

Letter to Shareholders

2015



ADP and the ADP logo are registered trademarks of ADP, LLC. ADP – A more human resource.
is a service mark of ADP, LLC. Copyright © 2015 ADP, LLC.



A more human resource.™



CARLOS RODRIGUEZ
President and Chief Executive Officer

Dear ADP Shareholder,

Over 50 million people around the world rely on ADP for accurate pay, reliable benefits administration, effective performance management, or other HR services. Thinking about ADP's critical role in the fabric of so many lives, as well as our growth in becoming a provider to more than 630,000 businesses, is humbling.

With the spin-off of CDK Global on September 30, 2014, we have refined our strategy to be exclusively focused on the Human Capital Management (HCM) market. As we have said many times over the past year: we are All In on HCM. With our refined strategy, we are well-positioned to drive sustainable growth, and this strategy is working. We are seeing strength across all three of our strategic pillars:

- First, to continue to innovate from our core platforms to grow a complete suite of cloud-based HCM solutions that work together seamlessly.
- Second, to invest to grow and scale our industry-leading HR business process outsourcing solutions (HRBPO).
- And third, to leverage our global presence to offer clients HCM solutions where they do business.

We are seeing a new phase in the evolution of our objective to help organizations unlock their business potential – one in which we become even more essential to businesses and their employees alike.

ALL IN ON HCM

In our successful fiscal year 2015, we grew revenue by 7 percent despite about two points of pressure from foreign currency translation. Although the market remains competitive with continued activity from both established and new companies competing for share in the HCM space, we grew our new business bookings by 13 percent, while maintaining our best-ever client revenue retention level of 91.4 percent.

We achieved these results through our focused strategy, which at its core relies on meeting clients' needs through insightful innovation, execution by the world's best sales force, and the dedication of the entire ADP team to help clients maximize the potential of their greatest asset: their people. Some highlights from the year:

We continued to enhance the completeness, capabilities and seamless usability of our suite of cloud-based HCM solutions. We now have 500,000 clients in the cloud, and more than 5 million people are using our mobile app. In fiscal 2015 we introduced a number of enhancements across all our major platforms:

- For RUN Powered by ADP®, we updated the entire user experience to simplify interaction with the platform for small business owners. At the same time, we completed a multi-year effort of upgrading all clients on the legacy platform to RUN, enabling us to retire the older platform and simplify the way we do business to best serve this market. We now have over 430,000 clients on RUN.

- We expanded the capabilities of ADP Workforce Now® our HCM solution for mid-size businesses, to include career and job portals as well as a consumer-grade experience for employee benefit enrollment. We continue to upgrade clients on legacy platforms to Workforce. Now, and currently have approximately 60,000 businesses using this new platform.
- And we delivered a new user experience for ADP Vantage HCM® clients, which promises to be even more intuitive, engaging and contextual.

Another opportunity for our clients, and for ADP, is big data. We pay one in six private sector workers in the U.S. That's the biggest data set of its kind in HCM and affords us a unique opportunity to deliver insights that enable better HR decisions. For years, we've been bringing data-driven insights to the market through the ADP Research Institute. Now, for clients on certain platforms, we introduced ADP DataCloud, which leverages ADP's unparalleled data and insights to deliver workforce analytics that can help boost productivity, develop talent, increase retention and identify potential flight risks.

Another way we are serving client needs through seamless technology integration is with the ADP Marketplace, introduced earlier this year. ADP Marketplace gives our clients the ability to seamlessly integrate their ADP solutions with HCM solutions offered by ADP partners. We are attracting established leaders of point solutions like learning and expense management, as well as emerging companies delivering niche services that our clients value. ADP Marketplace is a great example of how we are taking a client-centric, outside-in view of enhancing our HCM capabilities and creating best-in-class solutions for our clients.

And perhaps the greatest area where ADP has been able to truly demonstrate what we do best – bring our technology and expertise together to help companies with an increasingly complex regulatory environment – is with the launch of the ADP Health Compliance product line earlier this year. This suite of offerings for mid-sized and large businesses assists companies in complying with the requirements of the Affordable Care Act (ACA) in the U.S., and was particularly well-received in the market. In fact, demand significantly outpaced our expectations, as we explained in our fourth-quarter earnings release.

During the year, we continued to make progress in growing and scaling our industry-leading HRBPO solutions by innovating our product offerings and improving the experience for our clients and their employees. Our professional employer organization (PEO) is our most complete HRBPO offering, and performed very well in fiscal 2015, finishing the year with a record 387,000 PEO worksite employees.

Our global presence continues to be a strength, enabling us to help our multinational clients where they do business. During the year, we expanded our presence, growing globally with our clients. In the 104 countries that we now serve we remain focused on broadening our service capabilities to ensure we are delivering consistent, scalable, and valuable services.

We continue to receive recognition from independent industry observers. For instance, the Everest Group, Gartner, and NelsonHall all gave ADP the highest rankings in their annual payroll outsourcing service provider reports in 2015. The reports recognized ADP for the geographic scope and scalability of our payroll solutions, and our global expertise.

To maintain our success, we must continue to attract and keep great talent. On this front, we were recognized by numerous publications in the past year for being a great place to work, including *Chief Learning Officer*, *Computerworld*, *DiversityInc*, *InformationWeek*, *Workforce*, and *Working Mother*. And for the fifth time in the last six years, FORTUNE Magazine ranked ADP first among financial data services companies in its "World's Most Admired Companies" issue.

We remain committed to ongoing investments in our core business. In addition to these investments, our priorities for use of cash remain focused on investment in organic growth through innovation and new product development, strategic and highly focused acquisitions that complement our current product set or increase our geographic reach, followed by return of cash to shareholders through dividends and share repurchases.

Consistent with our commitment to shareholder friendly actions, ADP paid more than \$920 million in cash dividends and repurchased over 18 million shares for approximately \$1.5 billion during fiscal 2015. And during the year, we were proud to have reached a symbolic milestone: 40 years of consecutive dividend increases.



Revenue growth and sustainable margin improvement remain the key components of our objective of driving strong Total Shareholder Return (TSR). These elements, combined with our objective to return excess cash to shareholders through dividends and, when market conditions are favorable, share buybacks, are fundamental to our goal of driving TSR in the top quartile of the S&P 500 over the longer-term.

On March 3, 2015 at ADP's Investor Day, we acknowledged our capacity for leverage within ADP's extraordinarily strong AA/Aa credit ratings category, and that any decision to change our capital structure would be done in a disciplined manner. After careful consideration, ADP announced on August 28, 2015 our intention to issue \$2.0 billion in debt to fund a board-approved 25 million share repurchase. This debt offering of senior notes was completed on September 8, 2015 with the intention to use the proceeds to repurchase ADP shares in the subsequent 12 to 24 months following the offering's close. The debt offering and share repurchases reflect ADP's decision to enhance our capital structure in a way that is intended to contribute to Total Shareholder Return over the longer-term.

A PATH TO FUTURE GROWTH

As I stated at the beginning of this letter, I see ADP becoming even more essential to our clients, which provides an exciting path to future growth:

First, in fiscal 2016, our support will continue to be critical to businesses seeking assistance with regulatory compliance associated with the ACA. The demand for our HCM solutions at the end of fiscal 2015 is a testament to our successful history of assisting clients with navigating the challenges of ever-increasing regulatory complexity. This demand, combined with our historical strength in expanding client relationships, uniquely positions ADP for profitable revenue growth and for establishing even deeper relationships with our clients.

Second, the increasing focus of companies on "winning the war for talent" and driving profitability with technology is changing how clients view their data and our ability to convert their data into actionable insights. ADP is investigating new approaches to utilize our large data set in intelligent and interesting ways to help our clients better manage their data. We believe that innovative ideas such as this will increase the demand for our products over time. And although service remains at the core of our value proposition, the increased emphasis that we began placing on technology innovation several years ago is yielding benefits now.

We are pleased with the progress we have made across all three of our strategic pillars for growth, and I am confident that as we continue to execute against our strategy we will continue to drive positive results for our clients, our associates, and you, our shareholders.

With this in mind, we are excited about the new branding work that we started to introduce at the end of fiscal 2015. Because what we do is ultimately about people, we are introducing a new way of thinking about ADP, summed up by our new tagline: "A more human resource." This tagline and our campaigns to support it capture the ADP story so well. We know that businesses need more than just software to build, manage, and keep the people who will make them successful. We help them on a personal level, in ways that the late Henry Taub, our founder, would be proud of today. I believe this message will resonate with our clients and prospective clients, helping to enhance ADP's reputation in an increasingly crowded HCM market.

Thank you for your investment and your interest in ADP.

Sincerely,



CARLOS RODRIGUEZ
President and Chief Executive Officer

September 24, 2015

FORWARD-LOOKING STATEMENTS

This document 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 “expects,” “assumes,” “projects,” “anticipates,” “estimates,” “we believe,” “could” and other words of similar meaning, are forward-looking statements. These statements are based on management’s expectations and assumptions 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 include: ADP’s success in obtaining and retaining clients, and selling additional services to clients; the pricing of products and services; 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; competitive conditions; our ability to maintain our current credit rating and the impact on our funding costs and profitability; security or privacy breaches, fraudulent acts, and system interruptions and failures; employment and wage levels; changes in technology; availability of skilled technical associates; and the impact of new acquisitions and divestitures. ADP disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. These risks and uncertainties, along with the risk factors discussed under

“Item 1A. - Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2015 should be considered in evaluating any forward-looking statements contained herein.



A more human resource.™