2Q Fiscal 2018
ADP Earnings Call & Webcast

January 31, 2018

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CEO’s Perspective

- Solid second quarter revenue growth of 8% with adjusted diluted EPS growth of 14% in the quarter
- Positive contribution to EPS growth from corporate tax reform
- New Business Bookings growth of 6%
- Continued investments in innovation, service, and distribution
- Subsequent to quarter-end, announced acquisition of WorkMarket, a leading cloud-based freelance management solution provider

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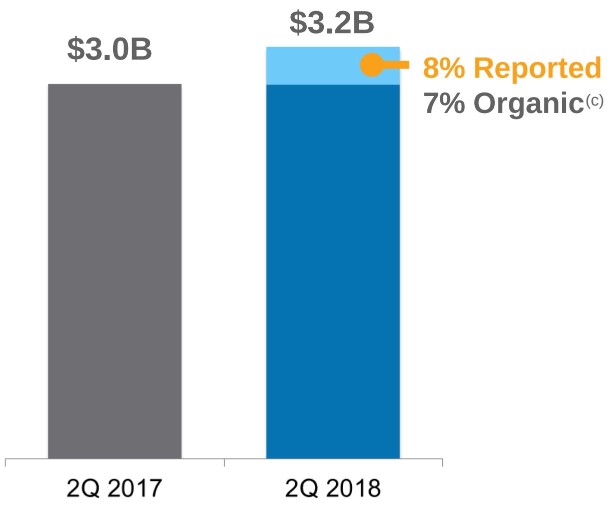
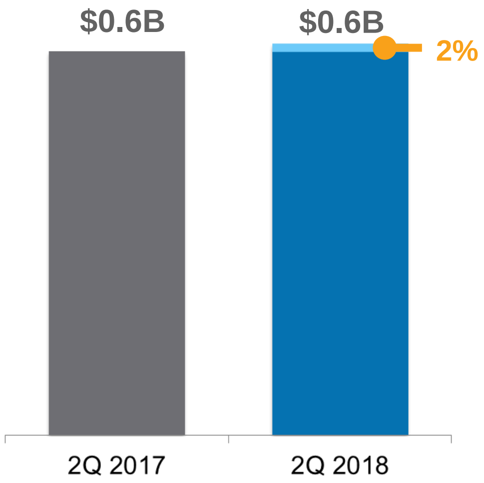
2Q Fiscal 2018 Financial Highlights

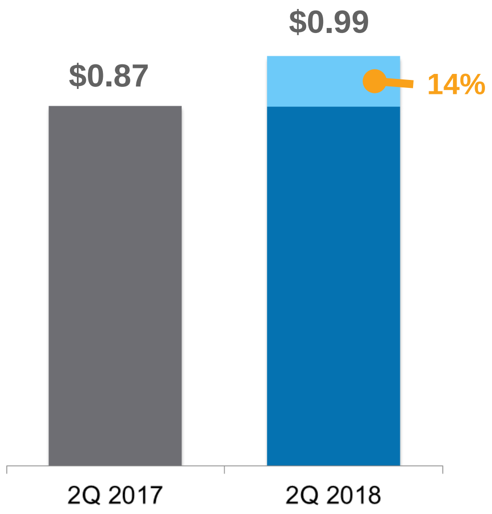
Total Revenues (unaudited)



Adjusted Earnings before Interest and Taxes (EBIT) (unaudited) [a] [b]



Adjusted Diluted EPS (unaudited) [a]



(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 pages 10-12 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" growth rates exclude foreign currency translation, the results of our fiscal 2017 and 2018 acquisitions until their one year anniversary and the results of the CHSA and COBRA businesses which were disposed of in fiscal 2017. See supplemental schedule to the earnings release for the reconciliation of organic growth rates to reported growth rates.

2Q Fiscal 2018 New Business Bookings and Segment Results

Worldwide New Business Bookings

- ↑ 6% compared with Q2 FY17 representing annualized recurring revenues anticipated from new orders

Employer Services

- Revenues ↑ 6% Reported
  ↑ 4% Organic [(a)]
- Client revenue retention
  ↓ 20 basis points
- U.S. pays per control ↑ 2.6%
- Average client funds balances ↑ 7%
- Margin ↓ 50 basis points

PEO Services

- Revenues ↑ 15%
- Average worksite employees paid
  ↑ 10% to 498,000
- Margin ↓ 30 basis points

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

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Fiscal 2018 Outlook

Revenues

↑ **7% - 8% Reported** (a)

- ES Revenue ↑ 4% - 5% (a)
- PEO Revenue ↑ 12% - 13%

Margin

Adjusted EBIT Margin (b)
↓ ~50 basis points

- ES Margin ↓ 75 - 50 basis points
- PEO Margin Flat to ↓ 25 basis points

Adjusted Diluted EPS (b)

↑ **12% - 13%**

Worldwide New Business Bookings

↑ 5% - 7% compared to $1.65 billion sold in fiscal 2017

U.S. Pays per Control

↑ ~2.5% compared to 2.4% increase in fiscal 2017

Adjusted Effective Tax Rate (b)

↓ 26.9% from 30.9% in fiscal 2017

(a) Revenue growth continues to include about a one percentage point impact from acquisitions and foreign currency.
(b) "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 pages 10-12 of this presentation.

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Appendix

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Client Funds Portfolio Extended Investment Strategy

- Average Client Funds Balances ↑ 4% to 5% from $23.0 billion in FY17 compared to the prior forecast of ↑ ~3%
- Yield on the Client Funds Portfolio ↑ ~20bps compared to 1.7% in FY17
- Client Funds Interest Revenue ↑ $55 to $65 million from $397 million in FY17 compared to the prior forecast of ↑ $45 to $55 million
- Impact from Extended Investment Strategy ↑ $45 to $55 million from $431 million in FY17 compared to the prior forecast of ↑ $35 to $45 million

	FY18 Forecast			
	Average Balance	Average Yield	Client Funds Interest	
Client Short	~$4.7B	~1.2%	~$55M	
Client Extended	~10.3B	1.8% – 1.9%	185 – 190M	
Client Long	~9.1B – 9.2B	~2.4%	215 – 220M	
Total Client Funds	**$24.1 - $24.2B**	**~1.9%**	**$455 - 465M**	(a)
Corporate Extended Interest Income	~3.2B	~1.8%	~60M	(b)
Borrowing Days Interest Expense	~3.2B	~1.3%	~(40)M	
FY18 Net Impact From Client Funds Extended Investment Strategy			**$475 - 485M**	

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.

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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 periods)
Adjusted EBIT	Net earnings	- Provision for income taxes - All other interest expense and income - Certain restructuring charges - Gains/losses on sales of businesses and assets - Non-operational costs related to proxy contest matters
Adjusted diluted earnings per share	Diluted earnings per share	EPS impacts of: - Certain restructuring charges - Gains/losses on sales of businesses and assets - Non-operational costs related to proxy contest matters - Tax Cuts and Jobs Act
Adjusted effective tax rate	Effective tax rate	Tax impacts of: - Gains/losses on sales of businesses and assets - Certain restructuring charges - Non-operational costs related to proxy contest matters - Tax Cuts and Jobs Act
Constant dollar 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 revenue growth	Revenues	-Impact of acquisitions -Impact of dispositions -Impact of foreign currency translation
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, 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 U.S. GAAP measures, and they may not be comparable to similarly titled measures at other companies.

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GAAP Reconciliations

($ in millions, except per share data)

	2Q FY18	2Q FY17	% Change As Reported	% Change Constant Dollar
Net earnings	$467.5	$510.9	(8%)	(9%)
Provision for income taxes	98.2	275.3		
All other interest expense [a]	15.0	14.9		
All other interest income [a]	(4.4)	(4.4)		
Gain on sale of business	-	(205.4)		
Service Alignment Initiative [b]	3.3	1.2		
Proxy contest matters [c]	22.9	-		
Adjusted EBIT	$602.5	$592.5	2%	1%
Adjusted EBIT Margin	*18.6%*	*19.8%*		
Diluted EPS	$1.05	$1.13	(7%)	(7%)
Gain on sale of business	-	(0.27)		
Proxy contest matters [c]	0.04	-		
Tax Cuts and Jobs Act [d]	(0.10)	-		
Adjusted diluted EPS	$0.99	$0.87	14%	13%

(a) We continue 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. These 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) The majority of charges relating to our Service Alignment Initiative represent severance charges. Severance charges have been taken in the past and not included as an adjustment to get to adjusted results. Unlike severance charges in prior periods, these specific charges relate to our broad-based, company-wide Service Alignment 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 the application of the newly enacted rates to our U.S. deferred tax balances partially offset by the one-time transition tax and the recording of a valuation allowance against our foreign tax credits which may not be realized.

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Fiscal 2018 Outlook - GAAP Reconciliations

($ in millions)	Twelve Months Ended June 30, 2017		Fiscal 2018 Forecast
Earnings before income taxes / margin (GAAP)	$2,531.1	20.4%	~(200)bps
All other interest expense [(a)]	59.3	+50bps	-
All other interest income [(a)]	(22.4)	(20)bps	-
Gain on sale of business – 2Q F17 [(b)]	(205.4)	(170)bps	+170bps
Workforce Optimization Effort – 4Q F17 [(c)]	(5.0)	(5)bps	+5bps
Service Alignment Initiative – F17 [(d)]	90.0	75bps	(75)bps
Service Alignment Initiative – F18 [(e)]	-	-	+20bps
Proxy contest matters – F18 [(f)]	-	-	+25bps
Adjusted EBIT margin (Non-GAAP)	**$2,447.6**	**19.8%**	**~(50)bps**
Effective tax rate (GAAP)		31.5%	24.9%
Gain on sale of business – 2Q F17 [(b)]		(0.9%)	-
Workforce Optimization Effort – 4Q F17 [(c)]		(0.0%)	-
Service Alignment Initiative – F17 [(d)]		+0.4%	-
Service Alignment Initiative – F18 [(e)]		-	+0.0%
Proxy contest matters – F18 [(f)]		-	+0.1%
Tax Cuts and Jobs Act – F18 [(g)]		-	+1.9%
Adjusted effective tax rate (Non-GAAP)		**30.9%**	**26.9%**

(a) No material impact is expected from change in all other interest expense or income in fiscal 2018.
(b) Second quarter fiscal 2017 impact from gain on the sale of CHSA and COBRA businesses.
(c) Fourth quarter fiscal 2017 impact of the Workforce Optimization Effort adjustment is a reversal of the fiscal 2016 estimate and is not expected to recur in fiscal 2018. The majority of charges related to our Workforce Optimization Effort represent severance charges. Severance charges have been taken in the past and not included as an adjustment to get to adjusted results. Unlike severance charges in prior periods, these specific charges related to our broad-based, company-wide Workforce Optimization Effort.
(d) Impact of Fiscal 2017 charges in connection with the Service Alignment Initiative.
(e) Expected impact of Fiscal 2018 charges in connection with Service Alignment Initiative.
(f) Expected impact of Fiscal 2018 charges in connection with proxy contest matters.
(g) Expected impact of Fiscal 2018 one-time benefit from the enactment of the Tax Cuts and Jobs Act.

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Fiscal 2018 Outlook - GAAP Reconciliations

	Twelve Months Ended June 30, 2017		Fiscal 2018 Forecast
Diluted EPS (GAAP)	$3.85	18%	8% - 9%
Gain on sale of business – 2Q F17 [a]	(0.27)	(7%)	~ +7%
Workforce Optimization Effort – 4Q F17 [b]	(0.01)	(0%)	~ +0%
Service Alignment Initiative – F17 [c]	0.12	+3%	~ (3%)
Service Alignment Initiative – F18 [d]	-	-	~ +1%
Proxy contest matters – F18 [e]	-	-	~ +1%
Tax Cuts and Jobs Act – F18 [f]	-	-	~ (3%)
Adjusted diluted EPS (Non-GAAP)	**$3.70**	**13%**	**12% - 13%**

(a) Second quarter fiscal 2017 impact from gain on the sale of CHSA and COBRA businesses.
(b) Fourth quarter fiscal 2017 impact of the Workforce Optimization Effort adjustment is a reversal of the fiscal 2016 estimate and is not expected to recur in fiscal 2018. The majority of charges related to our Workforce Optimization Effort represent severance charges. Severance charges have been taken in the past and not included as an adjustment to get to adjusted results. Unlike severance charges in prior periods, these specific charges related to our broad-based, company-wide Workforce Optimization Effort.
(c) Impact of Fiscal 2017 charges in connection with the Service Alignment Initiative.
(d) Expected impact of Fiscal 2018 charges in connection with Service Alignment Initiative.
(e) Expected impact of Fiscal 2018 charges in connection with proxy contest matters.
(f) Expected impact of Fiscal 2018 one-time benefit from the enactment of the Tax Cuts and Jobs Act.

ADP Fiscal 2018 Guidance History

	1/31/18 Forecast [a]	11/2/17 Forecast [b]	7/27/17 Forecast [c]
Total ADP			
Revenues	↑ 7% - 8% Reported	↑ 6% - 8% Reported	↑ 5% - 6% Reported
Adj. EBIT Margin [d]	↓ ~ 50 bps	↓ 50 - 25 bps	↓ 50 - 25 bps
Adj. Effective Tax Rate [d]	↓ Decline to 26.9%	↑ Increase to 31.7%	↑ Increase to 33.0%
Adj. Diluted EPS [d]	↑ 12% - 13%	↑ 5% - 7%	↑ 2% - 4%
Employer Services (ES)			
Revenues	↑ 4% - 5%	↑ 4% - 5%	↑ 2% - 3%
Margin	↓ 75 - 50 bps	↓ 75 - 50 bps	↓ 75 - 50 bps
Pays per Control	↑ ~2.5%	↑ ~2.5%	↑ ~2.5%
PEO Services			
Revenues	↑ 12% - 13%	↑ 11% - 13%	↑ 11% - 13%
Margin	Flat - ↓ 25 bps	↑ 25 - 50 bps	↑ 25 - 50 bps
Worldwide New Business Bookings	↑ 5% - 7%	↑ 5% - 7%	↑ 5% - 7%

(a) Forecast contemplated the impact of prior fiscal year dispositions and anticipated impacts of current year acquisition of Global Cash Card and WorkMarket and foreign currency in revenue and operating results.
(b) Forecast contemplated the impact of prior fiscal year dispositions and anticipated impacts of current year acquisition of Global Cash Card and foreign currency in revenue and operating results.
(c) Forecast contemplates the impact of prior fiscal year dispositions and anticipated impacts of current year acquisitions and foreign currency in revenue and operating results.
(d) "Adjusted" results exclude the gain on the sale of CHSA and COBRA businesses in fiscal 2017, charges related to Service Alignment Initiative during fiscal 2017 and fiscal 2018, reversals related to the Workforce Optimization Effort in fiscal 2017, charges related to proxy contest matters in fiscal 2018, and benefits in fiscal 2018 from the Tax Cuts and Jobs Act. See page 10-12 for reconciliation of non-GAAP financial measures to their comparable GAAP measures.

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