



ADP Earnings Call & Webcast Q3 Fiscal 2023

April 26, 2023



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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 “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; 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; changes in technology; 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, including the COVID-19 pandemic; 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.

Non-GAAP Measures

Adjusted EBIT, adjusted EBIT margin, adjusted diluted earnings per share, adjusted effective tax rate, and organic constant currency are all non-GAAP financial measures. Please refer to the Q3 fiscal 2023 earnings release available at investors.adp.com for a discussion of why ADP believes these measures are important and for a reconciliation of non-GAAP financial measures to their closest comparable GAAP financial measures.

This presentation is a supplement to our Q3 fiscal 2023 earnings release; it is intended to be read in conjunction with, not as a substitute for, or in isolation from, the earnings release.

Highlights and Perspective

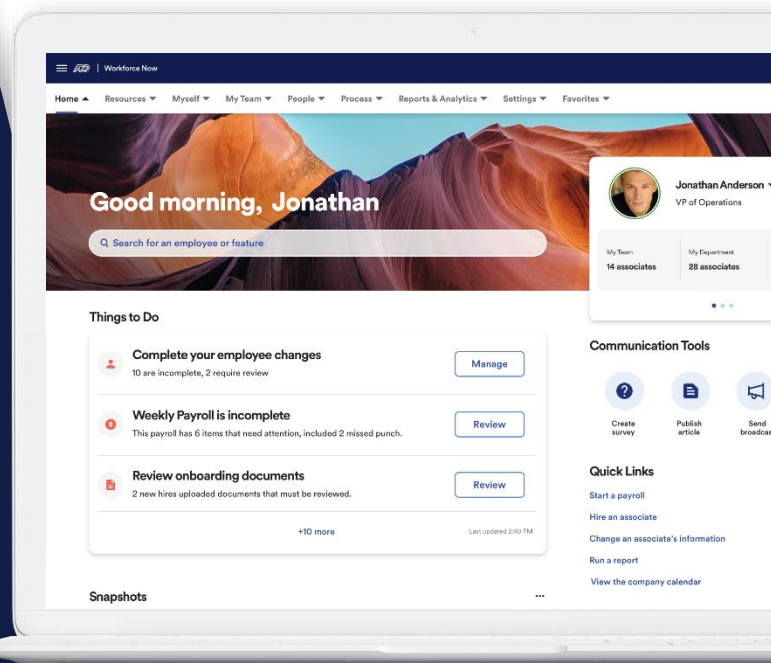
Strong overall momentum continued in Q3

- Revenue increase of 9%, 10% organic constant currency¹; adjusted EBIT margin¹ increase of 110 basis points, and adjusted diluted EPS¹ growth of 14%
- Record Q3 ES new business bookings
- ES retention continues to exceed our expectations
- U.S. pays per control growth of 4% indicative of moderating but healthy overall labor demand

PEO bookings re-accelerated in Q3 vs prior quarter

Committed to driving ADP's modernization journey in support of sustainable long-term growth

1. For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q3 fiscal 2023 earnings release available at investors.adp.com.



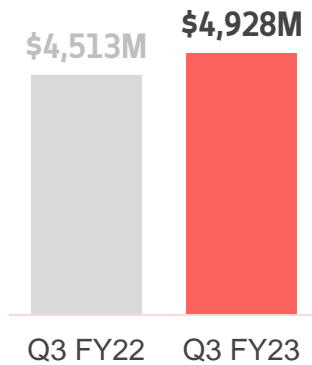
Q3 Fiscal 2023 Financial Highlights

(unaudited)

Total Revenues

↑ 9%

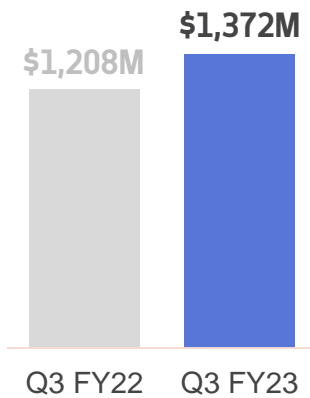
↑ 10% Organic Constant Currency¹



Adjusted EBIT¹

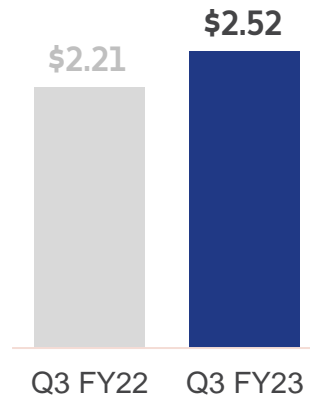
↑ 14%

Adjusted EBIT¹ Margin ↑ 110 bps



Adjusted Diluted EPS¹

↑ 14%



1. For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q3 fiscal 2023 earnings release available at investors.adp.com.

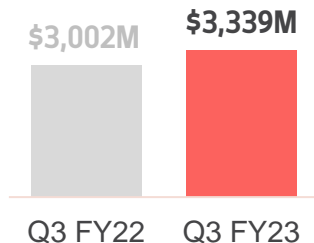
Q3 Fiscal 2023 Employer Services Segment Results

(unaudited)

ES Revenues

↑ 11%

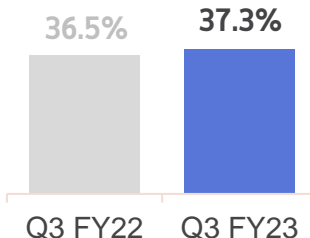
↑ 12% Organic Constant Currency¹



- U.S. pays per control ↑ 4%
- Average client funds balances ↑ 3%
- Average client funds yield of 2.5%, up from 1.2% in prior year

ES Margin

↑ 80 bps



- Margin expansion driven by operating leverage and growth in client funds interest revenue

Q3 ES Highlights

- Strong revenue growth supported by healthy bookings, retention, pays per control growth, and higher client funds interest revenue

FY23 ES Outlook

	January 25, 2023	April 26, 2023
Revenues	8 to 9%	~9%
Margin	200 to 225 bps	~200 bps
ES New Business Bookings	6 to 9%	6 to 9%
Client Revenue Retention	(30) to (20) bps	(20) to (10) bps
U. S. Pays Per Control	3 to 4%	~4%

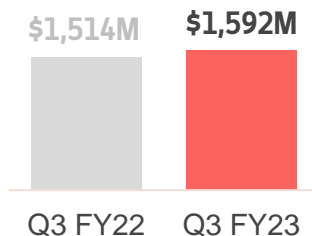
1. For a reconciliation of this non-GAAP financial metric to its closest comparable GAAP metric see our Q3 fiscal 2023 earnings release available at investors.adp.com.

Q3 Fiscal 2023 PEO Services Segment Results

(unaudited)

PEO Revenues

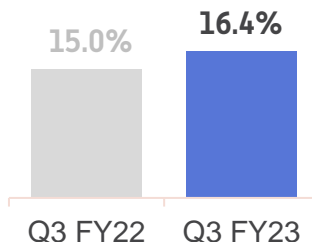
↑ 5%



- Revenues excluding zero-margin benefits pass-throughs ↑ 3%
- Average worksite employees (WSEs) ↑ 3% to 710,000

PEO Margin

↑ 140 bps



- Margin lift reflected revenue growth, favorable workers' compensation reserve adjustments, and lower state unemployment insurance costs

Q3 PEO Highlights

- Average WSE growth decelerated in Q3 as anticipated
- Demand environment remains stable; PEO bookings re-accelerated in Q3 vs prior quarter

FY23 PEO Outlook

	January 25, 2023	April 26, 2023
Revenues	8 to 9%	~8%
Revenues Ex ZMPT	9 to 10%	7 to 8%
Margin	Flat to up 25 bps	50 to 75 bps
Average WSEs	6 to 7%	~6%

Fiscal 2023 Outlook

		Fiscal 2022 (unaudited)	July 27, 2022 Fiscal 2023 Outlook ¹	October 26, 2022 Fiscal 2023 Outlook ¹	January 25, 2023 Fiscal 2023 Outlook ¹	April 26, 2023 Fiscal 2023 Outlook ¹
Total ADP	Revenues	\$16,498M	7 to 9%	8 to 9%	8 to 9%	8 to 9%
	Adj. EBIT Margin ²	23.5%	100 to 125 bps	125 to 150 bps	125 to 150 bps	125 to 150 bps
	Adj. Effective Tax Rate ²	22.5%	~23%	~23%	~23%	~23%
	Adj. Diluted EPS ²	\$7.01	13 to 16%	15 to 17%	15 to 17%	16 to 17%
Employer Services	Revenues	\$10,968M	6 to 8%	7 to 8%	8 to 9%	~9%
	Margin	31.1%	175 to 200 bps	200 to 225 bps	200 to 225 bps	~200 bps
	ES New Business Bookings	\$1.7B	6 to 9%	6 to 9%	6 to 9%	6 to 9%
	Client Revenue Retention	92.1%	(50) to (25) bps	(50) to (25) bps	(30) to (20) bps	(20) to (10) bps
	U. S. Pays Per Control	7%	2 to 3%	2 to 3%	3 to 4%	~4%
PEO Services	Revenues	\$5,546M	10 to 12%	10 to 12%	8 to 9%	~8%
	Revenues Ex Zero-Margin Pass-throughs	\$2,031M	10 to 12%	10 to 12%	9 to 10%	7 to 8%
	Margin	15.7%	(25) to 25 bps	Flat to up 25 bps	Flat to up 25 bps	50 to 75 bps
	Average WSEs	670,000	8 to 10%	8 to 10%	6 to 7%	~6 %
Client Funds Interest	Average Client Funds Balances	\$32.5B	4 to 6%	4 to 6%	4 to 5%	4 to 5%
	Yield on Client Funds Portfolio	1.4%	~2.2%	~2.4%	~2.4%	~2.4%
	Client Funds Interest Revenue	\$452M	\$720 to \$740M	\$790 to \$810M	\$790 to \$800M	\$790 to \$800M
	Net Impact from Client Funds Extended Strategy	\$475M	\$675 to \$695M	\$720 to \$740M	\$710 to \$720M	\$710 to \$720M

1. Outlook contemplates the anticipated impact of foreign currency in revenue and operating results.

2. For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q3 fiscal 2023 earnings release available at investors.adp.com.



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Appendix: Client Funds Investment Strategy Detail

	Average Balances (\$)		Average Rates		Interest Income / (Expense) (\$)	
	Fiscal 2022 (unaudited)	April 26, 2023 Fiscal 2023 Outlook	Fiscal 2022 (unaudited)	April 26, 2023 Fiscal 2023 Outlook	Fiscal 2022 (unaudited)	April 26, 2023 Fiscal 2023 Outlook
Client Short	7.7B	~6.5B	0.2%	~3.7%	15M	235 – 240M
Client Extended	14.2B	15.5 – 15.6B	1.4%	~1.8%	203M	275 – 280M
Client Long	10.6B	11.8 – 11.9B	2.2%	~2.4%	234M	~280M
Funds Held for Clients¹	32.5B	33.8 – 34.0B	1.4%	~2.4%	452M	790 – 800M
Corporate Extended Interest Income ²	2.3B	~4.1B	1.4%	~1.8%	34M	~70M
Short-term Financing to Support Client Funds Extended Strategy	2.3B	~4.1B	0.5%	~3.6%	(11)M	~(150)M
Net Impact from Client Funds Extended Strategy					475M	710 – 720M

Interest on the Extended Portfolio flows into two separate sections of the Statements of Consolidated Earnings.

1. Reported as Interest on Funds Held for Clients in the revenue section of the Statements of Consolidated Earnings.

2. A component of Interest Income on Corporate Funds, reported within Other Income, net, on the Statements of Consolidated Earnings.

