a Participant, the lesser of (a) the Severance Period, and (b) the 18-month period following the Termination Date.

"Code" means the U.S. Internal Revenue Code of 1986, as amended from time to time.

"Committee" means the Compensation and Benefits Committee of the Board.

"Company Group" means, collectively, the Company and its Affiliates.

"Disaffiliation" means an Affiliate's ceasing to be an Affiliate for any reason (including, without limitation, as a result of a public offering, or a spinoff or sale by the Company, of the stock of the Affiliate) or a sale of a division of the Company Group (including, without limitation, a sale of assets).

"Disability" means a physical or mental incapacity or disability, the result of which causes an Eligible Employee to fail to perform the essential functions of his or her position for a continuous period of 180 days or any 270 days within any 12-month period.

"Eligible Employee" means an employee of the Company Group who is designated within one of the employee classification categories specified on Annex A attached hereto, excluding any such employee of the Company Group who: (a) is covered under any collective bargaining agreement; (b) is party to any individual employment, severance, or similar agreement with the Company Group that provides for severance benefits; (c) is eligible to receive benefits under the Company's Employee Severance Plan; or (d) during the Protected Period (as defined in the Company's Executive Change in Control Severance Plan (the "CIC Plan")) is eligible to receive benefits under the CIC Plan.

"Participant" means any Eligible Employee who incurs a Qualifying Termination and thereby becomes eligible for Severance Benefits under this Plan.

"Person" means any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the U.S. Securities Exchange Act of 1934, as amended).

"Qualifying Termination" means, with respect to an Eligible Employee, a Termination of Employment initiated by the Company and/or its Affiliates (including any successors thereto as described in Section 8.1) other than a Termination for Cause or due to Disability.

"Severance Benefits" means the amounts and benefits payable or required to be provided in accordance with Section 5.1 and Annex B, excluding Accrued Obligations.

"Severance Period" means, with respect to a Participant, a number of months equal to the product of (a) 12 months and (b) such Participant's Annual Base Salary Multiple.

"Subsidiary" means any company (other than the Company) in an unbroken chain of companies beginning with the Company; provided that, each company in the unbroken chain (other than the Company) owns, at the time of determination, stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other companies in such chain.

"Target Annual Bonus" means, with respect to a Participant, the target annual incentive payment for which such Participant is eligible in respect of the fiscal year in which the Termination Date occurs.

"Target Annual Bonus Multiple" means, with respect to a Participant, a whole or a fractional number so designated for such Participant on Annex A attached hereto.

"Termination Date" means, with respect to an Eligible Employee, the date on which such Eligible Employee incurs a Termination of Employment for any reason.

"Termination for Cause" means a Termination of Employment on account of (a) any material failure, refusal, or inability by an Eligible Employee to perform his or her duties designated under his or her employment agreement with the Company Group (other than by reason of such Eligible Employee's death or Disability) that continues after written notice to such Eligible Employee that such failure or refusal will result in a Termination for Cause; (b) any intentional act of fraud or embezzlement by an Eligible Employee in connection with his or her duties or employment with the Company Group, or the admission or conviction of, or entering of a plea of nolo contendere by, such Eligible Employee of any felony or any lesser crime involving moral turpitude, fraud, embezzlement or theft; (c) any gross negligence, willful misconduct or personal dishonesty of an Eligible Employee resulting, in the good faith determination of the Company, in a loss to the Company Group or in damage to the reputation of the Company or any of its parent or subsidiary entities, affiliates, successors or assigns; (d) any material breach by an Eligible Employee of any of the covenants contained in this Plan or such Eligible Employee's employment agreement with the Company Group; or (e) any failure of an Eligible Employee to comply with Company policies or procedures; provided that, in each case, such Eligible Employee shall have been given written notice from the Company describing in reasonable detail the event or circumstance the Company believes gives rise to the Company's right to effectuate a Termination for

Cause within 30 days of its initial existence, and such Eligible Employee shall have 30 days to remedy the condition to the satisfaction of the Company. An Eligible Employee's failure to cure such condition(s) within such 30-day period shall result in a Termination for Cause.

"Termination of Employment" means an Eligible Employee's termination of employment with the Company Group. Notwithstanding the foregoing, unless otherwise determined by the Administrator, an Eligible Employee employed by, or performing services for, an Affiliate, or a division of the Company and its Affiliates shall not be deemed to have incurred a Termination of Employment if, as a result of a Disaffiliation, such Affiliate, or division ceases to be an Affiliate, or division, as the case may be. In addition, temporary absences from employment because of illness, vacation, or leave of absence and transfers among the Company Group shall not be considered Terminations of Employment.

ARTICLE III
EFFECTIVENESS

This Plan shall become effective as of July 21, 2021.

ARTICLE IV
ELIGIBILITY

Section 4.1 Participation. Any Eligible Employee who incurs a Qualifying Termination and who satisfies the conditions set forth in Section 4.2 shall be eligible to receive the Severance Benefits set forth on Annex B attached hereto. An Eligible Employee will not be eligible to receive Severance Benefits following a Termination of Employment initiated by such Eligible Employee.

Section 4.2 Release of Claims. An Eligible Employee's right to receive the Severance Benefits shall be subject to (a) such Eligible Employee's execution and delivery to the Company not later than 45 days following such Eligible Employee's Termination Date of a general release of claims (a "Release") in favor of the Company Group in a form provided by the Company and (b) such Release becoming irrevocable in accordance with its terms.

ARTICLE V
SEVERANCE BENEFITS

Section 5.1 General. If the Participant incurs a Qualifying Termination, then the Participant shall, subject to Sections 4.2 and 6.1 (in each case, other than with respect to the Accrued Obligations), be entitled to receive from the Company the benefits set forth on Annex B attached hereto.

Section 5.2 No Offset; No Mitigation. The Company's obligation to make the payments provided for in this Plan and otherwise to perform its obligations hereunder shall not be affected by any setoff, counterclaim, recoupment, defense, or other claim, right, or action that the Company Group may have against a Participant or any other Person. In no event shall a Participant be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Participant under any of the provisions of this Plan, and such amounts shall not be reduced whether or not the Participant obtains other employment.

Section 5.3 No Duplication; Other Benefit Plans. A Participant who experiences a Qualifying Termination that entitles him or her to the Severance Payments set forth on Annex B shall not be entitled to any compensation or benefits under any other Company severance plan or policy in connection with such Qualifying Termination. Other than with respect to any such severance plan or policy, this Plan shall not affect a Participant's entitlement to compensation or benefits under any other employee benefit plan or compensatory arrangement of the Company Group, which, in each case, shall be construed in accordance with its respective terms.

ARTICLE VI
RESTRICTIVE COVENANTS

Section 6.1 General. A Participant's right to receive the Severance Benefits set forth on Annex B shall be subject to the Participant's continued compliance with the covenants set forth in this Article VI.

Section 6.2 Confidential Information. Each Participant shall hold in a fiduciary capacity for the benefit of the Company Group, all secret or confidential information, knowledge, or data relating to the Company Group and its businesses (including, without limitation, any proprietary and not publicly available information concerning any processes, methods, trade secrets, research secret data, costs, names of users or purchasers of their respective products or services, business methods, operating procedures or programs, or methods of promotion and sale) that such Participant has obtained or obtains during such Participant's employment by the Company Group and that is not public knowledge (other than as a result of the Participant's violation of this Section 6.2) ("Confidential Information"). For the purpose of this Section 6.2, information shall not be deemed to be publicly available merely because it is embraced by general disclosures or because individual features or combinations thereof are publicly available. No Participant shall communicate, divulge, or disseminate Confidential Information at any time during or after such Participant's employment with the Company Group, except with prior written consent of the applicable Company Group company, or as otherwise required by law or legal process. All records, files, memoranda, reports, customer lists, drawings, plans, documents, and the like that the Participant uses, prepares, or comes into contact with during the course of the Participant's employment shall remain the sole property of the Company and/or the Company Group, as applicable, and shall be turned over to the applicable Company Group company upon the Participant's Termination of Employment.

Section 6.3 Nondisparagement. Each Participant shall at all times refrain from taking action or making statements, written or oral, that (a) denigrates, disparages, or defames the goodwill or reputation of any member of the Company Group or any of such member's directors, officers, securityholders, partners, agents, or employees, or (b) are intended to, or may be reasonably expected to, adversely affect the morale of employees. Each Participant further agrees not to make any negative statements to third parties relating to the Participant's employment or any aspect of the businesses of the Company Group and not to make any negative statements to third parties about any member of the Company Group or such member's directors, officers, securityholders, partners, agents, or employees, except as may be required by a court or government body. Each Participant further agrees not to make any statements to third parties about the circumstances of the termination of the Participant's employment with the Company Group, except as may be required by applicable law (or in response to a statement by the other party in violation of this sentence).

Section 6.4 Cooperation. Each Participant agrees that, following such Participant's Termination of Employment for any reason, such Participant shall assist and cooperate with the Company with regard to any matter or project in which the Participant was involved during the Participant's employment with the Company Group, including, but not limited to, any litigation that may be pending or arise after such Termination of Employment. Each Participant further agrees to notify the Company at the earliest opportunity of any contact that is made by any third parties concerning any such matter or project. The Company shall not unreasonably request such cooperation of a Participant and shall cooperate with the Participant in scheduling any assistance by the Participant, taking into account the Participant's business and personal affairs and shall compensate the Participant for any lost wages or expenses associated with such cooperation and assistance.

Section 6.5 Acknowledgement and Enforcement. Each Participant acknowledges and agrees that: (a) the purpose of the foregoing covenants is to protect the goodwill, trade secrets, and other Confidential Information of the Company Group; (b) because of the nature of the business in which the Company Group is engaged and because of the nature of the Confidential Information to which the Participant has access, the Company would suffer irreparable harm and it would be impractical and excessively difficult to determine the actual damages of the Company Group if the Participant breached any of the covenants set forth in this Article VI; and (c) remedies at law (such as monetary damages) for any breach of the Participant's obligations under this Article VI would be inadequate. Each Participant therefore agrees and consents that, if the Participant commits any breach of a covenant under this Article

VI or threatens to commit any such breach, the Company shall have the right (in addition to, and not in lieu of, any other right or remedy that may be available to it) to temporary and permanent injunctive relief from a court of competent jurisdiction, without posting any bond or other security and without the necessity of proof of actual damage. If any of the covenants contained in this Article VI is finally held by a court to be invalid, illegal, or unenforceable (whether in whole or in part), such covenant shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality, or unenforceability and the remaining covenants shall not be affected thereby; provided, however, that, if any of such covenants is finally held by a court to be invalid, illegal, or unenforceable because it exceeds the maximum scope and/or duration determined to be acceptable to permit such provision to be enforceable, such covenant shall be deemed to be modified to the minimum extent necessary to modify such scope and/or duration to make such provision enforceable hereunder.

Section 6.6 Similar Covenants in Other Agreements Unaffected. Each Participant acknowledges that the Participant currently is, or in the future may become, subject to covenants contained in other agreements (including, but not limited to, agreements to protect Company assets, confidentiality and business protection agreements, stock option agreements, performance share unit agreements, and restricted share unit agreements) that are similar to those contained in this Article VI. Further, a breach of the covenants contained in this Article VI may have implications under the terms of such other agreements, including, but not limited to, a forfeiture of equity awards and long-term cash compensation. Each Participant acknowledges the foregoing and understands that the covenants contained in this Article VI are in addition to, and not in substitution of, the similar covenants contained in any such other agreements.

Section 6.7 Whistleblower Rights. Under the federal Defend Trade Secrets Act of 2016, Eligible Employees 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; (b) is made to the Eligible Employee’s attorney in relation to a lawsuit for retaliation against such Eligible Employee for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nothing in this Plan shall (A) prevent any Eligible Employee from testifying truthfully as required by law, (B) prohibit or prevent any Eligible Employee from filing a charge with or participating, testifying, or assisting in any investigation, hearing, whistleblower proceeding, or other proceeding before any federal, state, or local government agency (e.g., EEOC, NLRB, SEC, etc.), or (C) prevent any Eligible Employee from disclosing Confidential Information in confidence to a federal, state, or local government official for the purpose of reporting or investigating a suspected violation of law.

ARTICLE VII
ADMINISTRATION

Section 7.1 Administrator. This Plan shall be administered by the Administrator. The Administrator may delegate its authority under this Plan to an individual or another committee.

Section 7.2 Standard of Review. Except as otherwise provided in this Plan, the decision of the Administrator upon all matters within the scope of its authority shall be final, conclusive, and binding on all parties.

Section 7.3 Indemnification. The Administrator or any delegee of the Administrator permitted under Section 7.1 (if any) shall be indemnified by the Company against personal liability for actions taken in good faith in the discharge of the Administrator’s duties hereunder.

ARTICLEVIII
MISCELLANEOUS

Section 8.1 Successors. This Plan shall bind any successor of the Company, its assets, or its businesses (whether direct or indirect, by purchase, merger, consolidation, or otherwise), in the same manner and to the same extent that the Company would be obligated under this Plan if no succession had taken place. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and to honor this Plan in the same manner and to the same extent that the Company would be required to honor it if no such succession had taken place, unless such successor succeeds to the Plan by operation of law. The term "Company," as used in this Plan, shall mean the Company as hereinbefore defined and any successor or assignee to the business or assets that by reason hereof becomes bound by this Plan.

Section 8.2 Amendment, Suspension, and Termination. This Plan may be suspended, terminated or modified by written resolution of the Committee at any time; provided that, no such suspension, termination or modification shall adversely affect the Severance Benefits payable to any Participant who has experienced a Qualifying Termination prior to such amendment or termination.

Section 8.3 Compliance with Law. Notwithstanding anything else contained herein, the Company shall not be required to make any payment or take any other action prohibited by law, including, but not limited to, any regulation, directive, or order of federal or state regulatory authorities.

Section 8.4 Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

if to the Company:

Paycor HCM, Inc.
Attention: Paaras Parker
4811 Montgomery Rd.
Cincinnati, OH 45212
Email: pparker@paycor.com

With a copy to the Company's Legal Department, at:

Paycor HCM, Inc.
Attention Legal Department
4811 Montgomery Rd.
Cincinnati, OH 45212

if to the Participant:

At the address most recently on the books and records of the Company

or to such other address as the Company or any Participant shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

Section 5 Employment Status. This Plan does not constitute a contract of employment or impose on any Participant or the Company Group any obligation to retain any Participant as an employee.

Section 6 Tax Withholding. The Company may withhold from any amounts payable under this Plan such federal, state, local, or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

Section 8.7 ERISA Status. This Plan is intended to be an unfunded plan maintained primarily for the purpose of providing severance benefits for a select group of management or highly compensated employees, or alternatively, is intended to be payroll practice plan not requiring an ongoing administrative program for paying benefits. Consequently, this Plan is not intended to be subject to the Employee Retirement Income Security Act of 1974, as amended. All payments pursuant to this Plan shall be made from the general funds of the Company and no special or separate fund shall be established or other segregation of assets made to assure payment. No Participant or other Person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in this Plan. Notwithstanding the foregoing, the Company may (but shall not be obligated to) create one or more grantor trusts, the assets of which are subject to the claims of the Company's creditors, to assist it in accumulating funds to pay its obligations under this Plan.

Section 8.8 Construction. The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The captions of this Plan are not part of the provisions hereof and shall have no force or effect. Neither a Participant's nor the Company's failure to insist upon strict compliance with any provision of this Plan, or the failure to assert any right a Participant or the Company may have hereunder shall not be deemed to be a waiver of such provision or right or any other provision or right of this Plan.

Section 8.9 Governing Law. This Plan shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws.

Section 8.10 Section 409A of the Code.

(a) General. It is intended that this Plan shall comply with the provisions of Section 409A of the Code and the Treasury Regulations relating thereto, or an exemption to Section 409A of the Code. Any payments that qualify for the "short-term deferral" exception, the separation pay exception, or another exception under Section 409A of the Code shall be paid under the applicable exception. For purposes of the limitations on nonqualified deferred compensation under Section 409A of the Code, each payment of compensation under this Plan shall be treated as a separate payment of compensation for purposes of applying the exclusion under Section 409A of the Code for short-term deferral amounts, the separation pay exception, or any other exception or exclusion under Section 409A of the Code. All payments to be made upon a Termination of Employment under this Plan that constitute "nonqualified deferred compensation" under Section 409A of the Code may only be made upon a "separation from service" under Section 409A of the Code. In no event may a Participant, directly or indirectly, designate the calendar year of any payment under this Plan.

(b) In-Kind Benefits and Reimbursements. Notwithstanding anything to the contrary in this Plan, all reimbursements and in-kind benefits provided under this Plan shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the Participant's lifetime (or during a shorter period of time specified in this Plan); (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred; and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(c) Delay of Payments. Notwithstanding any other provision of this Plan to the contrary, if the Participant is considered a "specified employee" for purposes of Section 409A of the Code (as determined in accordance with the methodology established by the Company as in effect on the applicable Termination Date), any payment that constitutes nonqualified deferred compensation within the meaning of Section 409A of the Code that is otherwise due to the Participant under this Plan during the six-month period following the Participant's separation from service (as determined in accordance with Section 409A of the Code) on account of the Participant's separation from service shall be accumulated and paid to the Participant on the first business day of the seventh month following the Participant's separation from service (the "Delayed Payment Date") to the extent necessary to avoid the imposition of tax penalties under Section 409A of the Code. The Participant shall be entitled to interest on any delayed cash payments from the date of termination to the Delayed Payment Date at a rate equal to the applicable federal short-term rate in effect under Section 1274(d) of the Code for the month in which the Participant's separation from service occurs. If the Participant dies during the postponement period, the amounts and entitlements delayed on account of Section 409A of the Code shall be paid to the personal representative of the Participant's estate on the first to occur of the Delayed Payment Date or 30 calendar days after the date of the Participant's death.

As amended on January 17, 2024.

PLAN PARTICIPANTS

Position	***Annual Base Salary Multiple***	***Target Annual Bonus Multiple***
Executives of the Company reporting directly to the Company's Chief Executive Officer (other than executives who are party to an individual Executive Employment Agreement)	1.0	0.5
Any other position or employee of the Company designated by the Committee	0.5	0.5

SEVERANCE BENEFITS

If the Participant incurs a Qualifying Termination, then the Participant shall, subject to Sections 4.2 and 6.1 of the Plan (in each case, other than with respect to the Accrued Obligations), be entitled to receive from the Company:

(a) The Accrued Obligations, which, in the case of clauses (a) through (c) of such definition, shall be payable in cash in a lump sum within 30 days following the Termination Date and in the case of clause (d) of such definition, shall be payable in accordance with applicable law and the terms of the governing plan rules.

(b) An amount in cash (the "Severance Payment") equal to the sum of (i) the Participant's Annual Base Salary Multiple, multiplied by the Participant's Annual Base Salary, and (ii) the Participant's Target Annual Bonus Multiple, multiplied by the Participant's Target Annual Bonus, which Severance Payment shall be payable in substantially equal installments over the applicable Severance Period in accordance with the Company's normal payroll practices; provided, however, that the first such installment shall be paid on the 60th day following the Termination Date and the first payment shall include any portion of the Severance Payment that would have otherwise been payable during the period between the Termination Date and such payment date.

(c) If the Participant timely elects COBRA coverage, then reimbursement for the cost of health insurance continuation coverage under COBRA in excess of the cost that employees of the Company Group are required to pay for health insurance benefits under the plan in which the Participant was eligible to participate as of the Termination Date (the "COBRA Reimbursement") until the earlier of (i) the end of the COBRA Period and (ii) the date on which the Participant obtains alternative insurance coverage; provided that, the first such reimbursement payment shall be paid on the 60th day following the Termination Date and the first payment shall include any portion of the COBRA Reimbursement that would have otherwise been payable during the period between the Termination Date and such payment date.

Exhibit 10.10

PAYCOR HCM, INC.

EXECUTIVE CHANGE IN CONTROL SEVERANCE PLAN

ARTICLE I
PURPOSE

The purpose of this Executive Severance Plan (this "Plan") is to provide severance benefits to certain eligible employees of Paycor HCM, Inc. (the "Company") and its Affiliates, who experience a Qualifying Termination under the conditions described in this Plan. Capitalized terms used herein without definition shall have the meanings ascribed to such terms in Article II.

ARTICLE II
DEFINITIONS

As used herein the following words and phrases shall have the following respective meanings (unless the context clearly indicates otherwise):

"Accounting Firm" means a nationally recognized certified public accounting firm or other professional organization that is a certified public accounting firm recognized as an expert in determinations and calculations for purposes of Section 280G of the Code that is selected by the Company prior to a Change in Control for purposes of making the applicable determinations hereunder.

"Accrued Obligations" means, with respect to a Participant's Termination of Employment, (a) such Participant's base salary through the Termination Date; (b) reimbursement for business expenses in accordance with Company policy; (c) any accrued but unused paid time off to the extent not theretofore paid; and (d) vested employee benefits accrued through the Termination Date in accordance with applicable law or the governing plan rules.

"Administrator" means the Committee or such other Person as selected by the Committee.

"Affiliate" means any Subsidiary or other entity that is directly or indirectly controlled by the Company or any entity in which the Company has a significant ownership interest as determined by the Administrator.

"Annual Base Salary" means, with respect to a Participant, the annual rate of base salary in effect for such Participant as of such Participant's Termination Date (without giving effect to any reduction resulting in a Termination for Good Reason).

"Annual Base Salary Multiple" means, with respect to any Participant, a whole or fractional number so designated for such Participant on Annex A attached hereto.

"Board" means the Board of Directors of the Company.

"Bonus Percentage" means, with respect to any Participant, a whole or fractional percentage designated for such Participant on Annex A attached hereto.

"Change in Control" has the meaning set forth in the Equity Plan.

"COBRA" means the U.S. Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

"COBRA Period" means, with respect to a Participant, the lesser of (a) the Severance Period, and (b) the 18-month period following the Termination Date.

“Code” means the U.S. Internal Revenue Code of 1986, as amended from time to time.

“Committee” means the Compensation and Benefits Committee of the Board.

“Company Group” means, collectively, the Company and its Affiliates.

“Competitor” means any individual or business that competes with the products or services provided by a member of the Company Group at the time of the Participant’s Termination Date or that is under active consideration by the Board at the time of the Termination Date.

“Disaffiliation” means an Affiliate’s ceasing to be an Affiliate for any reason (including, without limitation, as a result of a public offering, or a spinoff or sale by the Company, of the stock of the Affiliate) or a sale of a division of the Company Group (including, without limitation, a sale of assets).

“Disability” means a physical or mental incapacity or disability, the result of which causes an Eligible Employee to fail to perform the essential functions of his or her position for a continuous period of 180 days or any 270 days within any 12-month period.

“Eligible Employee” means an employee of the Company Group who is designated within one of the employee classification categories specified on Annex A attached hereto, excluding any such employee of the Company Group who is covered under any collective bargaining agreement.

“Equity Plan” means the Company’s 2021 Omnibus Incentive Plan, as may be amended from time to time.

“Executive Officers” means, as of any particular time, Eligible Employees who are designated as “executive officers” (within the meaning of Rule 3b-7 promulgated under the U.S. Securities Exchange Act of 1934, as amended) of the Company as of such time.

“Net After-Tax Receipt” means the present value (as determined in accordance with Sections 280G(b)(2) (A)(ii) and 280G(d)(4) of the Code) of a Payment net of all taxes imposed on the Participant with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under state and local laws that applied to the Participant’s taxable income for the immediately preceding taxable year, or such other rate(s) as the Accounting Firm determines to be likely to apply to the Participant in the relevant tax year(s).

“Parachute Value” of a Payment means the present value as of the date of a Change in Control for purposes of Section 280G of the Code of the portion of such Payment that constitutes a “parachute payment” under Section 280G(b)(2) of the Code, as determined by the Accounting Firm for purposes of determining whether and to what extent the excise tax under Section 4999 of the Code will apply to such Payment.

“Participant” means any Eligible Employee who incurs a Qualifying Termination and thereby becomes eligible for Severance Benefits under this Plan.

“Payment” means any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Participant, whether paid or payable pursuant to this Plan or otherwise.

“Person” means any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the U.S. Securities Exchange Act of 1934, as amended).

“Protected Period” means the period beginning three months prior to, and ending 12 months following, a Change in Control

“Qualifying Termination” means, with respect to an Eligible Employee, (a) a Termination of Employment initiated by the Company and/or its Affiliates (including any successors thereto as described in Section 8.1) other than a Termination for Cause or due to Disability or (b) a Termination for Good Reason.

“Restricted Period” means the applicable period of time following such Participant’s Termination Date designated for such Participant on Annex A attached hereto.

“Restricted Territory” means the United States or any other jurisdiction in which the Company Group is conducting business or is actively considering conducting business as of the Termination Date.

“Safe Harbor Amount” means 2.99 times the Participant’s “base amount,” within the meaning of Section 280G(b)(3) of the Code.

“Severance Benefits” means the amounts and benefits payable or required to be provided in accordance with Section 5.1 and Annex B, excluding Accrued Obligations.

“Severance Period” means, with respect to a Participant, a number of months equal to the product of (a) 12 months and (b) such Participant’s Annual Base Salary Multiple.

“Subsidiary” means any company (other than the Company) in an unbroken chain of companies beginning with the Company; provided that, each company in the unbroken chain (other than the Company) owns, at the time of determination, stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other companies in such chain.

“Target Annual Bonus” means, with respect to a Participant, the target annual incentive payment for which such Participant is eligible in respect of the fiscal year in which the Termination Date occurs (without giving effect to any reduction resulting in a Termination for Good Reason).

“Target Annual Bonus Multiple” means, with respect to any Participant, a whole or fractional number so designated for such Participant on Annex A attached hereto.

“Termination Date” means, with respect to an Eligible Employee, the date on which such Eligible Employee incurs a Termination of Employment for any reason.

“Termination for Cause” means a Termination of Employment on account of (a) any material failure, refusal, or inability by an Eligible Employee to perform his or her duties designated under his or her employment agreement with the Company Group (other than by reason of such Eligible Employee’s death or Disability) that continues after written notice to such Eligible Employee that such failure or refusal will result in a Termination for Cause; (b) any intentional act of fraud or embezzlement by an Eligible Employee in connection with his or her duties or employment with the Company Group, or the admission or conviction of, or entering of a plea of nolo contendere by, such Eligible Employee of any felony or any lesser crime involving moral turpitude, fraud, embezzlement or theft; (c) any gross negligence, willful misconduct or personal dishonesty of an Eligible Employee resulting, in the good faith determination of the Company, in a loss to the Company Group or in damage to the reputation of the Company or any of its parent or subsidiary entities, affiliates, successors or assigns; (d) any material breach by an Eligible Employee of any of the covenants contained in this Plan or such Eligible Employee’s employment agreement with the Company Group; or (e) any failure of an Eligible Employee to comply with Company policies or procedures; provided that, in each case, such Eligible Employee shall have been given written notice from the Company describing in reasonable detail the event or circumstance the Company believes gives rise to the Company’s right to effectuate a Termination for Cause within 30 days of its initial existence, and such Eligible Employee shall have 30 days to remedy the condition to the satisfaction of the Company. An Eligible Employee’s failure to cure such condition(s) within such 30-day period shall result in a Termination for Cause.

“Termination for Good Reason” means a Termination of Employment by an Eligible Employee on account of any of the following (absent written consent of the Eligible Employee): (a) a reduction in the Eligible Employee’s base salary, or failure to pay such Eligible Employee’s compensation payable under his or her employment agreement, or a material reduction in benefits payable under his or her employment agreement or any amounts otherwise vested and/or due under the Company's employee benefit plans or employee benefit programs; (b) a reduction in the percentages with respect to such Eligible Employee's target bonus; (c) the assignment of additional or reduction of duties or responsibilities to such Eligible Employee that are inconsistent in a material and adverse respect with such Eligible Employee's position with the Company; or (d) the relocation of the Company's principal place of business more than 75 miles from the current location; provided that, in each case, such Eligible Employee must (i) first provide written notice to the Company of the existence of the condition giving rise to a Termination for Good Reason within 30 days of its initial existence (specifying the basis for such Eligible Employee's belief that he or she is entitled to terminate his or her employment due to a Termination for Good Reason), (ii) give the Company an opportunity to cure any of the foregoing within 30 days following such Eligible Employee's delivery to the Company of such written notice and (iii) actually resign his or her employment within ten days following the expiration of the Company's 30-day cure period.

"Termination of Employment" means an Eligible Employee's termination of employment with the Company Group. Notwithstanding the foregoing, unless otherwise determined by the Administrator, an Eligible Employee employed by, or performing services for, an Affiliate, or a division of the Company and its Affiliates shall not be deemed to have incurred a Termination of Employment if, as a result of a Disaffiliation, such Affiliate, or division ceases to be an Affiliate, or division, as the case may be. In addition, temporary absences from employment because of illness, vacation, or leave of absence and transfers among the Company Group shall not be considered Terminations of Employment.

ARTICLE III
EFFECTIVENESS

This Plan shall become effective as of July 21, 2021.

ARTICLE IV
ELIGIBILITY

Section 4.1 Participation. Any Eligible Employee who incurs a Qualifying Termination and who satisfies the conditions set forth in Section 4.2 shall be eligible to receive the Severance Benefits set forth on Annex B attached hereto. An Eligible Employee will not be eligible to receive Severance Benefits following a Termination of Employment initiated by such Eligible Employee unless such termination is due to a Termination for Good Reason.

Section 4.2 Release of Claims. An Eligible Employee's right to receive the Severance Benefits shall be subject to (a) such Eligible Employee's execution and delivery to the Company not later than 45 days following such Eligible Employee's Termination Date of a general release of claims (a "Release") in favor of the Company Group in a form provided by the Company and (b) such Release becoming irrevocable in accordance with its terms.

ARTICLE V
SEVERANCE BENEFITS

Section 5.1 General. If the Participant incurs a Qualifying Termination during the Protected Period, then the Participant shall, subject to Sections 4.2 and 6.1 (in each case, other than with respect to the Accrued Obligations) and notwithstanding anything to the contrary in such Participant's employment agreement with the Company Group or the Company's Executive Severance Plan, be entitled to receive from the Company the benefits set forth on Annex B attached hereto.

Section 5.2 No Offset; No Mitigation. The Company's obligation to make the payments provided for in this Plan and otherwise to perform its obligations hereunder shall not be affected by any setoff, counterclaim, recoupment, defense, or other claim, right, or action that the Company Group may have against a Participant or any other Person. In no event shall a Participant be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Participant under any of the provisions of this Plan, and such amounts shall not be reduced whether or not the Participant obtains other employment.

Section 5.3 No Duplication; Other Benefit Plans. A Participant who experiences a Qualifying Termination that entitles him or her to the Severance Payments set forth on Annex B shall not be entitled to any compensation or benefits under any other Company severance plan or policy in connection with such Qualifying Termination. Other than with respect to any such severance plan or policy, this Plan shall not affect a Participant's entitlement to compensation or benefits under any other employee benefit plan or compensatory arrangement of the Company Group, which, in each case, shall be construed in accordance with its respective terms. To the extent (a) a Participant is entitled to severance benefits in connection with a Change in Control pursuant to an agreement outside the scope of this Plan, and (b) such benefits are greater than the benefits provided under this Plan, then such Participant will remain eligible to receive such other benefits, without duplication, pursuant to such other arrangement; provided that, such other benefits shall be payable in accordance with the requirements of Section 409A of the Code.

Section 5.4 Certain Reduction in Payments.

(a) Anything in this Plan to the contrary notwithstanding, in the event the Accounting Firm shall determine that receipt of all Payments would subject a Participant to the excise tax under Section 4999 of the Code, the Accounting Firm shall determine whether to reduce any of the Payments paid or payable pursuant to this Plan (the "Plan Payments") so that the Parachute Value of all Payments, in the aggregate, equals the Safe Harbor Amount. The Plan Payments shall be so reduced only if the Accounting Firm determines that the Participant would have a greater Net After-Tax Receipt of aggregate Payments if the Plan Payments were so reduced. If the Accounting Firm determines that the Participant would not have a greater Net After-Tax Receipt of aggregate Payments if the Plan Payments were so reduced, the Participant shall receive all Plan Payments to which the Participant is entitled hereunder.

(b) If the Accounting Firm determines that aggregate Plan Payments should be reduced so that the Parachute Value of all Payments, in the aggregate, equals the Safe Harbor Amount, the Company shall promptly give the Participant notice to that effect and a copy of the detailed calculation thereof. All determinations made by the Accounting Firm under this Section 5.4 shall be binding upon the Company and the Participant and shall be made as soon as reasonably practicable and in no event later than 15 business days following the Termination Date. For purposes of reducing the Plan Payments so that the Parachute Value of all Payments, in the aggregate, equals the Safe Harbor Amount, only amounts payable under the Plan (and no other Payments) shall be reduced. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing the Plan Payments that are parachute payments in the following order: (i) cash payments set forth on Annex B attached hereto that do not constitute deferred compensation within the meaning of Section 409A of the Code, and (ii) cash payments set forth on Annex B attached hereto that do constitute deferred compensation, in each case, beginning with the payments or benefits that are to be paid or provided the farthest in time from the Termination Date. All reasonable fees and expenses of the Accounting Firm shall be borne solely by the Company.

ARTICLE VI
RESTRICTIVE COVENANTS

Section 6.1 General. A Participant's right to receive the Severance Benefits set forth on Annex B shall be subject to the Participant's continued compliance with the covenants set forth in this Article VI.

Section 6.2 Confidential Information. Each Participant shall hold in a fiduciary capacity for the benefit of the Company Group, all secret or confidential information, knowledge, or data relating to the Company Group and its businesses (including, without limitation, any proprietary and not publicly available information concerning any processes, methods, trade secrets, research secret data, costs, names of users or purchasers of their respective products or services, business methods, operating procedures or programs, or methods of promotion and sale) that such Participant has obtained or obtains during such Participant's employment by the Company Group and that is not public knowledge (other than as a result of the Participant's violation of this Section 6.2) ("Confidential Information"). For the purpose of this

Section 6.2, information shall not be deemed to be publicly available merely because it is embraced by general disclosures or because individual features or combinations thereof are publicly available. No Participant shall communicate, divulge, or disseminate Confidential Information at any time during or after such Participant's employment with the Company Group, except with prior written consent of the applicable Company Group company, or as otherwise required by law or legal process. All records, files, memoranda, reports, customer lists, drawings, plans, documents, and the like that the Participant uses, prepares, or comes into contact with during the course of the Participant's employment shall remain the sole property of the Company and/or the Company Group, as applicable, and shall be turned over to the applicable Company Group company upon the Participant's Termination of Employment.

Section 6.3 Nonsolicitation of Employees. No Participant shall, at any time during the applicable Restricted Period, without the prior written consent of the Company, engage in the following conduct: (a) directly or indirectly, including, without limitation, via social media or professional networking services, contact, solicit, recruit, employ, or engage (whether as an employee, officer, director, agent, consultant, or independent contractor) any person who was or is at any time during the previous 12 months an employee, representative, officer, or director of the Company Group; or (b) take any action to encourage or induce any employee, representative, officer, or director of the Company Group to cease their relationship with the Company Group for any reason. The recruitment of employees within or for the Company Group shall not constitute a breach of this Section 6.3.

Section 6.4 Nonsolicitation of Business. No Participant shall, at any time during the applicable Restricted Period, either directly or indirectly or as an officer, agent, employee, partner, consultant, or director of any other company, partnership, or entity solicit, service, or accept on behalf of any competitor of the Company Group the business of (a) any customer of the Company Group at the time of the Participant's Termination Date, or (b) any potential customer of the Company Group that the Participant knew to be an identified, prospective purchaser of services or products of the Company Group.

Section 6.5 Noncompetition. No Participant shall, at any time during the applicable Restricted Period, accept employment with, or directly or indirectly provide services to, a Competitor in the applicable Restricted Territory.

Section 6.6 Nondisparagement. Each Participant shall at all times refrain from taking action or making statements, written or oral, that (a) denigrates, disparages, or defames the goodwill or reputation of any member of the Company Group or any of such member's directors, officers, securityholders, partners, agents, or employees, or (b) are intended to, or may be reasonably expected to, adversely affect the morale of employees. Each Participant further agrees not to make any negative statements to third parties relating to the Participant's employment or any aspect of the businesses of the Company Group and not to make any negative statements to third parties about any member of the Company Group or such member's directors, officers, securityholders, partners, agents, or employees, except as may be required by a court or government body. Each Participant further agrees not to make any statements to third parties about the circumstances of the termination of the Participant's employment with the Company Group, except as may be required by applicable law (or in response to a statement by the other party in violation of this sentence).

Section 6.7 Cooperation. Each Participant agrees that, following such Participant's Termination of Employment for any reason, such Participant shall assist and cooperate with the Company with regard to any matter or project in which the Participant was involved during the Participant's employment with the Company Group, including, but not limited to, any litigation that may be pending or arise after such Termination of Employment. Each Participant further agrees to notify the Company at the earliest opportunity of any contact that is made by any third parties concerning any such matter or project. The Company shall not unreasonably request such cooperation of a Participant and shall cooperate with the Participant in scheduling any assistance by the Participant, taking into account the Participant's business and personal affairs and shall compensate the Participant for any lost wages or expenses associated with such cooperation and assistance.

Section 6.8 Acknowledgement and Enforcement. Each Participant acknowledges and agrees that: (a) the purpose of the foregoing covenants is to protect the goodwill, trade secrets, and other

Confidential Information of the Company Group; (b) because of the nature of the business in which the Company Group is engaged and because of the nature of the Confidential Information to which the Participant has access, the Company would suffer irreparable harm and it would be impractical and excessively difficult to determine the actual damages of the Company Group if the Participant breached any of the covenants set forth in this Article VI; and (c) remedies at law (such as monetary damages) for any breach of the Participant's obligations under this Article VI would be inadequate. Each Participant therefore agrees and consents that, if the Participant commits any breach of a covenant under this Article VI or threatens to commit any such breach, the Company shall have the right (in addition to, and not in lieu of, any other right or remedy that may be available to it) to temporary and permanent injunctive relief from a court of competent jurisdiction, without posting any bond or other security and without the necessity of proof of actual damage. If any of the covenants contained in this Article VI is finally held by a court to be invalid, illegal, or unenforceable (whether in whole or in part), such covenant shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality, or unenforceability and the remaining covenants shall not be affected thereby; provided, however, that, if any of such covenants is finally held by a court to be invalid, illegal, or unenforceable because it exceeds the maximum scope and/or duration determined to be acceptable to permit such provision to be enforceable, such covenant shall be deemed to be modified to the minimum extent necessary to modify such scope and/or duration to make such provision enforceable hereunder.

Section 6.9 Similar Covenants in Other Agreements Unaffected. Each Participant acknowledges that the Participant currently is, or in the future may become, subject to covenants contained in other agreements (including, but not limited to, agreements to protect Company assets, confidentiality and business protection agreements, stock option agreements, performance share unit agreements, and restricted share unit agreements) that are similar to those contained in this Article VI. Further, a breach of the covenants contained in this Article VI may have implications under the terms of such other agreements, including, but not limited to, a forfeiture of equity awards and long-term cash compensation. Each Participant acknowledges the foregoing and understands that the covenants contained in this Article VI are in addition to, and not in substitution of, the similar covenants contained in any such other agreements.

Section 6.10 Whistleblower Rights. Under the federal Defend Trade Secrets Act of 2016, Eligible Employees 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; (b) is made to the Eligible Employee's attorney in relation to a lawsuit for retaliation against such Eligible Employee for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nothing in this Plan shall (A) prevent any Eligible Employee from testifying truthfully as required by law, (B) prohibit or prevent any Eligible Employee from filing a charge with or participating, testifying, or assisting in any investigation, hearing, whistleblower proceeding, or other proceeding before any federal, state, or local government agency (e.g., EEOC, NLRB, SEC, etc.), or (C) prevent any Eligible Employee from disclosing Confidential Information in confidence to a federal, state, or local government official for the purpose of reporting or investigating a suspected violation of law.

ARTICLE VII
ADMINISTRATION

Section 7.1 Administrator. This Plan shall be administered by the Administrator. Prior to the occurrence of a Change in Control, the Administrator may delegate its authority under this Plan to an individual or another committee. In addition, in the event of an impending Change in Control, the Administrator may appoint a Person (or Persons) independent of the third party effectuating the Change in Control to be the Administrator effective upon the occurrence of a Change in Control and such Administrator shall not be removed or modified following a Change in Control, other than at its own initiative (the "Independent Administrator"). If the Administrator determines to appoint an Independent Administrator pursuant to this Section 7.1, the Independent Administrator shall be entitled to receive reasonable compensation as is mutually agreed upon between the Administrator and the Independent Administrator, and all reasonable expenses of the Independent Administrator shall be paid or reimbursed by the Company upon receipt of proper documentation by the Company.

Section 7.2 Standard of Review. Except as otherwise provided in this Plan, the decision of the Administrator (including the Independent Administrator) upon all matters within the scope of its authority shall be final, conclusive, and binding on all parties; provided that, in the event that no Independent Administrator is appointed upon the occurrence of a Change in Control, any determination by the Administrator of (a) whether a Termination of Employment constitutes a Termination for Cause or a Termination for Good Reason during the Protected Period or (b) the severance, rights, and benefits due to a Participant upon a Termination of Employment during the Protected Period shall be subject to *de novo* review.

Section 7.3 Indemnification. The Administrator, any delegee of the Administrator permitted under Section 7.1 and the Independent Administrator (if any) shall be indemnified by the Company against personal liability for actions taken in good faith in the discharge of the Administrator's or the Independent Administrator's duties hereunder.

ARTICLE VIII
MISCELLANEOUS

Section 8.1 Successors. This Plan shall bind any successor of the Company, its assets, or its businesses (whether direct or indirect, by purchase, merger, consolidation, or otherwise), in the same manner and to the same extent that the Company would be obligated under this Plan if no succession had taken place. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and to honor this Plan in the same manner and to the same extent that the Company would be required to honor it if no such succession had taken place, unless such successor succeeds to the Plan by operation of law. The term "Company," as used in this Plan, shall mean the Company as hereinbefore defined and any successor or assignee to the business or assets that by reason hereof becomes bound by this Plan.

Section 8.2 Amendment, Suspension, and Termination. Prior to a Change in Control or following the end of the Protected Period, this Plan may be suspended, terminated or amended by written resolution of the Committee at any time; provided that, no such amendment, suspension, or termination shall (a) become effective until one year following such amendment, suspension, or termination if such amendment, suspension, or termination is adverse to an Eligible Employee or (b) affect the Severance Benefits payable to any Participant who has experienced a Qualifying Termination prior to the effectiveness of such suspension, termination or amendment. During the Protected Period, this Plan may not, without the consent of all Eligible Employees, be (i) suspended, (ii) terminated or (iii) amended in any manner that would adversely affect the rights or potential rights of Eligible Employees. For the avoidance of doubt, any suspension, termination or modification to this Plan pursuant to this Section 8.2 that would adversely affect the rights or potential rights of Eligible Employees shall, absent the consent of all Eligible Employees, be retroactively ineffective to the extent a Change in Control is consummated within the three-month period following such suspension, termination or modification.

Section 8.3 Compliance with Law. Notwithstanding anything else contained herein, the Company shall not be required to make any payment or take any other action prohibited by law, including, but not limited to, any regulation, directive, or order of federal or state regulatory authorities.

Section 8.4 Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

if to the Company:

Paycor HCM, Inc.
Attention: Paaras Parker
4811 Montgomery Rd.
Cincinnati, OH 45212
Email: pparker@paycor.com

With a copy to the Company's Legal Department, at:

Paycor HCM, Inc.
Attention Legal Department
4811 Montgomery Rd.
Cincinnati, OH 45212

if to the Participant:

At the address most recently on the books and records of the Company

or to such other address as the Company or any Participant shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

Section 8.5 Employment Status. This Plan does not constitute a contract of employment or impose on any Participant or the Company Group any obligation to retain any Participant as an employee.

Section 8.6 Tax Withholding. The Company may withhold from any amounts payable under this Plan such federal, state, local, or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

Section 8.7 ERISA Status. This Plan is intended to be an unfunded plan maintained primarily for the purpose of providing severance benefits for a select group of management or highly compensated employees, or alternatively, is intended to be payroll practice plan not requiring an ongoing administrative program for paying benefits. Consequently, this Plan is not intended to be subject to the Employee Retirement Income Security Act of 1974, as amended. All payments pursuant to this Plan shall be made from the general funds of the Company and no special or separate fund shall be established or other segregation of assets made to assure payment. No Participant or other Person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in this Plan. Notwithstanding the foregoing, the Company may (but shall not be obligated to) create one or more grantor trusts, the assets of which are subject to the claims of the Company's creditors, to assist it in accumulating funds to pay its obligations under this Plan.

Section 8.8 Construction. The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The captions of this Plan are not part of the provisions hereof and shall have no force or effect. Neither a Participant's nor the Company's failure to insist upon strict compliance with any provision of this Plan, or the failure to assert any right a Participant or the Company may have hereunder shall not be deemed to be a waiver of such provision or right or any other provision or right of this Plan.

Section 8.9 Governing Law. This Plan shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws.

Section 8.10 Section 409A of the Code.

(a) General. It is intended that this Plan shall comply with the provisions of Section 409A of the Code and the Treasury Regulations relating thereto, or an exemption to Section 409A of the Code. Any payments that qualify for the "short-term deferral" exception, the separation pay exception, or another exception under Section 409A of the Code shall be paid under the applicable exception. For purposes of the limitations on nonqualified deferred compensation under Section 409A of the Code, each payment of compensation under this Plan shall be treated as a separate payment of compensation for purposes of applying the exclusion under Section 409A of the Code for short-term deferral amounts, the separation pay exception, or any other exception or exclusion under Section 409A of the Code. All payments to be made upon a Termination of Employment under this Plan that constitute "nonqualified deferred compensation" under Section 409A of the Code may only be made upon a "separation from service" under Section 409A of the Code. In no event may a Participant, directly or indirectly, designate the calendar year of any payment under this Plan.

(b) In-Kind Benefits and Reimbursements. Notwithstanding anything to the contrary in this Plan, all reimbursements and in-kind benefits provided under this Plan shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the Participant's lifetime (or during a shorter period of time specified in this Plan); (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred; and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(c) Delay of Payments. Notwithstanding any other provision of this Plan to the contrary, if the Participant is considered a "specified employee" for purposes of Section 409A of the Code (as determined in accordance with the methodology established by the Company as in effect on the applicable Termination Date), any payment that constitutes nonqualified deferred compensation within the meaning of Section 409A of the Code that is otherwise due to the Participant under this Plan during the six-month period following the Participant's separation from service (as determined in accordance with Section 409A of the Code) on account of the Participant's separation from service shall be accumulated and paid to the Participant on the first business day of the seventh month following the Participant's separation from service (the "Delayed Payment Date") to the extent necessary to avoid the imposition of tax penalties under Section 409A of the Code. The Participant shall be entitled to interest on any delayed cash payments from the date of termination to the Delayed Payment Date at a rate equal to the applicable federal short-term rate in effect under Section 1274(d) of the Code for the month in which the Participant's separation from service occurs. If the Participant dies during the postponement period, the amounts and entitlements delayed on account of Section 409A of the Code shall be paid to the personal representative of the Participant's estate on the first to occur of the Delayed Payment Date or 30 calendar days after the date of the Participant's death.

As amended on January 17, 2024.

PLAN PARTICIPANTS

Position	***Annual Base Salary Multiple***	***Target Annual Bonus Multiple***	***Restricted Period***
Chief Executive Officer of the Company	1.5	1.0	12 months
Executives of the Company reporting directly to the Company’s Chief Executive Officer	1.0	1.0	12 months
Any other position or employee of the Company designated by the Committee	0.75	0	12 months

SEVERANCE BENEFITS

If the Participant incurs a Qualifying Termination, then the Participant shall, subject to Sections 4.2 and 6.1 of the Plan (in each case, other than with respect to the Accrued Obligations), be entitled to receive from the Company:

(a) The Accrued Obligations, which, in the case of clauses (a) through (c) of such definition, shall be payable in cash in a lump sum within 30 days following the Termination Date and in the case of clause (d) of such definition, shall be payable in accordance with applicable law and the terms of the governing plan rules.

(b) An amount in cash (the "Severance Payment") equal to the sum of (i) the Participant's Annual Base Salary Multiple, multiplied by the Participant's Annual Base Salary and (ii) the Participant's Target Annual Bonus Multiple, multiplied by the Participant's Target Annual Bonus, which Severance Payment shall be payable in substantially equal installments over the applicable Severance Period in accordance with the Company's normal payroll practices; provided, however, that the first such installment shall be paid on the 60th day following the Termination Date and the first payment shall include any portion of the Severance Payment that would have otherwise been payable during the period between the Termination Date and such payment date.

(c) If the Participant timely elects COBRA coverage, then reimbursement for the cost of health insurance continuation coverage under COBRA in excess of the cost that employees of the Company Group are required to pay for health insurance benefits under the plan in which the Participant was eligible to participate as of the Termination Date (the "COBRA Reimbursement") until the earlier of (i) the end of the COBRA Period and (ii) the date on which the Participant obtains alternative insurance coverage; provided that, the first such reimbursement payment shall be paid on the 60th day following the Termination Date and the first payment shall include any portion of the COBRA Reimbursement that would have otherwise been payable during the period between the Termination Date and such payment date.

(d) To the extent the Participant holds any unvested equity incentive awards granted under the Equity Plan that vest solely based on continued employment with the Company Group, such awards will accelerate and vest as of the Termination Date.

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Raul Villar Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Paycor HCM, Inc.;
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 fiscal 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.

May 9, 2024

/s/ RAUL VILLAR JR.
Raul Villar Jr.
Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Adam Ante, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Paycor HCM, Inc.;
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 fiscal 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.

May 9, 2024

/s/ ADAM ANTE
Adam Ante
Chief Financial Officer

Exhibit 32.1

Certification of the Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Paycor HCM, Inc. (the “Company”) for the period ended March 31, 2024, as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), I, Raul Villar Jr., Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 9, 2024

/s/ RAUL VILLAR JR.
Raul Villar Jr.
Chief Executive Officer

Exhibit 32.2

Certification of the Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Paycor HCM, Inc. (the “Company”) for the period ended March 31, 2024, as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), I, Adam Ante, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 9, 2024

/s/ ADAM ANTE
Adam Ante
Chief Financial Officer