

## SIKULI CAPITAL

Conviction through contrarian research

# Paylocity (PCTY)

## 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
<b>\$112</b>	<b>~\$120</b>	<b>\$85 - \$145</b>
May 2026	Bull 25% / Base 50% / Bear 25%	Modest upside; share buyback +\$1B

**Verdict:** PCTY delivered Q3 FY26 revenue beat (\$502M +10.5%) with Adj EBITDA of \$220M (43.8% margin)<sup>[1]</sup>. The board authorized an incremental \$1B buyback, bringing total authorization to \$1.35B<sup>[2]</sup>. At 19.6x forward P/E and 21.9x EV/EBITDA, valuation is reasonable for a 10%+ grower with 44% EBITDA margins. The HCM mid-market has structural growth tied to wage inflation and cloud penetration; competitive intensity vs. PAYC, ADP and WDAY remains the swing variable.

## CURRENT SNAPSHOT

Metric	Value	Notes / Source
Stock price	<b>\$112</b>	<sup>[3]</sup>
Market cap	<b>~\$6B</b>	<sup>[4]</sup>
Q3 FY26 revenue	<b>\$502M (+10.5%)</b>	Recurring +11.6% <sup>[1]</sup>
Q3 FY26 EPS	<b>\$2.89</b>	vs cons \$2.64 <sup>[2]</sup>
Q3 FY26 Adj EBITDA	<b>\$220M (43.8%)</b>	<sup>[1]</sup>
Forward P/E	<b>19.6x</b>	Trailing 22.8x <sup>[4]</sup>
EV/EBITDA	<b>21.9x</b>	<sup>[4]</sup>
Buyback authorization	<b>\$1.35B</b>	After +\$1B addition <sup>[2]</sup>

## BULL / BASE / BEAR SCENARIOS

Scenario (weight)	Assumptions	Fair Value
<b>Bull (25%)</b>	Reaccel to +13%, AI HCM agents drive ARPU, multiple expands to 24x EPS	<b>\$145</b>
<b>Base (50%)</b>	Hit consensus, +10% revenue growth, multiple stays 20x forward	<b>\$120</b>

Scenario (weight)	Assumptions	Fair Value
<b>Bear (25%)</b>	Customer churn rises, growth slows to +7%, multiple compresses to 15x	<b>\$85</b>
<b>Probability-weighted</b>	<i>Solid HCM compounder; buyback supportive; competitive intensity is the wild card.</i>	<b>~\$120</b>

### Key Risks

- **Competition:** PAYC, ADP, WDAY, RUN all compete; pricing pressure possible.
- **Mid-market labor:** Customer payroll counts directly tied to revenue.
- **Sales productivity:** Direct sales model; rep ramp time and territory coverage matter.
- **M&A integration:** Past acquisitions (Airbase, etc.) need to deliver synergies.

### What Would Change Our View

- **Upside:** Revenue reacceleration, AI HCM monetization, buyback execution.
- **Downside:** Customer count loss, ARPU decline, margin compression.

### Sources

[1] <https://www.sec.gov/Archives/edgar/data/0001591698/000159169826000036/pcty-20260507xex991.htm>

[2] <https://www.investing.com/news/transcripts/earnings-call-transcript-paylocity-beats-q3-2026-estimates-stock-surges-93CH-4677554>

[3] <https://finance.yahoo.com/quote/PCTY/>

[4] <https://stockanalysis.com/stocks/pcty/statistics/>

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