



ADP Earnings Call & Webcast

4Q Fiscal 2019

July 31, 2019

Forward Looking Statements

This presentation 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; and the adequacy, effectiveness and success of our business transformation initiatives. 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, constant currency, and organic constant currency are all non-GAAP financial measures. Please refer to the fourth quarter fiscal 2019 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.

We have not provided a reconciliation of our adjusted EBIT, adjusted EBIT margin, adjusted effective tax rate, or adjusted EPS outlook to their most comparable GAAP measures for years beyond fiscal 2020 because it would be potentially misleading and is not practical given the difficulty of projecting event-driven transactional and other non-core operating items that are included in the GAAP metrics, including transformation initiatives, gains/losses on sales of businesses and assets, and certain income tax adjustments. The reconciliation for the historical periods presented in our fourth quarter fiscal 2019 earnings release is indicative of the reconciliation that will be prepared upon completion of the periods beyond fiscal 2020 covered by the non-GAAP outlook.

This presentation is a supplement to our fourth quarter fiscal 2019 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

- Continued momentum through transformation
 - 6% revenue growth, 7% organic constant currency ^(a)
 - Robust 160bps Adj. EBIT ^(a) margin expansion
 - 20% adjusted diluted EPS growth ^(a)
- Solid ES New Business Bookings performance with 8% growth to \$1.6B
- Investments to improve the client experience driving 40 basis point increase in ES Revenue Retention to 90.8%
- Continued investments in differentiated technology aimed at addressing the evolving world of work
- Executing transformation to build sustainable long-term shareholder value



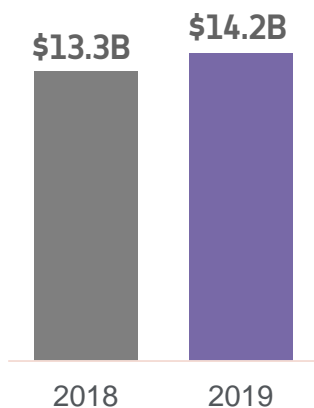
Fiscal 2019 Financial Highlights

(unaudited)

Total Revenues

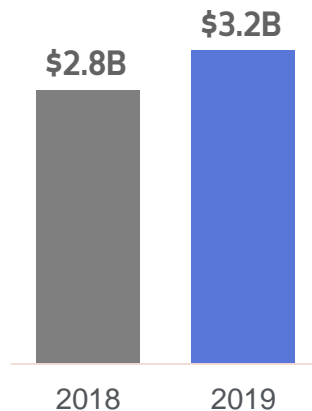
↑ 6%

↑ 7% Organic Constant Currency (a)



Adjusted EBIT (a)

↑ 15%



Adjusted Diluted EPS (a)

↑ 20%



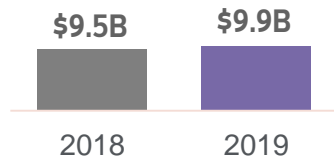
Fiscal 2019 ES Segment Results

(unaudited)

ES Revenues

↑ 5%

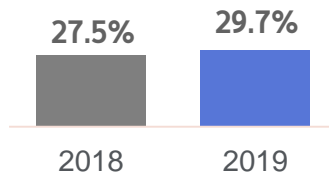
↑ 5% Organic Constant Currency (a)



- ES New Business Bookings ↑ 8%
- ES Revenue Retention ↑ 40 bps to 90.8%
- U.S. Pays Per Control ↑ 2.7%
- Average client funds balances ↑ 5%

ES Margin

↑ 230bps



- Includes 50 basis points of pressure from acquisitions

Highlights

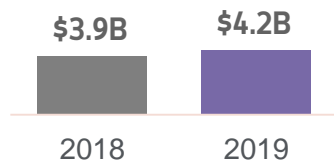
- Continued focus on improving client satisfaction on core strategic platforms contributing to improved retention
- Ongoing investment in innovative solutions
- Execution of transformation initiatives key component of margin expansion

Fiscal 2019 PEO Segment Results

(unaudited)

PEO Revenues

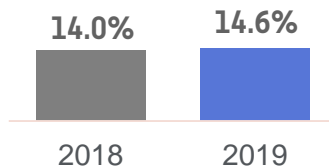
↑ 9%



- Revenues excluding zero-margin benefits pass-throughs ↑ 8%
- Average Worksite Employees paid ↑ 8% to 547,000

PEO Margin

↑ 60bps



- Includes 10 basis points of pressure from ADP Indemnity

Highlights

- Continued focus on growth of average Worksite Employees
- Workers' Compensation and SUI pricing expected to remain source of pressure to revenue growth through FY20
- 50 basis point ADP Indemnity margin headwind expected in FY20

Cash Flow and Balance Sheet Strength

(unaudited)

Robust Cash Flow

Strong track record of cash generation

\$2.2B in combined dividends and share repurchases

- Target 55-60% dividend payout ratio
- 44 years of dividend increases
- Share repurchases flexible tool to return excess cash

Year-End Balance Sheet

\$1.9B in cash

\$2.0B in debt

AA credit rating

- Includes A1+/P1 commercial paper rating

Multiple liquidity sources support high margin client funds investment strategy

- \$10.3B commercial paper program
- Approximately 79% of client funds portfolio invested in liquid AAA/AA securities

Fiscal 2020 Outlook

		Fiscal 2019 (unaudited)	Fiscal 2020 Outlook (a)
Total ADP	Revenues	\$14,175M	↑ 6% - 7%
	Adj. EBIT Margin (b)	22.3%	↑ 100 - 125 bps
	Adj. Effective Tax Rate (b)	23.8%	Flat at 23.8%
	Adj. Diluted EPS (b)	\$5.45	↑ 12% - 14%
Employer Services	Revenues	\$9,943M	↑ 4% - 5%
	Margin	29.7%	↑ 100 - 125 bps
	ES New Business Bookings	\$1.6B	↑ 6% - 8%
	Client Revenue Retention	90.8%	↑ 10 - 20 bps
	Pays Per Control	↑ 2.7%	↑ ~2.5%
PEO Services	Revenues	\$4,243M	↑ 9% - 11%
	Revenues Ex Pass-throughs	\$1,530M	↑ 7% - 9%
	Margin	14.6%	Flat to ↓ 25 bps
	Average WSEs	547,000	↑ 7% - 9%
Client Funds Interest	Average Client Funds Balances	\$25.5B	↑ 4% - 5%
	Yield on Client Funds Portfolio	2.2%	Flat at 2.2%
	Client Funds Interest Revenue	\$562M	\$580 - \$590M
	Extended Investment Strategy	\$557M	\$585 - \$595M

(a) Outlook contemplates the impact of prior fiscal year acquisition of Celergo and 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 4Q 2019 earnings release available at investors.adp.com.

FY21 Targets Under ASC 606

- FY21 targets provided at Investor Day 2018 were baselined off FY18 guidance provided 3Q18 under ASC 605
- Information below reflects recasting of the original FY18 baseline and FY21 targets for actual FY18 results and ASC 606
- Revenue and tax rate not materially impacted by adoption of ASC 606

	Original FY18 Baseline (ASC 605, FY18 Forecast)	Original FY21 Targets (as provided at Investor Day 2018 – ASC 605)	Recasted FY18 Baseline (ASC 606, FY18 Actuals)	Recasted Original FY21 Targets ¹ (ASC 606, FY18 Actuals)
Adj. EBIT Margin	19.8%	23 – 25%	20.7%	~23.25 – 25.25% ²
Adj. EBIT Growth	\$2,635M	14 – 17% FY18-21 CAGR	\$2,755M	~12.5 – 15.5% FY18-21 CAGR
Adj. EPS	\$4.31	16 – 19% FY18-21 CAGR	\$4.53	~14.5 – 17.5% FY18-21 CAGR

1. This does not represent a reissuance or an update to FY21 targets provided at 2018 Investor Day.
 2. Estimates of FY21 ASC606 impact were provided in 2018 Investor Day presentation and in 4Q18 earnings materials.
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Appendix: Client Funds Investment Strategy Detail

	Fiscal 2020 Outlook		
	Average Balance (\$)	Average Yield	Interest (\$)
Client Short	5.0 - 5.1B	~1.6%	75 - 80M
Client Extended	11.5 - 11.6B	~2.1%	245 - 250M
Client Long	10.0 - 10.1B	~2.6%	~260M
Total Client Funds (a)	~26.5 - 26.8B	~2.2%	580 - 590M
Corporate Extended Interest Income (b)	~3.5B	~2.1%	~75M
Borrowing Days Interest Expense	~3.5B	~2.0%	~(70)M
Net Impact From Client Funds Extended Investment Strategy			585 - 595M

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.

Appendix: Client Fund Portfolio Maturities

Client Funds Portfolio at June 30, 2019
Available for Sale Securities Maturities and Book Yields

