



# 4Q Fiscal 2018 ADP Earnings Call & Webcast

August 1, 2018



# Forward Looking Statements

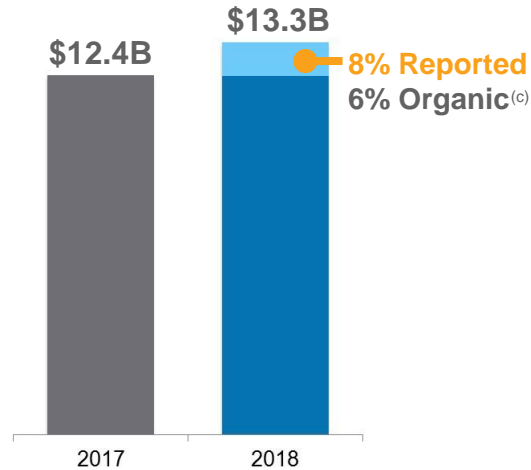
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# CEO's Perspective

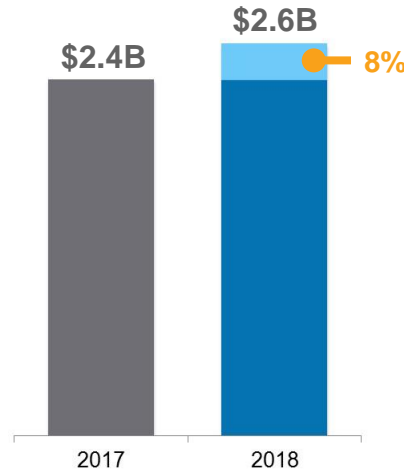
- Building momentum in 2018 – revenue and new business bookings growth of 8%; adjusted diluted EPS growth of 18%
- Strategic investments in Global Cash Card, WorkMarket, and Celergo to accelerate presence in key growth markets
- Adjusted EBIT margin up 10 basis points to 19.8%, reflecting focused execution of initiatives
- Returned \$2.1 billion to shareholders via dividends and share repurchases, including April dividend increase following enactment of US corporate tax reform

# Fiscal 2018 Financial Highlights

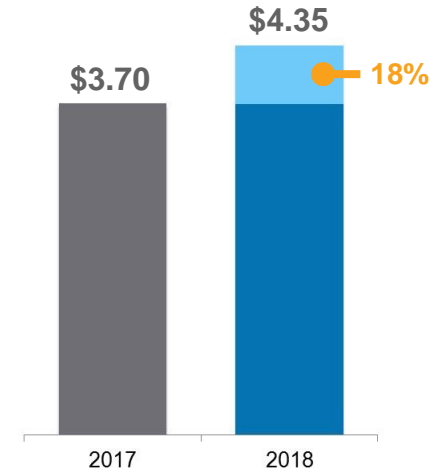
## Total Revenues (unaudited)



## Adjusted Earnings before Interest and Taxes (EBIT) (unaudited) <sup>(a)</sup> <sup>(b)</sup>



## Adjusted Diluted EPS (unaudited) <sup>(a)</sup>



- (a) "Adjusted Earnings before Interest and Taxes (EBIT)" and "Adjusted Diluted EPS" are non-GAAP metrics; for a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics, see the appendix of this presentation.
- (b) Adjusted EBIT performance measures include interest income earned on investments associated with our client funds extended investment strategy and interest expense on borrowings related to our client funds extended investment strategy. We believe these amounts to be fundamental to the underlying operations of our business model. Our calculation of adjusted EBIT may differ from similarly titled measures used by other companies.
- (c) Organic constant currency growth rates exclude foreign currency and the results of our fiscal 2017 and 2018 acquisitions and dispositions until their one year anniversary. See supplemental schedule to the earnings release for the reconciliation of organic constant currency growth rates to reported revenue growth rates.



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# Fiscal 2018 New Business Bookings and Segment Results



## Worldwide New Business Bookings

- \$1.8 billion, ↑ 8% compared with FY17 representing annualized recurring revenues anticipated from new orders



## Employer Services

- Revenues ↑ 5% Reported  
↑ 4% Organic <sup>(a)</sup>
- Client revenue retention  
↑ 50 basis points to 90.4%
- U.S. pays per control ↑ 2.7%
- Average client funds balances ↑ 6%
- Margin ↑ 10 basis points



## PEO Services

- Revenues ↑ 12%
- Average worksite employees paid  
↑ 9% to 504,000
- Margin ↑ 10 basis points

(a) See supplemental schedule to the earnings release for the reconciliation of organic constant currency growth rates to their comparable reported revenue growth rates.



# Fiscal 2019 Outlook

as compared to fiscal 2018 pro-forma financials <sup>(a)</sup>



## Revenues

### ↑ 5% - 7% Reported <sup>(b)</sup>

- ES Revenues ↑ 4% - 6% <sup>(b)</sup>
- PEO Revenues, Reported ↑ 7% - 9%
- PEO Revenues, ex zero-margin PT  
↑ 5% - 7%
- PEO Average WSE growth ↑ 7% - 8%



## Margin Expansion

### Adjusted EBIT Margin <sup>(c)</sup> up 100 to 125 basis points

- ES Margin ↑ 150 to 175 basis points
- PEO Margin ↓ 75 to 50 basis points



## Adjusted Diluted EPS <sup>(c)</sup>

### ↑ 13% - 15%, as compared to \$4.53 in fiscal 2018, pro-forma <sup>(a)</sup>



## ES New Business Bookings and Retention

- ES New Business Bookings ↑ 6% - 8%
- ES Revenue Retention ↑ 25 to 50 basis points



## U.S. Pays per Control

↑ ~2.5% compared to 2.7% increase in fiscal 2018



## Adjusted Effective Tax Rate <sup>(c)</sup>

↓ 25.1% from 26.2% in fiscal 2018, pro-forma <sup>(a)</sup>

(a) Pro-forma results include the impact of ASC 606, the inclusion of client funds interest in our segments at actual interest rates, the inclusion of ADP Indemnity in the PEO Services segment, and changes to certain corporate allocations on prior year results. See the appendix of this presentation and supplemental schedule to the earnings release for a bridge.

(b) Revenue growth includes an immaterial net expected impact from acquisitions and foreign currency.

(c) "Adjusted EBIT Margin," "Adjusted Diluted EPS," and "Adjusted Effective Tax Rate" are non-GAAP metrics; for a reconciliation of these non-GAAP financial metrics to their closest comparable GAAP metrics, see the appendix of this presentation.



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# Appendix

# Client Funds Portfolio Extended Investment Strategy

- Average Client Funds Balances ↑ 3% - 4% from \$24.3 billion in FY18
- Yield on the Client Funds Portfolio ↑ ~30bps compared to 1.9% in FY18
- Client Funds Interest Revenue ↑ \$80 to \$90 million from \$466 million in FY18
- Impact from Extended Investment Strategy  
↑ \$60 to 70 million from \$481 million in FY18

FY19 Forecast			
	Average Balance (\$)	Average Yield	Client Funds Interest (\$)
Client Short	4.2 – 4.3B	~1.9%	~80M
Client Extended	10.8 – 10.9B	~2.0%	~215 – 220M
Client Long	10.0 – 10.1B	~2.5%	~250 – 255M
<b>Total Client Funds</b>	<b>25.0 – 25.3B</b>	<b>~2.2%</b>	<b>545 – 555M</b> (a)
Corporate Extended Interest Income	2.8 – 2.9B	~2.0%	55 – 60M (b)
Borrowing Days Interest Expense	2.8 – 2.9B	~2.2%	(65) – (60)M
<b>FY19 Net Impact From Client Funds Extended Investment Strategy</b>			<b>540 – 550M</b>

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.



# GAAP Reconciliations

In addition to our GAAP results, we use the adjusted results and other non-GAAP metrics set forth in the table below to evaluate our operating performance in the absence of certain items and for planning and forecasting of future periods:

Adjusted Financial Measure	U.S. GAAP Measures	Adjustments/Explanation (as applicable in the period)
Adjusted EBIT	Net earnings	<ul style="list-style-type: none"> <li>- Provision for income taxes</li> <li>- Gains/losses on sales of businesses and assets</li> <li>- All other interest expense and income</li> <li>- Transformation initiatives</li> <li>- Non-operational costs related to proxy contest matters</li> </ul>
Adjusted net earnings	Net earnings	Pre-tax and tax impacts of: <ul style="list-style-type: none"> <li>- Gains/losses on sales of businesses and assets</li> <li>- Transformation initiatives</li> <li>- Non-operational costs related to proxy contest matters</li> <li>- Tax Cuts and Jobs Act</li> </ul>
Adjusted diluted earnings per share	Diluted earnings per share	EPS impacts of: <ul style="list-style-type: none"> <li>- Transformation initiatives</li> <li>- Gains/losses on sales of businesses and assets</li> <li>- Non-operational costs related to proxy contest matters</li> <li>- Tax Cuts and Jobs Act</li> </ul>
Adjusted effective tax rate	Effective tax rate	Tax impacts of: <ul style="list-style-type: none"> <li>- Gains/losses on sales of businesses and assets</li> <li>- Transformation initiatives</li> <li>- Non-operational costs related to proxy contest matters</li> <li>- Tax Cuts and Jobs Act</li> </ul>
Constant Currency Basis	U.S. GAAP P&L line items	Determined by calculating the current year result using foreign exchange rates consistent with the prior year
Organic constant currency	Revenues	<ul style="list-style-type: none"> <li>- Impact of acquisitions</li> <li>- Impact of dispositions</li> <li>- Impact of foreign currency</li> </ul>
Corporate extended interest income	Interest income	- All other interest income
Corporate interest expense-short-term financing	Interest expense	- All other interest expense

We believe that the exclusion of the identified items helps us reflect the fundamentals of our underlying business model and analyze results against our expectations and against prior period, and to plan for future periods by focusing on our underlying operations. We believe that the adjusted results provide relevant and useful information for investors because it allows investors to view performance in a manner similar to the method used by management and improves their ability to understand and assess our operating performance. The nature of these exclusions are for specific items that are not fundamental to our underlying business operations. Since these adjusted financial measures and other non-GAAP metrics are not measures of performance calculated in accordance with U.S. GAAP, they should not be considered in isolation from, as a substitute for, or superior to their corresponding U.S. GAAP measures, and they may not be comparable to similarly titled measures at other companies.

# GAAP Reconciliations

(\$ in millions, except per share data)

			% Change	
	FY18	FY17	As Reported	Constant Currency
Net earnings	\$1,620.8	\$1,733.4	(6)%	(8)%
Provision for income taxes	550.3	797.7		
All other interest expense <sup>(a)</sup>	59.4	59.3		
All other interest income <sup>(a)</sup>	(25.5)	(22.4)		
Gain on sale of business	-	(205.4)		
Transformation initiatives <sup>(b)</sup>	404.8	85.0		
Proxy contest matters <sup>(c)</sup>	33.3	-		
Adjusted EBIT	\$2,643.1	\$2,447.6	8%	7%
Adjusted EBIT Margin	19.8%	19.8%		
Diluted EPS	\$3.66	\$3.85	(5)%	(6)%
Gain on sale of businesses	-	(0.27)		
Transformation initiatives <sup>(b)</sup>	0.64	0.12		
Proxy contest matters <sup>(c)</sup>	0.05	-		
Tax Cuts and Jobs Act <sup>(d)</sup>	-	-		
Adjusted diluted EPS	\$4.35	\$3.70	18%	16%

- (a) Our Adjusted EBIT from continuing operations continues to include the interest income earned on investments associated with our client funds extended investment strategy and interest expense on borrowings related to our client funds extended investment strategy as we believe these amounts to be fundamental to the underlying operations of our business model. The adjustments in the table above represent the interest income and interest expense that is not related to our client funds extended investment strategy and are labeled as "All other interest expense" and "All other interest income."
- (b) We recorded a charge of \$404.8 million related to transformation initiatives in fiscal 2018. The charges within transformation initiatives in fiscal 2018 includes \$319.6 million related to the special termination benefit charges and \$17.5 million of other charges related to our Voluntary Early Retirement Program ("VERP"), severance charges related to our Service Alignment Initiative of \$20.5 million, and other transformation initiatives of \$47.2 million which primarily consist of severance charges totaling \$41.9 million for fiscal 2018. Charges for transformation initiatives in other periods presented primarily represent severance charges related to our Service Alignment Initiative and Workforce Optimization Effort. Unlike severance charges in prior periods, which are not included as an adjustment to get to adjusted results, these specific charges relate to actions that are part of our broad-based, company-wide transformation initiative.
- (c) Represents non-operational costs related to proxy contest matters.
- (d) The one-time net benefit from the enactment of the Tax Cuts and Jobs Act (the "Act") is comprised of application of the newly enacted rates to our U.S. deferred tax balances, partially offset by foreign withholding taxes on future distributions, the one-time transition tax and the recording of a valuation allowance against our foreign tax credits which may not be realized.

# Fiscal 2019 Outlook – Pro-forma GAAP Reconciliations

(\$ in millions)

	Fiscal 2018 Pro-forma <sup>(a)</sup>		Fiscal 2019 Forecast
Earnings before income taxes / margin (pro-forma GAAP)	\$2,282.6	17.1%	~420 – 455bps
All other interest expense <sup>(b)</sup>	59.4	+45bps	(5)bps
All other interest income <sup>(b)</sup>	(25.5)	(20)bps	+5bps
Proxy contest matters – F18 <sup>(c)</sup>	33.3	+25bps	(25)bps
Transformation initiatives – F18 <sup>(d)</sup>	404.8	+305bps	(305)bps
Transformation initiatives – F19 <sup>(d)</sup>	-	-	+10bps
<b>Adjusted EBIT margin (Non-GAAP)</b>	<b>\$2,754.6</b>	<b>20.7%</b>	<b>100 – 125bps</b>
Effective tax rate (pro-forma GAAP)		16.8%	25.1%
Proxy contest matters – F18 <sup>(c)</sup>		+0.1%	-
Transformation initiatives – F18 <sup>(d)</sup>		+1.3%	-
Tax Cuts and Jobs Act – F18 <sup>(e)</sup>		+7.9%	-
Transformation initiatives – F19		-	-
<b>Adjusted effective tax rate (Non-GAAP)</b>		<b>26.2%</b>	<b>25.1%</b>

(a) Pro-forma results reflect the impact of ASC 606 on prior year results. See slides 14-15 of this presentation for a bridge.

(b) Our Adjusted EBIT from continuing operations continues to include the interest income earned on investments associated with our client funds extended investment strategy and interest expense on borrowings related to our client funds extended investment strategy as we believe these amounts to be fundamental to the underlying operations of our business model. The adjustments in the table above represent the interest income and interest expense that is not related to our client funds extended investment strategy and are labeled as "All other interest expense" and "All other interest income."

(c) Represents non-operational costs related to proxy contest matters.

(d) We recorded a charge of \$404.8 million related to transformation initiatives in fiscal 2018. The charges within transformation initiatives in fiscal 2018 includes \$319.6 million related to the special termination benefit charges and \$17.5 million of other charges related to our Voluntary Early Retirement Program ("VERP"), severance charges related to our Service Alignment Initiative of \$20.5 million, and other transformation initiatives of \$47.2 million which primarily consist of severance charges totaling \$41.9 million for fiscal 2018. Unlike severance charges in prior periods, which are not included as an adjustment to get to adjusted results, these specific charges relate to actions that are part of our broad-based, company-wide transformation initiative. Expected fiscal 2019 charges within transformation initiatives represent expected severance and other one-time charges related to our Service Alignment Initiative and other transformation initiatives.

(e) The one-time net benefit from the enactment of the Tax Cuts and Jobs Act (the "Act") is comprised of application of the newly enacted rates to our U.S. deferred tax balances, partially offset by foreign withholding taxes on future distributions, the one-time transition tax and the recording of a valuation allowance against our foreign tax credits which may not be realized.

# Fiscal 2019 Outlook – Pro-forma GAAP Reconciliations

	Fiscal 2018 Pro-forma <sup>(a)</sup>	Fiscal 2019 Forecast
Diluted EPS (pro-forma GAAP)	\$4.28	19% - 21%
Proxy contest matters – F18 <sup>(b)</sup>	0.05	~ (1%)
Transformation initiatives – F18 <sup>(c)</sup>	0.89	~ (21%)
Tax Cuts and Jobs Act – F18 <sup>(d)</sup>	(0.70)	~ 16%
Transformation initiatives – F19 <sup>(c)</sup>	-	~ 0%
<b>Adjusted diluted EPS (Non-GAAP)</b>	<b>\$4.53</b>	<b>13% - 15%</b>

(a) Pro-forma results reflect the impact of ASC 606 on prior year results. See slides 14-15 of this presentation for a bridge.

(b) Represents non-operational costs related to proxy contest matters.

(c) We recorded a charge of \$404.8 million related to transformation initiatives in fiscal 2018. The charges within transformation initiatives in fiscal 2018 includes \$319.6 million related to the special termination benefit charges and \$17.5 million of other charges related to our Voluntary Early Retirement Program ("VERP"), severance charges related to our Service Alignment Initiative of \$20.5 million, and other transformation initiatives of \$47.2 million which primarily consist of severance charges totaling \$41.9 million for fiscal 2018. Unlike severance charges in prior periods, which are not included as an adjustment to get to adjusted results, these specific charges relate to actions that are part of our broad-based, company-wide transformation initiative. Expected fiscal 2019 charges within transformation initiatives represent expected severance and other one-time charges related to our Service Alignment Initiative and other transformation initiatives.

(d) The one-time net benefit from the enactment of the Tax Cuts and Jobs Act (the "Act") is comprised of application of the newly enacted rates to our U.S. deferred tax balances, partially offset by foreign withholding taxes on future distributions, the one-time transition tax and the recording of a valuation allowance against our foreign tax credits which may not be realized.

# ADP Fiscal 2019 Guidance History

	Aug 1, 2018 Forecast <sup>(a)</sup>
<b>Total ADP</b>	
Revenues	↑ 5% - 7%
Adj. EBIT Margin <sup>(b)</sup>	↑ 100 - 125 bps
Adj. Effective Tax Rate <sup>(b)</sup>	↓ Decline to 25.1%
Adj. Diluted EPS <sup>(b)</sup>	↑ 13% - 15%
<b>Employer Services (ES)</b>	
Revenues	↑ 4% - 6%
Margin	↑ 150 - 175 bps
ES New Business Bookings	↑ 6% - 8%
Client Revenue Retention	↑ 25 - 50 bps
Pays Per Control	↑ ~2.5%
<b>PEO Services</b>	
Revenues, Reported	↑ 7% - 9%
Revenues, ex zero-margin PT	↑ 5% - 7%
Margin	↓ (75) - (50) bps
Average WSE Growth	↑ 7% - 8%

Estimated ASC 606 impact, as provided on June 12, 2018		
	FY18	FY19
Adj. EBIT Margin <sup>(b)</sup> , ASC 605	19.8%	**
+ Impact from Change	↑ 50 bps	↑ 50 bps
Adj. EBIT Margin <sup>(b)</sup> , ASC 606	20.3%	**

Estimated ASC 606 impact, as revised August 1, 2018		
	FY18	FY19
Adj. EBIT Margin <sup>(b)</sup> , ASC 605	19.8%	**
+ Impact from Change	↑ 80 bps	↑ 50 bps
Adj. EBIT Margin <sup>(b)</sup> , ASC 606	20.7%	↑100-125bps YoY

(a) Forecast contemplates the impact of prior fiscal year acquisitions and anticipated impact of current year acquisition of Celergo and foreign currency in revenue and operating results.

(b) See pages 10-12 for reconciliation of non-GAAP financial measures to their comparable GAAP measures.



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# Bridge to Pro-Forma Financials – Segment

(\$ in millions, except New Business Bookings)

	Q1 FY2018				Q2 FY2018				Q3 FY2018				Q4 FY2018				FY2018			
	As Reported	ASC 606 Adj.	Other Adj. <sup>(a)</sup>	Pro-Forma	As Reported	ASC 606 Adj.	Other Adj. <sup>(a)</sup>	Pro-Forma	As Reported	ASC 606 Adj.	Other Adj. <sup>(a)</sup>	Pro-Forma	As Reported	ASC 606 Adj.	Other Adj. <sup>(a)</sup>	Pro-Forma	As Reported	ASC 606 Adj.	Other Adj. <sup>(a)</sup>	Pro-Forma
<b>Segment Revenues</b>																				
Employer Services	2,316.3	(2.0)	(137.7)	2,176.6	2,437.6	1.5	(144.1)	2,295.0	2,804.1	2.3	(180.6)	2,625.8	2,499.7	(3.6)	(150.6)	2,345.5	10,057.8	(1.8)	(613.0)	9,443.0
PEO Services	903.6	0.4	(1.4)	902.6	945.3	1.4	(1.5)	945.2	1,071.1	0.6	(1.8)	1,069.9	976.7	1.1	(1.5)	976.3	3,896.6	3.5	(6.2)	3,893.9
Other	(141.1)	—	139.1	(2.0)	(147.5)	—	145.6	(1.9)	(182.2)	—	182.4	0.2	(157.8)	—	152.1	(5.7)	(628.6)	—	619.2	(9.4)
<b>Segment Earnings</b>																				
Employer Services	646.6	20.3	(131.0)	535.9	706.4	20.6	(147.4)	579.6	1,022.5	18.9	(172.6)	868.8	711.9	42.3	(146.5)	607.7	3,087.4	102.2	(597.5)	2,592.1
PEO Services	116.8	(3.7)	11.4	124.5	128.2	1.2	5.3	134.7	136.3	3.6	8.4	148.3	122.9	8.1	12.0	143.0	504.2	9.3	37.1	550.6
Other	(215.2)	—	119.6	(95.6)	(268.9)	—	142.1	(126.8)	(306.2)	—	164.2	(142.0)	(630.3)	—	134.5	(495.8)	(1,420.5)	—	560.4	(860.1)
<b>Segment Margin</b>																				
Employer Services	27.9 %			24.6 %	29.0 %			25.3 %	36.5 %			33.1 %	28.5 %			25.9 %	30.7 %			27.4 %
PEO Services	12.9 %			13.8 %	13.6 %			14.3 %	12.7 %			13.9 %	12.6 %			14.6 %	12.9 %			14.1 %
<b>Segment Revenue Growth</b>																				
Employer Services, as reported	2 %			2 %	6 %			6 %	7 %			8 %	7 %			8 %	5 %			6 %
Adjustments:																				
Impact of acquisitions	—%			—%	(1)%			(1)%	(1)%			(1)%	(1)%			(2)%	(1)%			(1)%
Impact of dispositions	1 %			1 %	1 %			1 %	—%			—%	—%			—%	—%			—%
Impact of foreign currency	(1)%			(1)%	(1)%			(1)%	(2)%			(2)%	(1)%			(1)%	(1)%			(1)%
Employer Services, organic const. currency	3 %			3 %	4 %			4 %	4 %			5 %	4 %			5 %	4 %			4 %
PEO Services	14 %			14 %	15 %			15 %	10 %			10 %	10 %			10 %	12 %			12 %
<b>Other Segment metrics</b>																				
Employer Services Bookings Growth				(3)%				5 %				13 %				19 %				9 %
Employer Services New Business Bookings																				\$1.5 billion
PEO zero-margin pass-through revenue				595.3				607.1				626.4				634.4				2,463.1
PEO revenue ex zero-margin PT				307.3				338.1				443.5				341.9				1,430.8

(a) Other adjustments include the inclusion of client fund interest in our segments at actual interest rates, the inclusion of ADP Indemnity in the PEO segment, and changes to certain corporate allocations.

# Bridge to Pro-Forma Financials – Consolidated

(\$ in millions, except per share data)

	Q1 FY2018				Q2 FY2018				Q3 FY2018				Q4 FY2018				FY2018			
	As Reported	ASC 606 Adj.	ASU 2017-07 Adj. <sup>(a)</sup>	Pro-Forma	As Reported	ASC 606 Adj.	ASU 2017-07 Adj. <sup>(a)</sup>	Pro-Forma	As Reported	ASC 606 Adj.	ASU 2017-07 Adj. <sup>(a)</sup>	Pro-Forma	As Reported	ASC 606 Adj.	ASU 2017-07 Adj. <sup>(a)</sup>	Pro-Forma	As Reported	ASC 606 Adj.	ASU 2017-07 Adj. <sup>(a)</sup>	Pro-Forma
<b>Statement of Consolidated Earnings</b>																				
Revenues, other than interest on funds held for clients and PEO revenues	2,080.9	(2.0)	—	2,078.9	2,188.8	1.5	—	2,190.3	2,492.9	2.3	—	2,495.2	2,222.5	(3.6)	—	2,218.9	8,985.2	(1.8)	—	8,983.4
Interest on funds held for clients	99.4	—	—	99.4	106.7	—	—	106.7	134.8	—	—	134.8	125.6	—	—	125.6	466.5	—	—	466.5
PEO revenues	898.5	0.4	—	898.9	939.9	1.4	—	941.3	1,065.3	0.6	—	1,065.9	970.5	1.1	—	971.6	3,874.1	3.5	—	3,877.6
<b>Total revenues</b>	<b>3,078.8</b>	<b>(1.6)</b>	<b>—</b>	<b>3,077.2</b>	<b>3,235.4</b>	<b>2.9</b>	<b>—</b>	<b>3,238.3</b>	<b>3,693.0</b>	<b>2.9</b>	<b>—</b>	<b>3,695.9</b>	<b>3,318.6</b>	<b>(2.5)</b>	<b>—</b>	<b>3,316.1</b>	<b>13,325.8</b>	<b>1.7</b>	<b>—</b>	<b>13,327.5</b>
Operating expenses	1,646.9	(25.3)	9.3	1,630.9	1,719.3	(19.4)	9.3	1,709.2	1,844.7	(8.8)	9.3	1,845.2	1,727.2	(20.4)	9.3	1,716.1	6,937.9	(74.0)	37.2	6,901.1
Systems development & programming costs	156.9	—	1.9	158.8	158.1	—	1.9	160.0	162.5	—	1.9	164.4	152.6	—	1.9	154.5	630.2	—	7.6	637.8
Depreciation & amortization	62.6	—	—	62.6	69.3	—	—	69.3	70.2	—	—	70.2	72.4	—	—	72.4	274.5	—	—	274.5
Selling, general & administrative expenses	662.4	7.1	5.3	674.8	717.2	0.5	5.3	723.0	755.1	(10.8)	5.3	749.6	836.9	(32.5)	5.3	809.7	2,971.5	(35.8)	21.2	2,956.9
Interest expense	28.0	—	—	28.0	27.5	—	—	27.5	18.6	—	—	18.6	28.5	—	—	28.5	102.7	—	—	102.7
<b>Total expenses</b>	<b>2,556.8</b>	<b>(18.2)</b>	<b>16.5</b>	<b>2,551.1</b>	<b>2,691.4</b>	<b>(18.9)</b>	<b>16.5</b>	<b>2,689.0</b>	<b>2,851.1</b>	<b>(19.6)</b>	<b>16.5</b>	<b>2,848.0</b>	<b>2,817.6</b>	<b>(52.9)</b>	<b>16.5</b>	<b>2,781.2</b>	<b>10,916.8</b>	<b>(109.8)</b>	<b>66.0</b>	<b>10,873.0</b>
Other income, net	(26.2)	—	(16.5)	(42.7)	(21.7)	—	(16.5)	(38.2)	(10.7)	—	(16.5)	(27.2)	296.5	—	(16.5)	280.0	237.9	—	(66.0)	171.9
<b>Earnings before income taxes</b>	<b>548.2</b>	<b>16.6</b>	<b>—</b>	<b>564.8</b>	<b>565.7</b>	<b>21.8</b>	<b>—</b>	<b>587.5</b>	<b>852.6</b>	<b>22.5</b>	<b>—</b>	<b>875.1</b>	<b>204.5</b>	<b>50.4</b>	<b>—</b>	<b>254.9</b>	<b>2,171.1</b>	<b>111.5</b>	<b>—</b>	<b>2,282.6</b>
Provision for income taxes	146.7	5.6	—	152.3	98.2	(192.2)	—	(94.0)	209.5	3.0	—	212.5	95.8	17.8	—	113.6	550.3	(165.6)	—	384.7
<b>Net earnings</b>	<b>401.5</b>	<b>11.0</b>	<b>—</b>	<b>412.5</b>	<b>467.5</b>	<b>214.0</b>	<b>—</b>	<b>681.5</b>	<b>643.1</b>	<b>19.5</b>	<b>—</b>	<b>662.6</b>	<b>108.7</b>	<b>32.6</b>	<b>—</b>	<b>141.3</b>	<b>1,620.8</b>	<b>277.1</b>	<b>—</b>	<b>1,897.9</b>
<b>Diluted earnings per share</b>	<b>\$ 0.90</b>	<b>\$ 0.02</b>	<b>\$ —</b>	<b>\$ 0.93</b>	<b>\$ 1.05</b>	<b>\$ 0.48</b>	<b>\$ —</b>	<b>\$ 1.54</b>	<b>\$ 1.45</b>	<b>\$ 0.04</b>	<b>\$ —</b>	<b>\$ 1.49</b>	<b>\$ 0.25</b>	<b>\$ 0.07</b>	<b>\$ —</b>	<b>\$ 0.32</b>	<b>\$ 3.66</b>	<b>\$ 0.63</b>	<b>\$ —</b>	<b>\$ 4.28</b>
<b>Non-GAAP information <sup>(b)</sup></b>																				
<b>Adjusted EBIT</b>	<b>564.1</b>	<b>16.6</b>	<b>—</b>	<b>580.7</b>	<b>602.5</b>	<b>21.8</b>	<b>—</b>	<b>624.3</b>	<b>901.0</b>	<b>22.5</b>	<b>—</b>	<b>923.5</b>	<b>575.6</b>	<b>50.4</b>	<b>—</b>	<b>626.0</b>	<b>2,643.1</b>	<b>111.5</b>	<b>—</b>	<b>2,754.6</b>
<i>Adjusted EBIT Margin</i>	18.3 %			18.9 %	18.6 %			19.3 %	24.4 %			25.0 %	17.3 %			18.9 %	19.8 %			20.7 %
<b>Adjusted provision for income taxes</b>	149.5	5.6	—	155.1	151.5	5.9	—	157.4	216.4	3.0	—	219.3	163.8	17.8	—	181.5	681.1	32.5	—	713.6
<i>Adjusted Effective Tax Rate</i>	26.9 %	33.7 %	—%	27.1 %	25.6 %	27.1 %	—%	25.7 %	24.3 %	13.3 %	—%	24.0 %	28.7 %	35.3 %	—%	29.3 %	26.1 %	29.1 %	—%	26.2 %
Adjusted net earnings	405.9	11.0	—	416.9	440.4	15.9	—	456.2	675.9	19.5	—	695.5	406.0	32.6	—	438.7	1,928.1	79.0	—	2,007.1
<b>Adjusted diluted earnings per share</b>	<b>\$ 0.91</b>	<b>\$ 0.02</b>	<b>\$ —</b>	<b>\$ 0.94</b>	<b>\$ 0.99</b>	<b>\$ 0.04</b>	<b>\$ —</b>	<b>\$ 1.03</b>	<b>\$ 1.52</b>	<b>\$ 0.04</b>	<b>\$ —</b>	<b>\$ 1.57</b>	<b>\$ 0.92</b>	<b>\$ 0.07</b>	<b>\$ —</b>	<b>\$ 0.99</b>	<b>\$ 4.35</b>	<b>\$ 0.18</b>	<b>\$ —</b>	<b>\$ 4.53</b>
<i>Growth</i>	6 %			7 %	14 %			13 %	16 %			18 %	39 %			41 %	18 %			19 %

(a) ASU 2017-07 (Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit Cost) has no impact on earnings, margin, or EPS.

(b) Adjusted EBIT, adjusted EBIT margin and adjusted diluted earnings per share are non-GAAP financial measures. Refer to slide 16 for a reconciliation to the closest pro-forma financial GAAP measure.

# Pro-Forma GAAP Reconciliations

(\$ in millions, except per share data)

	1Q FY18	2Q FY18	3Q FY18	4Q FY18	FY18
Pro-Forma Net earnings	\$412.5	\$681.5	\$662.6	\$141.3	\$1,897.9
Provision for income taxes	152.3	(94.0)	212.5	113.6	384.7
All other interest expense <sup>(a)</sup>	15.0	15.0	14.8	14.6	59.4
All other interest income <sup>(a)</sup>	(6.3)	(4.4)	(6.1)	(8.8)	(25.5)
Transformation initiatives <sup>(b)</sup>	(3.3)	3.3	39.7	365.3	404.8
Proxy contest matters <sup>(c)</sup>	10.5	22.9	-	-	33.3
Pro-Forma Adjusted EBIT	\$580.7	\$624.3	\$923.5	\$626.0	\$2,754.6
Adjusted EBIT Margin	18.9%	19.3%	25.0%	18.9%	20.7%
Pro-Forma Diluted EPS	\$0.93	\$1.54	\$1.49	\$0.32	\$4.28
Transformation initiatives <sup>(b)</sup>	-	-	0.07	0.57	0.64
Proxy contest matters <sup>(c)</sup>	0.01	0.04	-	-	0.05
Tax Cuts and Jobs Act <sup>(d)</sup>	-	(0.55)	0.01	0.10	(0.44)
Pro-Forma Adjusted diluted EPS	\$0.94	\$1.03	\$1.57	\$0.99	\$4.53

- (a) Our Adjusted EBIT from continuing operations continues to include the interest income earned on investments associated with our client funds extended investment strategy and interest expense on borrowings related to our client funds extended investment strategy as we believe these amounts to be fundamental to the underlying operations of our business model. The adjustments in the table above represent the interest income and interest expense that is not related to our client funds extended investment strategy and are labeled as "All other interest expense" and "All other interest income."
- (b) We recorded a charge of \$404.8 million related to transformation initiatives in fiscal 2018. The charges within transformation initiatives in fiscal 2018 includes \$319.6 million related to the special termination benefit charges and \$17.5 million of other charges related to our Voluntary Early Retirement Program ("VERP"), severance charges related to our Service Alignment Initiative of \$20.5 million, and other transformation initiatives of \$47.2 million which primarily consist of severance charges totaling \$41.9 million for fiscal 2018. Unlike severance charges in prior periods, which are not included as an adjustment to get to adjusted results, these specific charges relate to actions that are part of our broad-based, company-wide transformation initiative.
- (c) Represents non-operational costs related to proxy contest matters.
- (d) The one-time net benefit from the enactment of the Tax Cuts and Jobs Act (the "Act") is comprised of application of the newly enacted rates to our U.S. deferred tax balances, partially offset by foreign withholding taxes on future distributions, the one-time transition tax and the recording of a valuation allowance against our foreign tax credits which may not be realized.