



Paylocity Holding Corporation (PCTY) — Research Summary

Technology | Software - Application | 2026-07-13

Price: \$124.50

Signal: BUY (7.53/10)

Market: bull_tech

Equity Research Summary: Paylocity Holding Corporation (PCTY)

Rating: BUY (7.53/10) | **Price:** \$124.50 | **Target:** \$153 (+22.8%)

1. COMPANY OVERVIEW & INVESTMENT THESIS

Paylocity provides cloud-based payroll and human capital management (HCM) software, helping mid-sized businesses manage everything from paychecks to hiring and employee engagement. The stock is interesting now because it trades roughly 37% below its 52-week high despite delivering strong, consistent earnings beats and 23% revenue growth — suggesting a potential disconnect between solid fundamentals and a beaten-down valuation.

2. FUNDAMENTAL SNAPSHOT

Valuation: Paylocity trades at a trailing P/E of 26.3, but a much more attractive forward P/E of 14.1 — a sharp drop that reflects expected earnings growth. At 3.8x sales and an EV of \$6.5B against \$0.4B EBITDA (roughly 16x EV/EBITDA), the stock is priced reasonably for a profitable software company, and cheaper than many high-growth SaaS peers.

Earnings Trend: Paylocity has beaten estimates in each of the last four quarters, and by wide margins — most recently posting \$2.89 EPS versus \$2.58 expected (+12%). Prior quarters beat by 11-16%. This is a company that consistently exceeds expectations.

Revenue & Margins: The latest quarter delivered \$0.5B in revenue, up 23.1% year-over-year, with a healthy 72.3% gross margin and a strong 31.5% operating margin. Net profit margin sits at 14.9% — solid profitability for a company still growing at this pace.

Balance Sheet: Healthy. With \$0.3B in cash against just \$0.1B in debt (D/E of 0.11) and \$0.2B in free cash flow, Paylocity is in a near-net-cash position with ample financial flexibility.

3. TECHNICAL OUTLOOK

52-Week Range: The stock sits at \$124.50, roughly one-third of the way up from its low of \$92.99 and well below its high of \$197.78. It is recovering off depressed levels rather than approaching resistance.

Momentum: Momentum is building. Recent sessions have seen sharp rallies — a 5.8% jump on June 29 and repeated single-day surges through early July — as investors rotated back into profitable software names.

Key Levels: Support sits near the recent low of ~\$93, with intermediate support around the \$106 level from late June. Resistance is layered well above, first at prior trading zones and ultimately toward the \$150 analyst target region.

4. NEWS & SENTIMENT

Overall Sentiment: Slightly Bullish

Three themes stand out:

- **Sector rotation tailwind:** Multiple articles highlight investors rotating out of expensive semiconductor/high-flying tech names into profitable software stocks, with falling Treasury yields boosting valuations for names like Paylocity.
- **Top performer recognition:** Paylocity earned "top marks" in Q1 HR software earnings coverage and is repeatedly named among stocks with solid upside.
- **Valuation debate:** One analysis suggests the stock may be "fully valued" after its recent bounce, while others frame the prior 44% slide as having created an attractive entry point.

The market narrative is one of a high-quality, profitable HCM leader that was oversold and is now benefiting from renewed appetite for durable, cash-generating software businesses.

5. BOTTOM LINE

Aerondight Systems Signal: BUY (7.53/10)

Thesis: Paylocity is a consistently profitable, fast-growing HCM software company trading at a discounted forward valuation with a clear path to recovery.

Key Catalyst: The next quarterly earnings report — given the company's track record of double-digit beats, another strong print could reinforce the recovery narrative.

Risk Level: Medium. The business is financially sound with strong margins and low debt, but the stock's low beta (0.52) belies its recent volatility, and competition in the HCM space (Paychex, ADP, Workday) remains intense. The wide gap between current price and prior highs also reflects that the market is still rebuilding confidence.

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