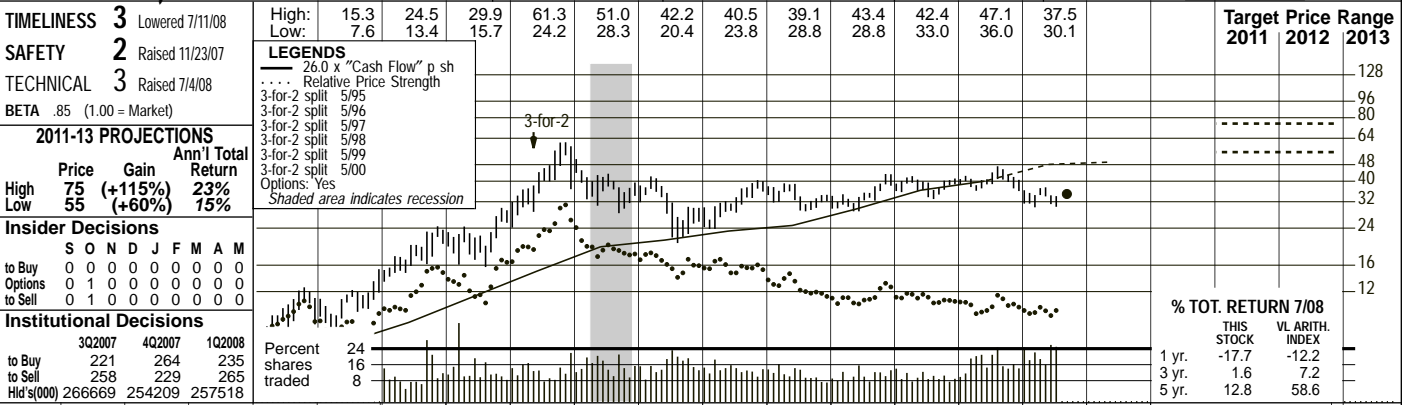


PAYCHEX, INC. NDQ-PAYX

RECENT PRICE **34.81** P/E RATIO **22.2** (Trailing: 22.2 Median: 44.0) RELATIVE P/E RATIO **1.38** DIV'D YLD **3.6%**

VALUE LINE



1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13																		
.48	.56	.66	.78	.94	1.09	1.34	1.62	1.96	2.33	2.54	2.92	3.42	3.82	4.40	4.94	5.73	6.15	Revenues per sh ^{A E}	8.40																		
.07	.09	.11	.15	.19	.26	.33	.44	.58	.75	.81	.89	.95	1.14	1.40	1.54	1.85	1.90	"Cash Flow" per sh	2.75																		
.04	.06	.08	.11	.15	.21	.28	.37	.51	.68	.73	.78	.80	.97	1.22	1.35	1.56	1.65	Earnings per sh ^{A B}	2.40																		
.01	.01	.02	.03	.04	.07	.10	.15	.22	.33	.42	.44	.47	.51	.61	.79	1.20	1.24	Div'ds Decl'd per sh ^C	1.80																		
.04	.03	.03	.04	.05	.05	.08	.07	.09	.12	.14	.16	.13	.19	.21	.21	.25	.30	Cap'l Spending per sh	.40																		
.20	.25	.32	.41	.55	.69	.90	1.18	1.52	2.03	2.46	2.86	3.17	3.66	4.35	5.11	3.32	3.85	Book Value per sh	6.25																		
337.72	339.47	340.66	341.96	347.78	366.25	367.17	369.49	371.77	373.65	375.86	376.70	377.97	378.63	380.30	382.15	360.50	362.00	Common Shs Outst'g ^D	370.00																		
28.9	32.7	36.0	29.3	42.0	47.9	48.0	54.4	51.5	64.9	50.2	35.0	44.0	33.0	30.7	28.4	24.6		Avg Ann'l P/E Ratio	28.0																		
1.75	1.93	2.36	1.96	2.63	2.76	2.50	3.10	3.35	3.33	2.74	2.00	2.32	1.76	1.66	1.49	1.41		Relative P/E Ratio	1.85																		
.7%	.7%	.7%	.9%	.7%	.7%	.7%	.7%	.8%	.7%	1.1%	1.6%	1.3%	1.6%	1.6%	2.1%	3.1%		Avg Ann'l Div'd Yield	2.7%																		
CAPITAL STRUCTURE as of 5/31/08																																					
Total Debt None																		493.7	597.3	728.1	869.9	954.9	1099.1	1294.3	1445.1	1674.6	1887.0	2066.3	2230	Revenues (\$mill) ^{A E}	3100						
Leases, Uncapitalized Annual rentals \$42.3 mill.																		31.1%	35.1%	38.8%	41.7%	41.2%	40.4%	37.8%	41.2%	42.8%	41.1%	44.0%	44.0%	Operating Margin	45.0%						
No Defined Benefit Pension plan																		18.8	22.1	23.9	26.4	29.5	43.4	55.8	62.0	66.5	73.4	85.0	90.0	Depreciation (\$mill)	120						
Pfd Stock None																		102.2	139.1	190.0	254.9	274.5	293.5	303.0	368.8	464.9	515.4	576.1	600	Net Profit (\$mill)	900						
Common Stock 360,500,000 shs.																		29.1%	30.5%	31.0%	30.0%	30.5%	32.0%	32.6%	32.5%	31.1%	30.7%	32.6%	32.0%	Income Tax Rate	32.5%						
MARKET CAP: \$12.5 billion (Large Cap)																		20.7%	23.3%	26.1%	29.3%	28.7%	26.7%	23.4%	25.5%	27.8%	27.3%	27.9%	26.9%	Net Profit Margin	29.0%						
CURRENT POSITION ^E 2006 2007 5/31/08 (\$MILL.)																		259.1	357.9	483.8	637.9	778.0	412.7	560.0	753.3	620.5	633.1	404.2	600	Working Cap'l (\$mill)	880						
Cash & ST Secs.																		--	--	--	--	--	--	--	--	--	--	--	Nil	Long-Term Debt (\$mill)	Nil						
Receivables																		329.6	435.8	563.4	757.8	924.0	1077.4	1200.0	1385.7	1654.8	1952.2	1196.6	1400	Shr. Equity (\$mill)	2310						
Other																		31.0%	31.9%	33.7%	33.6%	29.7%	27.2%	25.2%	26.6%	28.1%	26.4%	48.1%	43.0%	Return on Total Cap'l	39.0%						
Current Assets																		31.0%	31.9%	33.7%	33.6%	29.7%	27.2%	25.2%	26.6%	28.1%	26.4%	48.1%	43.0%	Return on Shr. Equity	39.0%						
Accts Payable																		20.1%	19.5%	19.2%	17.4%	12.7%	11.9%	10.5%	12.7%	14.1%	11.0%	11.0%	10.5%	Retained to Com Eq	9.5%						
Debt Due																		35%	39%	43%	48%	57%	56%	59%	52%	50%	58%	76%	76%	All Div'ds to Net Prof	75%						
Other																																					
Current Liab.																																					

BUSINESS: Paychex, Inc. is primarily engaged in providing computerized payroll-accounting services, salary deposit services, automatic payroll-tax payment and tax return filing services, and human-resource products and services to more than 572,000 businesses, mostly small- to medium-sized (10 to 200 employees), nationwide. The company operates 100 offices in 36 states and the District of Columbia. 2007 depreciation rate: 13.4%. Has about 12,200 employees. B. Thomas Golisano owns 9.9% of common stock, Officers and Directors (incl. Golisano), 10.4% (8/07 Proxy). Chairman: B. Thomas Golisano. President and CEO: J. Judge, Inc. DE. Addr.: 911 Panorama Trail South, Rochester, NY 14625-0397. Tel.: 585-385-6666. Internet: www.paychex.com.

Paychex's top line has become sluggish. Revenue increased about 7% during the fourth quarter of 2008 (year ended May 31st). Although this was a respectable advance, it was slower than the increases posted in prior quarters. Some of the weakness was likely due to a mixed economy. Results at the Payroll services segment, which accounts for about 70% of the top line, have been hurt by rising unemployment levels and a competitive price environment. This was partially offset by continued steady demand for Paychex's ancillary product offerings and human resources products.

Moreover, Paychex's business is being hurt by lower interest rates. Interest on funds held for clients declined about 15% during the fourth quarter, and 2% for the full year. We expect results at this operation to decline about 25%-30% in the year ahead. In addition, investment income weakened dramatically during fiscal 2008. Given the current negative outlook, we expect investment income to remain weak for a while.

Nonetheless, well-controlled expenses have helped to lift the bottom line. General and administrative expenses were reduced by about 9% during the fourth quarter, which has helped to keep the operating margin relatively wide. We expect additional cost-cutting measures, such as reduced sales and marketing efforts, in the year ahead.

The business environment ought to remain challenging. Paychex reported a slight increase in the number of clients that are going out of business. In addition, there will probably be fewer small businesses starting up. This will likely make it more difficult for Paychex to add customers, raise its prices, or sell additional services. Consequently, we have reduced our earnings estimate by \$0.05 per diluted share for fiscal 2009.

These neutrally ranked shares offer investors a healthy dividend yield. The recent increase in the quarterly dividend is a plus. The issue also currently trades at a price-to-earnings multiple that is considerably lower than its historic average. Consequently, our projections indicate that these shares offer good appreciation potential for the 3- to 5-year horizon.

Adam Rosner
August 22, 2008

(A) Fiscal year ends May 31st.	(C) Dividends historically paid in mid-February, May, August, and November. ■ Div'd reinvestment plan available.	(E) Excludes net ENS investments less related liabilities.	Company's Financial Strength	A
(B) Primary earnings until 1996, diluted thereafter. Quarterly egs. do not sum due to rounding. Next earnings report due late Sep.	(D) In millions, adjusted for stock splits.		Stock's Price Stability	85
			Price Growth Persistence	30
			Earnings Predictability	95