



Paycom Software, Inc. (PAYC) — Research Summary

Technology | Software - Application | 2026-08-03

Price: \$168.67

Signal: BUY (7.51/10)

Market: bull_tech

Equity Research Summary: Paycom Software, Inc. (PAYC)

Rating: BUY (7.51/10) | **Price:** \$168.67 | **Market Cap:** \$7.6B

1. COMPANY OVERVIEW & INVESTMENT THESIS

Paycom is a leading provider of cloud-based human capital management (HCM) software, offering payroll, HR, talent management, and workforce tools in a single platform. The company is interesting now because it combines steady double-digit revenue growth with strong margins and a reasonable valuation, while continuing to expand its product suite with new automation-driven features that deepen customer relationships.

2. FUNDAMENTAL SNAPSHOT

Valuation: PAYC trades at a trailing P/E of 18.98 and a more attractive forward P/E of 15.11, suggesting the market expects continued earnings growth. Its EV/EBITDA is roughly 11.9x and price-to-sales sits at 3.65x — notably modest for a high-margin software company, where peers often command richer multiples. Price-to-free-cash-flow is elevated on a trailing basis given quarterly cash flow timing, but the overall valuation looks reasonable rather than stretched.

Earnings Trend: Results have been mixed but recently improving. The most recent quarter (March 2026) delivered a solid beat (\$3.15 vs. \$2.96 estimate, +6.4%), following a modest miss and a prior in-line print. The June 2025 quarter also beat handily (+15.7%). Overall, the earnings trajectory is positive with strong recent momentum.

Revenue & Margins: Revenue grew 15.9% year-over-year in the latest quarter, accelerating from 12.6% the prior period. Margins are excellent: gross margin near 80%, operating margin of 36.8%, and a net profit margin of 22.4% — hallmarks of a well-run, scalable software business.

Balance Sheet: Modest net debt position — roughly \$0.8B total debt against \$0.2B cash, with a manageable debt-to-equity ratio of 0.94. Healthy free cash flow supports ongoing buybacks (\$1.1B repurchased).

3. TECHNICAL OUTLOOK

Within its 52-week range of \$104.32–\$246.60, the stock sits in the middle-lower portion at \$168.67 — well off its highs but comfortably above its lows. Recent price action has been choppy: shares dipped sharply in mid-July on broad tech weakness, then rebounded as investors rotated back into oversold enterprise software names. Momentum appears to be building modestly after the recovery.

Key levels to watch: Support around the recent trading zone near \$150 (where shares changed hands in late July); resistance overhead toward prior highs approaching \$200+ before the eventual test of the 52-week peak.

4. NEWS & SENTIMENT

Overall Sentiment: Slightly Bullish

Key themes:

- **Product expansion:** Paycom launched "Asset Management," an industry-first, HCM-embedded tool that automates tracking of workplace assets — reinforcing its innovation edge and giving sales teams a fresh reason to engage customers.
- **Governance & recognition:** The company added two new board members and was recognized for a second consecutive year for its sales culture, signaling operational strength.
- **Mixed analyst debate:** Some commentary questions whether the stock is "fully valued," while other pieces frame it as a value option versus higher-flying peers like Palantir. This divergence reflects a healthy, balanced narrative.

Market narrative: PAYC is increasingly viewed as a steady, cash-generative software name that offers growth at a reasonable price — a relative safe haven when investors rotate away from more speculative tech.

5. BOTTOM LINE

Aerondight Systems Signal: BUY (7.51/10)

Thesis: A profitable, fast-growing HCM software leader trading at a reasonable valuation, with improving earnings momentum and continued product innovation.

Key upcoming catalyst: Q2 2026 earnings, reported after market close on August 5 (consensus ~\$2.28 EPS) — a strong result could reignite momentum toward higher levels.

Risk Level: Medium — While fundamentals are solid, the analyst consensus target (\$152) sits below the current price, implying the market may have moved ahead of Wall Street estimates. A low beta (0.80) tempers volatility, but valuation sensitivity and a competitive HCM landscape (notably ADP) warrant a balanced view.

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