

SIKULI CAPITAL

Conviction through contrarian research

Paycom Software (PAYC)

Valuation Snapshot — Fair Value Range

As of May 20, 2026 | HCM software for mid-market employers

CURRENT PRICE	PROBABILITY-WEIGHTED FAIR VALUE	FAIR VALUE RANGE
\$139.07	~\$155	\$112 - \$195
May 2026	Bull 25% / Base 50% / Bear 25%	~11% upside

Verdict: PAYC trades cheap on EV/EBITDA (7.2x — 81% below its 10-year median)^[1] after a Q1 beat (\$572M revenue +8%, EPS \$3.15 vs. \$2.99 cons) and a fresh \$2B buyback authorization^[2]. FY26 guidance of \$2.18-2.20B revenue and \$950-970M Adj EBITDA implies 44% EBITDA margins. The market remains skeptical about Beti AI cannibalization and post-Pandemic mid-market employer hiring slowdown. At 16x forward P/E for a 44%-margin software business, the asymmetry favors upside.

CURRENT SNAPSHOT

Metric	Value	Notes / Source
Stock price	\$139	^[3]
Market cap	\$6.73B	^[2]
Q1 2026 revenue	\$572M (+8%)	Beat by \$7M ^[4]
Q1 2026 EPS	\$3.15	vs cons \$2.99 ^[4]
Q1 2026 Adj EBITDA mgn	48.2%	Strong ^[4]
FY26 revenue guide	\$2.175B - \$2.195B	^[4]
FY26 Adj EBITDA guide	\$950M - \$970M	~44% margin ^[4]
Forward P/E	16.3x	vs S&P ~21x ^[3]
EV/EBITDA	7.2x	81% below 10-yr median ^[1]
Buyback authorization	\$2.0B	Fresh authorization ^[2]

BULL / BASE / BEAR SCENARIOS

Scenario (weight)	Assumptions	Fair Value
Bull (25%)	Beti AI rebundling drives reaccel to +12%, multiple re-	\$195

Scenario (weight)	Assumptions	Fair Value
	rates to 22x EPS, buyback accretive	
Base (50%)	Hit FY26 guide, +8% growth, multiple holds 17x forward	\$155
Bear (25%)	Beti cannibalization persists, growth slows to +5%, multiple compresses to 12x	\$112
Probability-weighted	<i>Deep-value HCM software; buyback authorization supportive; AI execution swing factor.</i>	~\$155

Key Risks

- **Beti cannibalization:** Self-service tool reducing revenue per employee; debated by management.
- **Mid-market hiring:** Customer payroll counts drive revenue; macro slowdown is direct headwind.
- **Sales execution:** Sales force productivity; founder transition has been bumpy.
- **Competition:** ADP, PCTY, WDAY, RUN compete; price competition possible.

What Would Change Our View

- **Upside:** Revenue re-acceleration above +9%, Beti monetization clarity, buyback acceleration.
- **Downside:** Guide cut, EBITDA margin compression below 42%, sales execution misses.

Sources

- [1] <https://www.gurufocus.com/term/enterprise-value-to-ebitda/PAYC>
- [2] <https://www.quiverquant.com/news/Paycom+jumps+after+Q1+results,+2026+outlook+reiteration,+and+a+sizable+share+repurchase>
- [3] <https://finance.yahoo.com/quote/PAYC/>
- [4] https://www.sec.gov/Archives/edgar/data/0001590955/000119312526208968/payc-ex99_1.htm

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