

Automatic Data Processing, Inc.
Segment Information

Employer Services and the Professional Employer Organization (“PEO”) Services are ADP's two reportable segments. Certain revenues and expenses are charged to the segments at a standard rate for management reasons. Other costs are recorded based on management responsibility. The primary components of the “Other” segment are certain corporate overhead charges and expenses that have not been allocated to the reportable segments, including corporate functions, costs related to our transformation office, non-recurring gains and losses, the elimination of intercompany transactions, and interest expense.

The tables attached show the quarterly segment revenues and earnings before income taxes for fiscal 2017, 2018, and the first, second and third quarter of fiscal 2019 as well as the percentage difference between each period indicated and the same respective prior year period. The tables also show the adjustments management considers when evaluating our operating performance in the absence of certain items. Lastly, included are the details of the first, second and third quarter of fiscal 2019 results from the client funds extended investment strategy. We believe these 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 us.

In the first quarter of fiscal 2019, our chief operating decision maker (“CODM”) began reviewing segment results reported at actual interest rates, the results of the PEO segment inclusive of the results of ADP Indemnity. Additionally, the CODM reviews results with changes to certain corporate allocations. These changes represent a change in the measure of segment performance. Additionally, effective July 1, 2018, we adopted Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers (ASC 606)”. The segment results in the table below reflect the impacts of adoption of ASC 606, the inclusion of client funds interest in our segments at actual interest rates, the inclusion of ADP Indemnity in the PEO segment, and changes to certain corporate allocations. We reflected these new segment measures beginning in the first quarter of fiscal 2019 and prior period segment results have been restated for comparability.

Automatic Data Processing, Inc. and Subsidiaries
Revenues by Reportable Segment
(\$ in millions)
(Unaudited)

Fiscal Year		Employer Services		PEO Services		Other	Total	
		\$	%	\$	%	\$	\$	%
17	Q1	2,128.2	6 %	793.0	14%	(3.6)	2,917.6	8%
	Q2	2,170.1	5 %	820.4	12%	(2.3)	2,988.2	7%
	Q3	2,439.6	2 %	967.7	12%	(2.1)	3,405.2	5%
	Q4	2,176.4	2 %	887.3	16%	(2.6)	3,061.1	6%
	Year	<u>8,914.2</u>	<u>4 %</u>	<u>3,468.4</u>	<u>13%</u>	<u>(10.6)</u>	<u>12,372.0</u>	<u>6%</u>
18	Q1	2,179.4	2 %	899.8	13%	(2.0)	3,077.2	5%
	Q2	2,297.8	6 %	942.4	15%	(1.9)	3,238.3	8%
	Q3	2,628.5	8 %	1,067.3	10%	0.2	3,696.0	9%
	Q4	2,349.0	8 %	972.9	10%	(5.7)	3,316.2	8%
	Year	<u>9,454.8</u>	<u>6 %</u>	<u>3,882.3</u>	<u>12%</u>	<u>(9.4)</u>	<u>13,327.7</u>	<u>8%</u>
'19	Q1	2,338.2	7 %	987.8	10%	(2.8)	3,323.2	8%
	Q2	2,450.4	7 %	1,058.2	12%	(2.7)	3,505.9	8%
	Q3	2,719.1	3 %	1,134.7	6%	(6.4)	3,847.4	4%

Note: Numbers may not foot due to rounding.

Automatic Data Processing, Inc. and Subsidiaries

Earnings by Reportable Segment

(\$ in millions)

(Unaudited)

Fiscal Year	Employer Services			PEO Services			Other	Total as Reported			Non-GAAP Adjustments (a)	Total as Adjusted		
	Segment			Segment				Pretax				Adjusted		
	\$	%	Margin	\$	%	Margin	\$	\$	%	Margin	\$	\$	%	Margin
17 Q1	542.3	12 %	25.5%	105.4	18%	13.3%	(104.8)	542.9	— %	18.6%	(50.1) (b)	593.0	15 %	20.3%
Q2	566.6	6 %	26.1%	114.3	18%	13.9%	133.3	814.2	47 %	27.2%	193.7 (c)	620.5	12 %	20.8%
Q3	807.6	— %	33.1%	122.1	19%	12.6%	(89.0)	840.7	— %	24.7%	(10.0) (d)	850.7	— %	25.0%
Q4	480.2	(9)%	22.1%	121.7	16%	13.7%	(182.8)	419.1	(9)%	13.7%	(50.2) (e)	469.3	(10)%	15.3%
Year	2,396.8	2 %	26.9%	463.4	18%	13.4%	(243.3)	2,616.9	9 %	21.2%	83.5	2,533.4	4 %	20.5%
18 Q1	537.2	(1)%	24.7%	123.3	17%	13.7%	(95.6)	564.9	4 %	18.4%	(15.9) (f)	580.8	(2)%	18.9%
Q2	581.1	3 %	25.3%	133.2	17%	14.1%	(126.7)	587.6	(28)%	18.1%	(36.8) (g)	624.4	1 %	19.3%
Q3	870.1	8 %	33.1%	147.1	20%	13.8%	(142.0)	875.2	4 %	23.7%	(48.4) (h)	923.6	9 %	25.0%
Q4	609.7	27 %	26.0%	141.0	16%	14.5%	(495.8)	254.9	(39)%	7.7%	(371.1) (i)	626.0	33 %	18.9%
Year	2,598.1	8 %	27.5%	544.6	18%	14.0%	(860.1)	2,282.6	(13)%	17.1%	(472.0)	2,754.6	9 %	20.7%
'19 Q1	637.6	19 %	27.3%	145.9	18%	14.8%	(136.7)	646.8	14 %	19.5%	(39.9) (j)	686.7	18 %	20.7%
Q2	733.3	26 %	29.9%	157.0	18%	14.8%	(149.3)	741.0	26 %	21.1%	(45.5) (k)	786.5	26 %	22.4%
Q3	962.1	11 %	35.4%	155.7	6%	13.7%	(133.3)	984.5	12 %	25.6%	(28.9) (l)	1,013.4	10 %	26.3%

Note: Numbers may not foot due to rounding.

(a) Non-GAAP adjustments for each quarterly period include certain interest income and interest expense amounts (primarily included in "Other") and for certain quarterly periods, include additional transactions as detailed further within the footnotes below. This interest expense, interest income, and these additional transactions are excluded from our evaluation of operating performance and for the planning and forecasting of future periods. We believe that the exclusion of these items helps us reflect the fundamentals of our underlying business model and analyze results against our expectations, against prior period, and to plan for future periods by focusing on our underlying operations. We do not include interest income earned on investments associated with our client funds investment strategy and interest expense on borrowings related to our client funds extended investment strategy as Non-GAAP adjustments as we believe these amounts to be fundamental to the underlying operations of our business model.

(b) The three months ended September 30, 2016, include a \$39.9 million charge related to our Service Alignment Initiative. This charge is included in "Other."

(c) The three months ended December 31, 2016, include a \$205.4 million gain on the sale of a business and a \$1.2 million charge related to our Service Alignment Initiative. These amounts are included in "Other."

(d) The three months ended March 31, 2017, include a \$0.6 million charge related to our Service Alignment Initiative. This charge is included in "Other."

(e) The three months ended June 30, 2017, include a \$48.5 million charge related to our Service Alignment Initiative and a \$5.0 million reversal of a charge related to our Workforce Optimization Effort. These amounts are included in "Other."

(f) The three months ended September 30, 2017, include a \$10.5 million charge which represents certain non-operational costs relating to proxy contest matters and \$3.3 million of reversals of charges related to our Service Alignment Initiative.

(g) The three months ended December 31, 2017, include a \$22.9 million charge which represents certain non-operational costs relating to proxy contest matters and \$3.3 million of charges related to our Service Alignment Initiative.

(h) The three months ended March 31, 2018, include severance charges related to our Service Alignment Initiative of \$13.1 million, and other transformation initiatives of \$26.6 million which primarily consist of severance charges totaling \$22.6 million.

(i) The three months ended June 30, 2018, include \$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 \$7.4 million, and other transformation initiatives of \$20.8 million, which primarily consist of severance charges totaling \$19.3 million.

(j) The three months ended September 30, 2018, include \$14.0 million of a non-cash pension settlement charge, \$1.3 million of charges for special termination benefits, and \$9.3 million of expenses related to the continuing health coverage, as a result of VERP, and \$12.3 million related to other transformation initiatives partially offset by net reversals of charges related to Service Alignment Initiative of \$4.4 million.

(k) The three months ended December 31, 2018, include \$12.8 million of a non-cash pension settlement charge and special termination benefits, and \$12.1 million of expenses related to the continuing health coverage, as a result of VERP, and \$18.7 million related to other transformation initiatives partially offset by net reversals of charges and gain on sale of assets related to Service Alignment Initiative of \$6.4 million.

(l) The three months ended March 31, 2019, include \$7.8 million of a non-cash pension settlement charge and special termination benefits, and \$2.2 million of expenses related to the continuing health coverage, as a result of VERP, and \$20.5 million related to other transformation initiatives, partially offset by net reversals of charges related to Service Alignment Initiative of \$7.7 million.

Automatic Data Processing, Inc. and Subsidiaries
Client Funds Extended Investment Strategy
1Q FY19
(Unaudited)

	<u>1Q19</u>		<u>1Q18</u>		<u>Change</u>	
	\$	Yield/ Rate	\$	Yield/ Rate	\$	Yield/ Rate
Balances:						
Average Client Short Portfolio Balance	\$ 2.9 B	1.6%	\$ 3.4 B	0.9%	\$ (0.5) B	0.7%
Average Client Extended Portfolio Balance	9.7 B	2.0%	8.8 B	1.8%	0.9 B	0.2%
Average Client Long Portfolio Balance	9.6 B	2.5%	9.0 B	2.4%	0.6 B	0.1%
Average Client Funds Balance	<u>\$ 22.2 B</u>	<u>2.1%</u>	<u>\$ 21.2 B</u>	<u>1.9%</u>	<u>\$ 1.0 B</u>	<u>0.3%</u>
Average Corporate Extended Investment Balance	\$ 4.2 B	2.0%	\$ 4.3 B	1.8%	\$ (0.1) B	0.2%
Average Commercial Paper Borrowings	\$ 3.7 B	2.0%	\$ 3.8 B	1.2%	\$ (0.1) B	0.8%
Average Reverse Repurchase Borrowings	0.5 B	1.7%	0.5 B	1.1%	— B	0.7%
Average Short-term Borrowings	<u>\$ 4.2 B</u>	<u>1.9%</u>	<u>\$ 4.3 B</u>	<u>1.2%</u>	<u>\$ (0.1) B</u>	<u>0.8%</u>
Pretax P&L Impact:						
Interest on Funds Held for Clients – Client Short	\$ 11 M		\$ 7 M		\$ 3 M	
Interest on Funds Held for Clients – Client Extended	48 M		39 M		9 M	
Interest on Funds Held for Clients – Client Long	60 M		53 M		7 M	
Total Interest on Funds Held for Clients	<u>\$ 119 M</u>		<u>\$ 99 M</u>		<u>\$ 19 M</u>	
Corporate Extended Interest Income	\$ 21 M		\$ 20 M		\$ 1 M	
Corporate Interest Expense - Short-term	\$ (21) M		\$ (13) M		\$ (8) M	
Net Impact from Client Funds Strategy	\$ 119 M		\$ 106 M		\$ 13 M	

Note: Numbers may not foot due to rounding

Automatic Data Processing, Inc. and Subsidiaries
Client Funds Extended Investment Strategy
2Q FY19
(Unaudited)

	<u>2Q19</u>		<u>2Q18</u>		<u>Change</u>	
	\$	Yield/ Rate	\$	Yield/ Rate	\$	Yield/ Rate
Balances:						
Average Client Short Portfolio Balance	\$ 3.9 B	1.9%	\$ 3.8 B	1.0%	\$ 0.1 B	0.9%
Average Client Extended Portfolio Balance	10.0 B	2.0%	9.6 B	1.8%	0.4 B	0.2%
Average Client Long Portfolio Balance	9.6 B	2.5%	9.0 B	2.4%	0.6 B	0.2%
Average Client Funds Balance	<u>\$ 23.6 B</u>	<u>2.2%</u>	<u>\$ 22.5 B</u>	<u>1.9%</u>	<u>\$ 1.1 B</u>	<u>0.3%</u>
Average Corporate Extended Investment Balance	\$ 4.1 B	2.1%	\$ 4.0 B	1.8%	\$ 0.1 B	0.3%
Average Commercial Paper Borrowings	\$ 3.8 B	2.3%	\$ 3.5 B	1.2%	\$ 0.3 B	1.1%
Average Reverse Repurchase Borrowings	0.3 B	1.9%	0.5 B	1.2%	(0.2) B	0.7%
Average Short-term Borrowings	<u>\$ 4.1 B</u>	<u>2.2%</u>	<u>\$ 4.0 B</u>	<u>1.2%</u>	<u>\$ 0.1 B</u>	<u>1.0%</u>
Pretax P&L Impact:						
Interest on Funds Held for Clients – Client Short	\$ 18 M		\$ 9 M		\$ 9 M	
Interest on Funds Held for Clients – Client Extended	50 M		44 M		6 M	
Interest on Funds Held for Clients – Client Long	61 M		53 M		8 M	
Total Interest on Funds Held for Clients	<u>\$ 129 M</u>		<u>\$ 107 M</u>		<u>\$ 22 M</u>	
Corporate Extended Interest Income	\$ 22 M		\$ 18 M		\$ 3 M	
Corporate Interest Expense - Short-term	<u>\$ (24) M</u>		<u>\$ (12) M</u>		<u>(11) M</u>	
Net Impact from Client Funds Strategy	\$ 127 M		\$ 113 M		\$ 14 M	

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Automatic Data Processing, Inc. and Subsidiaries
Client Funds Extended Investment Strategy
3Q FY19
(Unaudited)

	<u>3Q19</u>		<u>3Q18</u>		<u>Change</u>	
	\$	Yield/ Rate	\$	Yield/ Rate	\$	Yield/ Rate
Balances:						
Average Client Short Portfolio Balance	\$ 7.4 B	2.1%	\$ 7.2 B	1.2%	\$ 0.2 B	0.9%
Average Client Extended Portfolio Balance	12.9 B	2.1%	12.5 B	1.9%	0.4 B	0.2%
Average Client Long Portfolio Balance	9.6 B	2.6%	9.1 B	2.4%	0.5 B	0.2%
Average Client Funds Balance	<u>\$ 30.0 B</u>	<u>2.2%</u>	<u>\$ 28.8 B</u>	<u>1.9%</u>	<u>\$ 1.2 B</u>	<u>0.4%</u>
Average Corporate Extended Investment Balance	\$ 1.2 B	2.2%	\$ 1.1 B	1.8%	\$ 0.1 B	0.3%
Average U.S. Commercial Paper Borrowings	\$ 1.1 B	2.4%	\$ 1.0 B	1.5%	\$ 0.1 B	1.0%
Average U.S./Canadian Reverse Repurchase Borrowings	0.1 B	1.8%	0.1 B	1.2%	— B	0.7%
Average Short-term Borrowings	<u>\$ 1.2 B</u>	<u>2.4%</u>	<u>\$ 1.1 B</u>	<u>1.5%</u>	<u>\$ 0.1 B</u>	<u>0.9%</u>
Pretax P&L Impact:						
Interest on Funds Held for Clients – Client Short	\$ 39 M		\$ 21 M		\$ 17 M	
Interest on Funds Held for Clients – Client Extended	67 M		59 M		8 M	
Interest on Funds Held for Clients – Client Long	62 M		54 M		8 M	
Total Interest on Funds Held for Clients	<u>\$ 167 M</u>		<u>\$ 135 M</u>		<u>\$ 33 M</u>	
Corporate Extended Interest Income	\$ 6 M		\$ 5 M		\$ 1 M	
Corporate Interest Expense - Short-term	<u>\$ (7) M</u>		<u>\$ (4) M</u>		<u>\$ (3) M</u>	
Net Impact from Client Funds Strategy	\$ 167 M		\$ 136 M		\$ 31 M	

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