



ADP Earnings Call & Webcast Q4 Fiscal 2020

July 29, 2020



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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 “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; 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 technical associates; the impact of new acquisitions and divestitures; the adequacy, effectiveness and success of our business transformation initiatives; and the impact of and uncertainties related to major natural disasters or catastrophic events, including the COVID-19 pandemic. 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, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, 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 Q4 fiscal 2020 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 comparable GAAP financial measures.

This presentation is a supplement to our Q4 fiscal 2020 earnings release; it is intended to be read in conjunction with, not as a substitute for, or in isolation from, the earnings release.

CEO's Perspective

- Strong Q4 results in the face of economic headwinds; organic constant currency revenue ^(a) decline of 2%, adjusted EBIT ^(a) margin increase of 10 basis points, and flat adjusted diluted EPS ^(a) growth
- Unprecedented global employment decline in Q4 with US pays per control decline of 10.8%; gradual improvement through end of quarter
- New business bookings performance comprised of better-than-expected Q4 gross sales performance offset by backlog adjustment related to COVID-19
- Client service and product innovation remain differentiators; client satisfaction at or near record levels across business units

(a) For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q4 fiscal 2020 earnings release available at investors.adp.com.



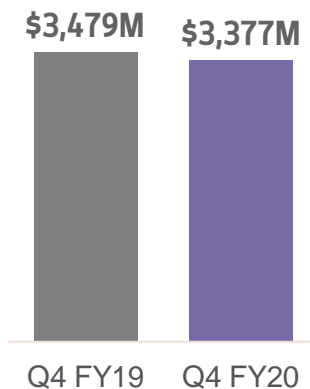
Q4 Fiscal 2020 Financial Highlights

(unaudited)

Total Revenues

↓ 3%

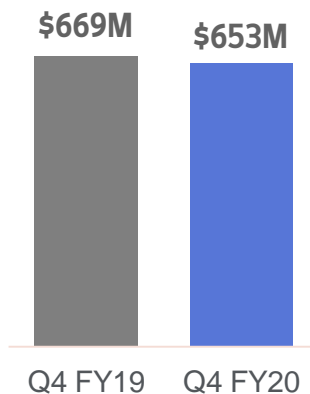
↓ 2% Organic Constant Currency (a)



Adjusted EBIT (a)

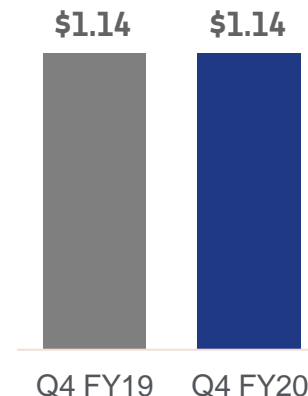
↓ 2%

Adjusted EBIT (a) Margin ↑ 10 bps



Adjusted Diluted EPS (a)

Flat



(a) For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q4 fiscal 2020 earnings release available at investors.adp.com.

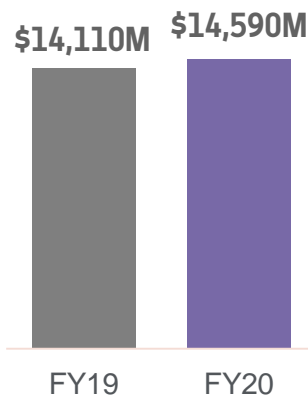
Fiscal 2020 Financial Highlights

(unaudited)

Total Revenues

↑ 3%

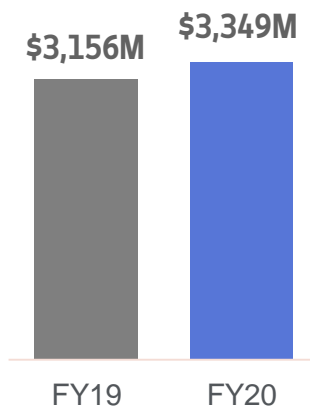
↑ 4% Organic Constant Currency (a)



Adjusted EBIT (a)

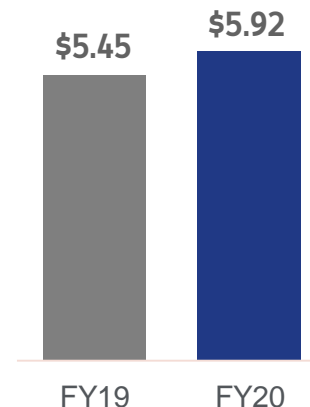
↑ 6%

Adjusted EBIT (a) Margin ↑ 60 bps



Adjusted Diluted EPS (a)

↑ 9%

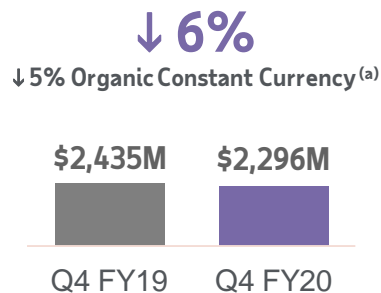


(a) For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q4 fiscal 2020 earnings release available at investors.adp.com.

Q4 Fiscal 2020 Employer Services Segment Results

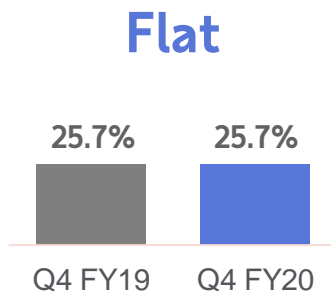
(unaudited)

ES Revenues



- ES New Business Bookings ↓ 67%
- U.S. Pays Per Control ↓ 10.8%
- Average client funds balances ↓ 8%
- Average client funds yield ↓ 30 bps

ES Margin



- Expense reductions across portfolio of businesses
- Continue to invest for long-term growth

Q4 Highlights

- Significant headwinds driven by COVID-19; revenue and margin performance better than expectations
- PPC improved gradually through the quarter
- Fiscal 2020 ES Retention decline of 20bps driven by out-of-business losses
- New Business Bookings down 67%, inclusive of backlog adjustment
- Continued FX unfavorability from stronger U.S. dollar

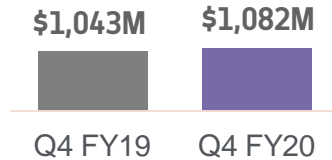
(a) For a reconciliation of this non-GAAP financial metric to its closest comparable GAAP metric see our Q4 fiscal 2020 earnings release available at investors.adp.com.

Q4 Fiscal 2020 PEO Services Segment Results

(unaudited)

PEO Revenues

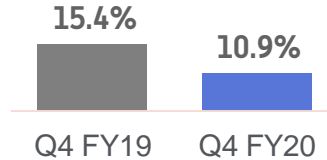
↑ 4%



- Revenues excluding zero-margin benefits pass-throughs ↓ 5%
- Average Worksite Employees paid ↓ 3% to 548,000

PEO Margin

↓ 450bps



- Includes 530 basis points of pressure from ADP Indemnity

Q4 Highlights

- Better-than-expected WSE and revenue growth in the quarter, driven by stronger retention
- Same-store employment volume in line with expectations; more resilient than Employer Services PPC
- Margin decline driven by larger-than-forecasted expense at ADP Indemnity

Macro Assumptions for Fiscal 2021

Macro Driver	Q4 FY 2020	FY 2021
Pays Per Control	(10.8)%	Negative through Q3, positive in Q4; (3) – (4)% average for full year
Out-of-Business	Elevated out-of-business losses in down and mid-market, in line with expectations	Continued elevated losses through Q3
Client Funds Balances and Interest	(8)% balance decline (30) bps change in average yield	(6) – (8)% balance decline (50) bps change in average yield

Fiscal 2021 Outlook

		Fiscal 2020 (unaudited)	Fiscal 2021 Outlook ^(a)
Total ADP	Revenues	\$14,590M	(1) – (4)%
	Adj. EBIT Margin ^(b)	23.0%	~(300) bps
	Adj. Effective Tax Rate ^(b)	22.6%	23.1%
	Adj. Diluted EPS ^(b)	\$5.92	(13) – (18)%
Employer Services	Revenues	\$10,087M	(3) – (5)%
	Margin	30.4%	~(300) bps
	ES New Business Bookings	\$1.2B	Flat – 10%
	Client Revenue Retention	90.5%	(50) – (100) bps
	Pays Per Control	(1.0)%	(3) – (4)%
PEO Services	Revenues	\$4,511M	(2) – 2%
	Revenues Ex Zero-Margin Pass-throughs	\$1,604M	(1) – (4)%
	Margin	13.4%	~(100) bps
	Average WSEs	571,000	Flat – (3)%
Client Funds Interest	Average Client Funds Balances	\$26.0B	(6) – (8)%
	Yield on Client Funds Portfolio	2.1%	(50) bps to 1.6%
	Client Funds Interest Revenue	\$545M	\$390 – \$400M
	Extended Investment Strategy	\$561M	\$430 – \$440M

(a) Outlook contemplates the anticipated impact of foreign currency in revenue and operating results.

(b) For a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics see our Q4 fiscal 2020 earnings release available at investors.adp.com.

Appendix: Client Funds Investment Strategy Detail

	Fiscal 2021 Outlook		
	Average Balance (\$)	Average Yield	Interest (\$)
Client Short	5.2 – 5.3B	~0.1%	~5M
Client Extended	10.3 – 10.5B	1.7 – 1.8%	180 – 185M
Client Long	8.4 – 8.6B	2.4 – 2.5%	205 – 210M
Total Client Funds (a)	23.9 – 24.4B	~1.6%	390 – 400M
Corporate Extended Interest Income (b)	~2.5B	~1.8%	~45M
Borrowing Days Interest Expense	~2.5B	~0.1%	~(5)M
Net Impact From Client Funds Extended Investment Strategy			430 – 440M

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

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

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