

Letter to  
Shareholders  
2014



HR. Payroll. Benefits.



CARLOS RODRIGUEZ  
*President and Chief Executive Officer*

## DEAR ADP SHAREHOLDER,

We believe people are the lifeblood of any business. We believe effective management of this valuable asset is essential for unlocking an organization's growth potential. And we believe world-class technology and services that deliver an outstanding client and employee experience can help organizations build a better workforce. This is the heart of our Human Capital Management (HCM) strategy, which we advanced significantly during fiscal year 2014.

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### EVIDENCE OF OUR PROGRESS CAN BE FOUND IN ALL CORNERS OF OUR BUSINESS:

- We announced plans to spin off our Dealer Services business into an independent public company called CDK Global, which will give both ADP and the new company the freedom to focus completely on meeting client needs.
- We continued to launch new and innovative solutions drawing on our deep expertise to help clients navigate some of their most challenging issues, such as tax and healthcare compliance.
- We've moved aggressively to migrate our clients to our newer Software-as-a-Service (SaaS or cloud) platforms, which are more robust and scalable solutions for clients. We now have more than 430,000 clients in the cloud, representing a little over two-thirds of our total client base.
- And we've invested in future innovation by opening a second Innovation Lab, this time in New York City, where we are developing new technologies to enhance the client and user experience.

**I could not be more proud of the over 60,000 dedicated ADP associates who made all this happen during fiscal 2014.**

### WINNING IN THE HCM MARKET

The attractiveness of the HCM market has become clearer as multiple new entrants have gained funding in private and public markets. Others are seeing what we have known for years: There is big opportunity for comprehensive, integrated technology and services that help businesses optimize their most important investment – their investment in people.

Leading in HCM requires that we stay on top of a fast-changing regulatory environment, understand the changing dynamics of today's workforce, and deliver innovative solutions. In fiscal 2014, our strengths in these areas helped us achieve total revenue growth of 8 percent over fiscal 2013 and a record revenue retention level of over 91 percent.

To separate ADP from our competition, fuel our growth, and continue to reward our shareholders, we will continue to innovate, migrate clients to newer technology platforms, expand our global presence, and grow our client base. Here are a few highlights of our progress in these four areas:

- Our year of strong innovation addressed integration and mobile technologies, with new features, increased functionality, and improved ease of use. For instance, our new tablet application allows business executives, managers and employees to access their HCM information anytime and anywhere, enabling greater oversight of HCM data and tasks outside of the office. In all, we more than doubled our number of mobile users in fiscal 2014, to 2.5 million.

- As more businesses go global, our growth requires expansion beyond the U.S. We now offer solutions in 100 countries, which we estimate are home to 99 percent of multinational businesses' employee populations. To support our clients, we have 25,000 service associates around the world, speaking more than 30 languages.
- We enjoyed solid client number growth in fiscal 2014: worldwide new business bookings growth in Employer Services and Professional Employer Organization (PEO) combined were 7 percent for the year, representing over \$1.4 billion in new annualized recurring revenues.

## CAPITAL STRUCTURE AND SHAREHOLDER DISTRIBUTIONS

ADP's financial strength continues to be a market differentiator. With the announcement of our intent to spin off our Dealer Services business, ADP's credit ratings were updated to an exceptionally strong AA credit rating with stable outlooks by both Moody's and Standard & Poor's. We anticipated this change as part of our decision to spin off the Dealer Services business, and our ratings are still the best in our industry. The changed ratings have not had any direct financial impact on our business, nor have they changed our disciplined approach to how we move more than \$1 trillion in client funds each year.

We remain committed to shareholder-friendly actions, including returning excess cash to shareholders. In addition to ongoing investments in our core business, our priorities for the use of cash remain tuck-in acquisitions that complement our existing solution set or expand our geographic footprint, followed by dividends and share repurchases.

In fiscal 2014, we increased our cash dividend by 10 percent, the 39th consecutive year of dividend increases. During the year, ADP paid cash dividends of more than \$880 million and repurchased 9 million shares for approximately \$667 million.

The return of excess cash through dividends and, when market conditions are favorable, share buybacks, are important elements of our objective of driving strong Total Shareholder Return (TSR). These actions, combined with our revenue growth and margin improvement, are the fundamental elements to our goal of driving TSR in the top quartile of publicly traded U.S. companies over the long term.

## OUR VISION: GLOBAL HUMAN CAPITAL MANAGEMENT LEADER

This year, ADP celebrates our 65th anniversary. Our success has been based on a history of stellar client service, our visionary leadership in technology, and insights that help our clients with regulatory compliance and other business challenges.

We will build on these accomplishments by maintaining our commitment to client success and our focus on being the leading global provider of HCM solutions.

We expect the HCM market to continue to grow in the mid-single digits, and believe we are making the right investments in order to meet our clients' expectations and win in the dynamic HCM marketplace.

The future of Human Capital Management will be defined partly by our clients, and partly by ADP. We will respond to their needs – as we always have – but also help them look around corners to address future and emerging needs. It is a future of unprecedented ease-of-use and new capabilities that help clients build a better workforce and make better business decisions.

As we build this future, we look forward to increasing shareholder value, and we appreciate your investment in our efforts.



CARLOS RODRIGUEZ  
*President and Chief Executive Officer*

*September 25, 2014*

## **FORWARD-LOOKING STATEMENTS**

This letter 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” and other words of similar meaning, are forward-looking statements. These statements are based on management’s expectations and assumptions 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 include: ADP’s success in obtaining, retaining and selling additional services to clients; the pricing of products and services; changes in laws regulating payroll taxes, professional employer organizations and employee benefits; overall market and economic conditions, including interest rate and foreign currency trends; competitive conditions; auto sales and related industry changes; employment and wage levels; changes in technology; availability of skilled technical associates; and the impact of new acquisitions and divestitures. In addition, the proposed spin-off of the Dealer Services business is subject to inherent risks and uncertainties, including: risks that the spin-off will not be consummated; increased demands on our management team to accomplish the spin-off, significant transaction costs and risks from changes in results of operations of our reportable segments. ADP disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. These risks and uncertainties, along with the risk factors discussed under “Item 1.A.—Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2014, should be considered in evaluating any forward-looking statements contained herein.



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