



2023

Letters to Shareholders



Always Designing
for People®

A Letter from our Executive Chair



Fellow Shareholders,

On behalf of your Board of Directors, we want to thank you for your investment in ADP and the trust that you have placed in us to help drive ADP forward. It is a responsibility that we take very seriously. In fiscal year 2023, ADP delivered impressive financial results while also advancing its efforts to maintain shareholder-friendly corporate governance practices, foster social and environmental responsibility, and promote effective shareholder engagement.

Fiscal year 2023 represented an important year for ADP, with Maria Black appointed as just the seventh chief executive officer in the company's 74-year history. The selection of ADP's next leader represented the culmination of the Board's extensive CEO succession planning process, an exercise which, based on Maria Black's more than two-decades at ADP, demonstrated the company's strength in leadership development. Encouraged by the seamless CEO transition, the Board is confident in Maria Black's ability to continue building on ADP's strong foundation and success going forward.

New Leadership and Technology, but Consistent Direction

The Human Capital Management ("HCM") industry is highly dynamic, and the continued advancement in technology, including the rapid evolution of generative artificial intelligence ("GenAI") technology, has the potential to revolutionize HCM products, service delivery models, and client expectations. ADP appreciates the importance of these trends and will continue to invest to meaningfully enhance the productivity of its associates and deliver even more exceptional experiences to its clients.

Against this evolving backdrop, ADP's commitment to its strategic priorities remains steadfast. The company is focused on leading with best-in-class HCM technology, providing unmatched expertise and outsourcing solutions, and benefiting its clients through its global scale. This strategic roadmap helped ADP to grow its revenues by 9% and to increase its diluted earnings per share by 17% in fiscal year 2023. These results were achieved while following a disciplined capital allocation approach designed to balance near-term financial performance with investments to drive long-term sustainable growth. To position itself for continued growth over the long term, ADP invested \$1.2 billion in systems development and programming to enhance its product suite and added meaningfully to its worldwide sales force headcount in fiscal year 2023. The company also raised its dividend for the 48th consecutive year, returned \$1.9 billion in dividends, and repurchased \$1.1 billion in shares to drive further shareholder return. ADP's steady approach to allocating capital will enable it to continue making progress on its strategic priorities as it invests in GenAI's game-changing potential and delivers consistently strong financial performance.

**48 consecutive years
of dividend increases**

Governance and Sustainability Remain Top of Mind

As ADP explores the potential of new technologies like GenAI, it recognizes its responsibility to approach these innovations in a manner that is ethical, secure, and compliant for its business as well as the clients and workers it serves around the world. To this end, ADP has established an interdisciplinary working group to determine governance for use cases and the adoption of a set of principles and processes to govern the use of these newer technologies, including the monitoring of recommendations made by artificial intelligence and machine learning technologies.

In addition to overseeing important governance matters for the business, the Board also takes a thoughtful approach to its own structure and composition. When Maria Black's appointment to president and CEO of ADP became effective on January 1, 2023, she also joined ADP's Board as a director. On that same date, our Board created two new roles – an Executive Chair and a Lead Independent Director. The Board believes these changes provide continuity in leadership during a CEO transition and considers the creation of the Lead Independent Director role, served by our prior non-executive chair John Jones, a best practice where the board chair is not independent. As of ADP's fiscal year 2023 Annual Meeting of Stockholders, the Board's average independent director tenure will be 6.6 years compared to the S&P 500 average director tenure of 7.8 years (based on the 2022 Spencer Stuart Index), reflecting our commitment to continually refresh our Board leadership.

In 2021, ADP shared its commitment to achieve net zero greenhouse gas ("GHG") emissions by 2050, and in 2022 it introduced its short- and medium-term goals in furtherance of that commitment. In May 2023, ADP provided an update on its GHG reduction targets, where it expressed its conviction in meeting its goal of a 25.2% reduction in GHG emissions by 2025 following significant progress in the last several years through its ongoing real estate optimization strategy and technology upgrades. ADP's Engineering and Facilities teams are continuing to work on efficiency projects that include LED retrofits throughout its global portfolio and upgraded Building Management Systems to control heating, lighting and cooling automatically and efficiently in its buildings. ADP is also expanding the number of EV charging stations for its associates and has two solar installation projects underway in Northern New Jersey, with other installations planned throughout the United States and internationally.

On track to meet short-term target towards commitment to achieve net zero greenhouse gas emissions by 2050

Engaging with Shareholders

Your Board and the ADP Management Team believe proactive dialogue with shareholders helps organizations to become stronger. ADP invited or met with shareholders representing nearly half of its shares outstanding in fiscal year 2023. Our directors have participated in this engagement and look forward to continuing to do so. We appreciate the thoughtful feedback provided.

Thank you for your investment and continued interest in ADP.

Sincerely,



Carlos Rodriguez
Executive Chair of the Board of ADP

A Letter from our CEO



To our Shareholders,

I am incredibly honored to serve as the seventh CEO in ADP's rich 74-year history. When I first stepped into this role, I took some time to reflect on the simplicity and weight of our mission: we power businesses with insightful Human Capital Management ("HCM") solutions that help them meet the changing needs of their workforce. And that mission is only growing more important in the modern era. As we have all seen, change is constant and often sudden. Our focus on data, analytics, and actively listening to our clients' needs has allowed us to achieve agility at scale and quickly respond to the unprecedented challenges they face. We take pride in helping businesses and their workers navigate change to reach their full potential, which in turn drives innovation, progress, and growth in the global economy. This is a truly exciting time for the HCM industry. The future is bright, and we look forward to continuing to lead the way in defining the future of work.

Our Strong Fiscal Year 2023

The global economy proved resilient this past year, despite market expectations for a meaningful slowdown in economic activity as central banks raised interest rates around the world in a concerted effort to combat inflation. We have

FISCAL YEAR 2023 BUSINESS HIGHLIGHTS

- 9%** Revenue growth
- 92.2%** Employer Services revenue retention tied historic record levels
- 10%** Employer Services new business bookings
- Reached **1M+** Clients globally
- \$3.0B** in shareholder distributions
- \$1.9B** Dividends
- \$1.1B** Share Repurchases

been pleased at this enduring resilience and at the overall health of businesses in our key markets, and against that backdrop we delivered a strong set of fiscal year 2023 results.

We grew our revenue 9% and expanded our EBIT margin as we balanced our desire to both invest in our future growth opportunities and demonstrate operating leverage in our business today. That strong revenue and margin performance drove 17% growth in diluted earnings per share, and total shareholder return was further supported by our steady dividend which we raised this year for the 48th consecutive time.

In addition to the strong overall financial outcomes we delivered, fiscal year 2023 represented a clear success as measured by execution on two of our key underlying business drivers – our Employer Services new business bookings and our Employer Services revenue retention rate.

New business bookings growth is an area of key importance for the company, as it reflects several critical factors including the HCM demand environment, the strength of our solutions and brand, and our sales execution. In fiscal year 2023 we delivered Employer Services new business bookings growth of 10%, ahead of our

expectations for the year and ahead of our recently shared medium-term targets. This outcome reflects strong breadth of performance across many of our businesses ranging from small businesses in the U.S. to large multinationals headquartered internationally. In addition to growing the number of clients we added to our base, we have continued to see strong demand for solutions beyond payroll, such as workforce management, retirement services, and HR outsourcing.

Our Employer Services client revenue retention was another area of strong outperformance, and we finished the year with a retention rate of 92.2%, tied for the highest level in our history. We believe our strong client retention results reflect our success in designing innovative and easy-to-use HCM platforms, quickly and effortlessly onboarding clients, and maintaining a strong ongoing client relationship through all HR needs and transactions.

This year we were also thrilled to achieve a tremendous milestone in ADP history – one million clients. This was a proud moment for the company and a testament to our ability to successfully serve such a large portion of the market. As we have for decades, we continue to look ahead, and we are focused on growing that client base further and continuing to deliver exceptional financial performance.

Charting Our Strategic Path Forward

To continue growing our share in the global HCM market, in fiscal year 2023 we set a clear firmwide strategy comprised of three key priorities that we believe will position us to remain the market leader.

Our first strategic priority is to lead with best-in-class HCM technology. Our goal is to design, develop, and deliver the very best and most innovative HCM solutions that will help our clients easily and effectively find, hire, pay, engage, and provide for the retirement of their workers in a thoughtful and compliant way. We offer a comprehensive and modern suite of HCM solutions today, and in fiscal year 2023 we continued to invest meaningfully in these critical HCM technologies, using modern available technologies like generative artificial intelligence (“GenAI”), to build tools that improve the employee experience and create value for our clients.

Our second strategic priority is to provide unmatched expertise and outsourcing to our clients. For decades we have taken pride in serving as a true partner to all our global clients – from a small payroll client to a fully outsourced client where we run part, or all, of the HR department. We believe this commitment to providing expertise and serving as a partner has been key to our winning formula for decades, and in fiscal year 2023 we invested across our service, implementation, and HR outsourcing associate populations to ensure our clients continue to benefit from this differentiated approach, and we are embracing GenAI to empower our associates and help them reach new levels of expertise and productivity.

Our third strategic priority is to leverage our global scale for the benefit of our clients. Our size and scale are unrivaled in the industry, and in addition to offering clients our market-leading technology and deep HCM expertise, we also offer a scaled HCM ecosystem. The power of this ecosystem is unique as it includes our on-the-ground global presence, our unmatched data and insights, a vast network of partners and integrated solutions, and the incredible distribution power of our large global sales force. In fiscal year 2023 we expanded that scale benefit through several means, including through the acquisition of select global HCM technology providers, further enhancements to ADP’s data analytics and benchmarking, expansion of our Marketplace, and an investment into growing our sales force.

We are proud of the progress we made in all three of these strategic priorities, and we are excited for the great opportunities that lie ahead. GenAI technology, in particular, has the potential to substantially change how HCM companies serve their clients, and we are leaning into this opportunity.

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Our Look Ahead

Following another year of strong economic and financial results, we are again faced with an uncertain macroeconomic landscape. But we are prepared. As we've done throughout our 74-year history, we will move forward with confidence. We will continue to focus on the fundamentals – taking care of our associates by building on our incredible culture and taking care of our clients by leaning into our three strategic priorities. From there, our resilient business model and balanced, pragmatic approach to capital allocation and long-term investment will position us for success in the years ahead. I am excited for all we will achieve together.

Thank you for your investment in ADP.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Black', with a stylized flourish at the end.

Maria Black
Chief Executive Officer, ADP

Forward-Looking Statements

These letters and other written or oral statements made from time to time by ADP may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical in nature and which may be identified by the use of words like “outlook,” “expects,” “assumes,” “projects,” “anticipates,” “estimates,” “we believe,” “could,” “is designed to” and other words of similar meaning, are forward-looking statements. These statements are based on management’s expectations and assumptions and depend upon or refer to future events or conditions and are subject to risks and uncertainties that may cause actual results to differ materially from those expressed. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements or that could contribute to such difference include: ADP’s success in obtaining and retaining clients, and selling additional services to clients; the pricing of products and services; the success of our new solutions; our ability to respond successfully to changes in technology, including artificial intelligence; compliance with existing or new legislation or regulations; changes in, or interpretations of, existing legislation or regulations; overall market, political and economic conditions, including interest rate and foreign currency trends and inflation; competitive conditions; our ability to maintain our current credit ratings and the impact on our funding costs and profitability; security or cyber breaches, fraudulent acts, and system interruptions and failures; employment and wage levels; availability of skilled associates; the impact of new acquisitions and divestitures; the adequacy, effectiveness and success of our business transformation initiatives; the impact of any uncertainties related to major natural disasters or catastrophic events; and supply-chain disruptions. ADP disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. These risks and uncertainties, along with the risk factors discussed under “Item 1A. Risk Factors” of our most recent Annual Report on Form 10-K, and in other written or oral statements made from time to time by ADP, should be considered in evaluating any forward-looking statements contained herein.