

**2018 letter**

**to shareholders**



A more human resource.®

# A Letter from John P. Jones, our Non-Executive Chairman

## Dear Fellow Stockholder:

Your Board of Directors firmly believes in the success of our strategy to create sustainable long-term value for you. In fiscal year 2018, we had the opportunity to engage more broadly with many of you on our strategic vision for the future of ADP and on the values of good governance. We listened, took action, and appreciate the time you afforded us.

## Corporate Governance

We firmly believe in the merits of strong corporate governance practices that foster independent leadership in our Boardroom. As part of these practices, your Board regularly engages in a thoughtful review of its composition to ensure alignment with the Company's evolving corporate strategy. The world of work is changing at an increasingly rapid pace, and we continue to be focused on the key shifting dynamics within the Human Capital Management (HCM) industry and across a variety of dimensions. To that end, your Board believes that in order to maintain ADP's HCM industry leadership, it is important to thoughtfully refresh the Board's perspectives and diversity of experiences.

We believe in a balanced approach to director tenure that allows the Board to benefit from a mix of newer directors who bring fresh perspectives with seasoned directors who provide continuity and a deep understanding of our complex business. We regularly review our Board succession plans with this balance of tenure and experience in mind, and we were pleased to recently add two new directors, Tom Lynch and Scott Powers, consistent with these objectives. Furthermore, we recently announced that we have appointed Sandra Wijnberg and Mike Gregoire as chairs of our Audit and Nominating/Corporate Governance Committees, respectively, to take effect on November 6. As of our 2018 Annual Meeting of Stockholders, our average independent director tenure will be 6.5 years compared to the S&P 500 average director tenure for 2017 of 8.2 years (Spencer Stuart Index) and we are proud that 6 of our 11 independent directors have joined our Board since 2014. In addition, we adopted a more stringent director overboarding policy this year to limit board service on other public company boards, and also adopted shareholder-friendly amendments to the ADP equity plan.

As of our 2018  
Annual Meeting of  
Stockholders

**6.5 years**  
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independent  
director tenure

**6 of our 11**  
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directors have  
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since **2014**

## Shareholder Engagement

We strongly believe in maintaining an open dialogue with investors through a shareholder engagement program that fosters regular direct interaction with our shareholders. Your Board and management firmly believe that broad-based shareholder engagement is vital to the Company's continued success. This is why, starting in 2016, we expanded our investor engagement program, and the Company's management team has continued in fiscal year 2018 to build upon this initiative in an effort to seek shareholder feedback on ADP's strategy and corporate governance practices. Over the course of the past year, we discussed our strategy, corporate governance and executive compensation programs with shareholders representing more than 40% of our shares outstanding, compared to fiscal year 2017, when we met with shareholders representing about 20% of shares outstanding. Our directors, including myself, participated in this engagement, and will continue to engage with our shareholders as we enter into fiscal year 2019.

We are very pleased to share with you that earlier this year, as part of our continuing effort to be responsive to shareholder feedback, we released our first ever Corporate Social Responsibility report. At our June 2018 Investor Day, we outlined various enhancements to our best-in-class financial disclosures in response to helpful feedback we had received from you earlier in fiscal year 2018. Your Board's ability to remain focused on the oversight and protection of shareholder interests is reinforced by the value your Board places on receiving and incorporating your input.

## ADP's Strategy

Your Board and management are focused on positioning ADP for sustainable long-term value creation. At our June 2018 Investor Day, management outlined our plans for how we intend to accelerate our momentum through ongoing transformation initiatives and by leveraging our "All in on HCM" strategy – including our investments into Next Gen technology – to continue to win in a dynamic and competitive HCM market. Our strategy remains centered on further enhancing ADP's HCM industry leadership with unparalleled global compliance expertise that offers solutions for companies of all sizes through a technology ecosystem that works seamlessly across the HCM spectrum to meet client needs on their terms – from software-only solutions to fully-outsourced human resources management. With its refreshed mix of skills, experience, diversity of thought and leadership, your Board of Directors will continue to oversee the Company as it evolves, and update shareholders as management executes on its strategy.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Jones", with a stylized flourish extending to the right.

**John P. Jones**

*Non-Executive Chairman of the Board of Directors*

# Letter from Carlos Rodriguez, our President & CEO

The world of work is changing, and with these changes come significant market opportunities for ADP. In fiscal year 2018 we continued our strong performance, driven by the solid execution of our HCM strategy, all while accelerating our pace of change. With this progress in mind, we have been and remain focused on balancing our growth objectives with our transformation efforts, while building on our market-leading positions.

Continue to transform our Company and deliver best-in-class innovative solutions to the more than **40 million workers** at the more than **740,000 clients** we serve.

Earlier this year, we held an Investor Day during which we outlined details of our ambitious, multi-year plan to continue to transform our Company and deliver best-in-class innovative solutions to the more than 40 million workers at the more than 740,000 clients we serve.

Through our innovation and transformation initiatives, ADP continues to be well positioned to further leverage the success and momentum that we have created to capture growing opportunities. Our “All in on HCM” strategy is the key to winning in this dynamic HCM market.

## A Changing World of Work

As we progress on our transformation journey, we remain focused on addressing the world of work as it continues to become increasingly more globalized and more complex. The emergence of the gig economy has seen organizations adopt agile workforce management practices with the deployment of dynamic cross-functional teams. As one example, we are seeing our clients’ workers demanding a more tailored and real-time compensation model. Along with these evolving trends, we continue to see companies looking to stay ahead of the curve as they demand solutions and insights that will enable them to attract, motivate, and retain talent.

Our organic investments into our Next Gen solutions, ADP Marketplace, and ADP DataCloud have been focused on addressing these evolving HCM needs. Our focus on innovation is translating these investments into solutions that are aligned with how work gets done – and into a new era of personalization with an on-demand workforce and related pay practices – all with the objective of enabling higher quality data with meaningful insights that help inform our clients and empower them to tap into innovation anywhere within the ADP HCM ecosystem.

We have also been supplementing these organic investments with acquisitions of companies such as WorkMarket, Global Cash Card, and Celergo. WorkMarket positions us as the only HCM provider with the capability for managing an end-to-end workforce for both traditional workers to freelancers, and our Next Gen solutions are uniquely built for this new world of agile organizations that seek capabilities such as full payroll calculations in real time at the individual worker level. Our acquisition of Global Cash Card provides a differentiated platform that better serves workers’ financial needs between pay cycles through the Wisely with ADP app. And, our recent acquisition of Celergo strengthens our leadership position within the global market for payroll management services.

## Momentum Through Transformation

As we drive innovation in our solutions to address changing market needs, we have also continued to execute against our transformation initiatives. We were pleased this year to complete our multi-year mid-market client migration effort while making solid progress on our Service Alignment Initiative and onboarding almost 3,000 associates in our newest strategic service locations. This year we also launched a voluntary early retirement program for 3,500 eligible associates and we saw significant interest with over 60% of the eligible population electing to participate.

We have supplemented these efforts with a number of other transformation initiatives that are enabled through our recently created Transformation Office. I am proud of the progress that our associates have been making in delivering on these initiatives, and I look forward to their future benefits for our clients, our associates, and for ADP.

## Delivering on our Commitments

We believe in long-term shareholder value creation by balancing top line revenue growth with strong EPS growth. Our robust financial performance in fiscal year 2018 helped us deliver against our topquartile S&P 500 Total Shareholder Return (TSR) target while reinforcing our commitment to our long-term strategic objectives.

In addition to our strong financial results, we continued to see positive progress with our key performance indicators with worldwide new business bookings growth of 8% to \$1.8 billion, a new record; and our investments into product and service helped contribute to improvements in our client satisfaction scores while growing our ES revenue retention by 50 basis points to 90.4%, all while we increased our total client count by 7%.

We value the continued oversight and engagement with our Board of Directors together with their support for our strategy and our shared commitment to shareholder-friendly actions. Our strong business model enables us to return significant value to shareholders; in fiscal year 2018 we returned approximately \$2.1 billion in cash to shareholders through share repurchases and dividends. In fact, this year further solidified our position as a “dividend aristocrat” and marked the 43rd consecutive year that ADP has increased the annual dividend per share paid to our shareholders.

We are pleased to invite you to the 2018 Annual Meeting of Stockholders of Automatic Data Processing, Inc. taking place on November 6, 2018 at the Company's headquarters located at One ADP Boulevard, Roseland, New Jersey. A notice of the meeting and proxy statement containing information related to the agenda were also distributed with this letter.

Thank you for your investment and continued interest in ADP.

Sincerely,



**Carlos Rodriguez**

*President & Chief Executive Officer, ADP*

## FORWARD-LOOKING STATEMENTS

These letters 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,” 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.

