



Paycom

Expectation relative to market segment
Outperform

Technology Segment
Human Capital Management

Ticker Exchange Bloomberg
PAYC NASD NH NUC <GO>

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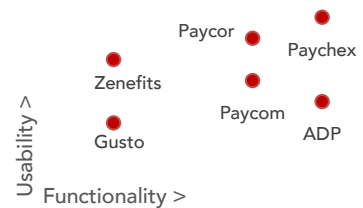
Nucleus expects the competitive price point of Paycom’s offering as well as its expanded functionality beyond payroll position it to take advantage of price sensitivity as the economy returns.

Price 2/05/2021 \$471.08
52 week range \$163.42 – 471.08

COMPANY

Paycom offers a broad range of WFM and HCM capabilities to small and midsized businesses (SMBs) in areas such as benefits compliance, compensation, learning, payroll processing, performance management, planning, talent acquisition, and time and attendance in a singular location. The vendors’ analytics capabilities are built into the solution to help organizations manage compliance with various employment laws. The high usability of the Paycom platform makes it an attractive option for smaller organizations, while its continued strength in areas such as machine learning and analytics have put the vendor in a more competitive position.

MARKET POSITION



MARKET

The payroll market continues to struggle under persisting unemployment and overall economic uncertainty. While the smallest vendors struggle to deal with declining payroll numbers, Paycom’s large market cap and large customer base provide it with greater resiliency. Price will also remain a major concern for buyers going forward, with larger, more complex vendors having to justify higher price points. Vendors such as Paycom that offer basic payroll as well as more complete HCM functionality are better positioned to take advantage in a marketplace that will put greater value on initial sticker price and total cost of ownership.

RELATIVE SOLUTION COST

ADP	103%
Paychex	105%
Paycor	105%
Paycom	100%
Zenefits	93%
Gusto	93%

Relative cost to a customer based on typical mid-sized deployments during the past 6 months.

COMPETITION

Paycom mainly competes with other SMB-focused payroll providers, including ADP, Paylocity, and Paycor. Additional smaller, niche competitors in the space include Gusto and Zenefits. Upon a review of customer interviews, Nucleus analysts found that users continue to express high satisfaction with the vendor and its offerings, and

CUSTOMER PERCEPTION

> 95 Positive

Analyst estimate based on feedback from customers and prospects during the past 6 months

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specifically its support services. Paycom's continued investments in its functionality have allowed it to continue to support organizations, even as they grow and require additional modules and resources.

OUTLOOK

As organizations face high volume hiring, cost will be a key factor when deciding between HCM providers. Paycom's broad range of functionality in HCM and WFM make it a more complete offering when compared to niche payroll providers, while its lower per-employee cost allows it to compete against larger full-suite vendors such as Workday (WDAY). Paycom's high level of usability and functionality paired with its reasonable cost poises it to take advantage of the SMB market, as well as a segment of the enterprise space.