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PRESENTATION

Operator

Good morning. My name is Christie, and I'll be your conference operator. At this time, I would like to welcome everyone to ADP's First Quarter Fiscal 2019 Earnings Call. I would like to inform you that this conference is being recorded (Operator Instructions).

I will now turn the conference over to Mr. Christian Greyenbuhl, Vice President, Investor Relations. Please go ahead.

Christian Greyenbuhl *Automatic Data Processing, Inc. - VP of IR*

Thank you, Christie, and good morning, everyone, and thank you for joining ADP's First Quarter Fiscal 2019 Earnings Call and Webcast. With me today are Carlos Rodriguez, our President and Chief Executive Officer; and Jan Siegmund, our Chief Financial Officer. Earlier this morning, we released our results for the first quarter of fiscal 2019. These materials are available on the SEC's website and our Investor Relations website at investors.adp.com, where you will also find the quarterly investor presentation that accompanies today's call, as well as our quarterly history of revenue in pretax earnings by reportable segment.

During our call today, we will reference non-GAAP financial measures, which we believe to be useful to investors and that exclude the impact of certain items in the first quarter and full year fiscal 2019 as well as the first quarter and full year of fiscal 2018. A description of these items and a reconciliation of these non-GAAP measures can be found in our earnings release. Today's call will also contain forward-looking statements that refer to future events and as such, involve some risk. We encourage you to review our filings with the SEC for additional information on factors that could cause actual results to differ materially from our current expectations.

Finally, I would like to remind you that last quarter, we outlined various changes to our disclosures and reporting, which are now fully implemented. As a result of some of these changes, we noted the desire for supplemental information regarding our new PEO disclosures and guidance. Accordingly, we have provided you with additional slides in our accompanying investor presentation, which we believe will help enhance the understanding of these new disclosures. As always, please do not hesitate to reach out should you have any questions.

And with that, I will now turn the call over to Carlos.

Carlos A. Rodriguez *Automatic Data Processing, Inc. - CEO, President & Director*

Thank you, Christian, and good morning, everyone. This morning, we reported our first quarter fiscal 2019 results with revenue of \$3.3 billion, up 8% reported and 7% organic constant currency. We are pleased with this revenue growth, which was above our expectations and which was aided in part by the better-than-expected performance of our PEO segment and continued strength in our Employer Services downmarket offerings. Our adjusted diluted earnings per share grew 28% to \$1.20 per share. And in addition to strong revenue and margin performance, benefited from fewer shares outstanding as well as a lower effective tax rate. We also saw a positive momentum in our Employer Services new business bookings, which grew 8% in the first quarter, slightly ahead of our expectations. In



addition, while we no longer report consolidated bookings, we were especially pleased that the renewed momentum in our PEO from last quarter has continued into the first quarter of fiscal 2019 with strong double-digit bookings growth. In both Employer Services and the PEO, we once again saw improvements in our overall client satisfaction scores, and we also continue to expect a 25 to 50 basis point improvement in ES revenue retention for fiscal 2019. Overall, we are pleased with our start to the fiscal year, which supports our confidence in our long-term strategy and our efforts to accelerate our pace of change with care.

At our June Investor Day, we had the opportunity to discuss with you our efforts around innovation, and we were excited to continue those discussions in September when we attended HR Tech in Las Vegas, and the following week at our Annual Industry Analyst Day at our Chelsea Innovation Lab. At each of these events, we discussed our transformation from a service company supported by technology to a technology company that offers great service, one with a proven ability to anticipate the changing demands of employers from small businesses to global enterprises. Our transformation is taking place in the midst of a rapidly evolving landscape. Quite literally, the evolution of work is redefining how work gets done. We believe in our innovation journey and in the opportunities that represents for our clients and our stakeholders. At ADP, we embrace this kind of change, and we are excited about what it means for our business and our growth.

Change has always served as a driving force behind our innovative spirit, and we were thrilled to take home this year's HR Tech Awesome New Tech award for Wisely by ADP, our unique way to help workers manage their financial wellness needs. This is ADP's fourth consecutive year winning this category, an unparalleled accomplishment among HCM companies. Each year that we have earned this award, we find ourselves in the company of impressive tech startups, underscoring that while we are big, we are also innovative and nimble.

At our industry Analyst Day, we hosted more than 20 HCM industry analysts and similar to what we share with many of you at our Investor Day, we discussed with them our next-gen HCM solutions. We were pleased with the reception that we received as we firmly believe that our solutions are uniquely built to address the key challenges and needs of an increasingly complex and rapidly changing world of work. In fact, one well-respected analyst summarized this point after the event when he described our new platforms as the disruption that could change the entire HCM market. We are excited to have several clients live on our new platforms, and we continue to make good progress on our targets and our development efforts.

As the traditional model of work continues to evolve, it is being augmented by a new pay-on-demand model, which is beginning to replace traditional weekly and biweekly payrolls. With this evolution in mind, we are excited about our development efforts to build and scale our new payroll and tax engines, which are designed to provide full payroll calculations in real-time at the individual worker level. Taking this a step further with Wisely by ADP, employers of any size and industry can, today, have access to tools to better engage their work force by providing attractive services, such as instant pay, access to a digital wallet and other financial management and wellness features.

In addition to leading with great technology, we are leveraging our unmatched data set to empower our clients, HR practitioners and business leaders with actionable insights. ADP pays 1 in 6 U.S. employees and this scale drives unmatched depth to the insights we can offer through our data cloud and benchmarking solutions. One such solution, which is already integrated into the ADP Mobile Solutions app is our Executive and Manager Insights tool, which leverages machine learning to continually sift through wage, time, location, industry and many other types of data to uncover insights that HR leaders can use to make better, faster and smarter decisions.

During the quarter, we also completed our acquisition of Celergo, a provider of multicountry payroll management services. The acquisition further solidifies our global HCM leadership position and enhances our ability to deliver multicountry payroll solutions with a strong platform and new capabilities, including cross-currency and ex-pat payment services. In addition to these new offerings, Celergo also extends our footprint to over 140 countries and brings with it a talented team with significant experience in multicountry payroll, which remains a key area of opportunity for ADP. We're incredibly excited about the potential of Celergo and other recent investments and acquisitions, including Global Cash Card and WorkMarket, which collectively expand our ability to address a changing workforce that is increasingly global, freelance and in demand of flexible payment solutions.

Now I'd like to touch on some of the key initiatives coming out of our transformation office, which has been helping to formalize structure



and create the accountability needed to achieve our financial objectives. While our transformation continues to progress at a healthy pace, we are being careful to balance speed with care, underscoring our focus on the long term and our commitment not to compromise quality for short-term gains. Maintaining the highest standards for our clients, associates and shareholders is our utmost priority, and we are pleased with our ability to execute on our transformation objectives while also driving improvements in client satisfaction, productivity and the associate experience.

Our voluntary early retirement program is progressing as planned. We remain focused on managing this initiative in an orderly and timely manner. Additionally, through our Service Alignment Initiative, we continue to reduce our footprint in subscale locations, and at our new strategic service locations, we are seeing greater efficiency and collaboration, which is helping to enhance the level of service we provide our clients.

Before I turn the call over to Jan, I'd like to highlight that we were recently named 2018 Working Mother 100 Best Company. As a leader in the HR community, this is an especially great honor, and I'm thrilled to see ADP receive the credit for creating an inclusive and diverse workplace where everyone can bring their best self to work each day. I'm proud to lead a company that values the contribution of every individual and has a proven track record for attracting and retaining top talent. This allows us to remain competitive in a dynamic HCM market and has a profound impact on our continued growth and success.

And with that, I'll turn the call over to Jan for his commentary on our first quarter results and fiscal 2019 outlook.

Jan Siegmund Automatic Data Processing, Inc. - Corporate VP & CFO

Thank you, Carlos, and good morning, everyone. Our consolidated revenue this quarter was \$3.3 billion, up 8% reported and 7% organic constant currency, both above expectations. On a reported basis, earnings before income taxes increased 14% while our adjusted earnings before interest and taxes, or adjusted EBIT, increased 18%. Adjusted EBIT margin was slightly above our expectation and was up about 180 basis points compared to last year's fiscal quarter despite about 50 basis points of pressure from acquisitions and a \$12 million charge related to the write-off of certain internally developed software costs following our acquisition of Celergo. Overall, our margin performance continues to benefit from improvements in our IT infrastructure spend, the lapping of dual operating costs related to our Service Alignment Initiative and the successful execution of our broader transformation initiatives, including our voluntary early retirement program. We were also particularly pleased with our international businesses with the results of our automation efforts continue to generate positive momentum. Clearly, our efforts to reduce our costs while also improving our service are beginning to pay off. And we are pleased with the progress that we are making.

Our adjusted effective tax rate was positively impacted by unplanned stock compensation tax benefits, which drove approximately 330 basis points of benefit for the quarter or \$0.05 on our adjusted diluted earnings per share. Adjusted diluted earnings per share grew 28% to \$1.20. And in addition from benefiting from our margin performance and a lower effective tax rate, was also aided by fewer shares outstanding compared with a year ago. As you can tell from these overall results, we are off to a good start this year, and we're progressing well as we execute on our strategic plans that we outlined at our June Investor Day.

Now let me take you through our segment results. For Employer Services, revenues grew 7% for the quarter, 6% organic constant currency, both ahead of our expectations. Interest from client funds grew 19% and benefited from a 30 basis points improvement in the average yield earned on our client fund investments and growth in average client fund balances of about 5% compared to a year ago. This growth and balances was driven by a combination of client growth, wage inflation and growth in our pays per control, offset by pressure from the corporate tax reform and lower state unemployment insurance collections. Our same-store pays per control metric in the U.S. grew 2.4% for the quarter.

Our international solutions continued to perform well, supported by the continued strong double-digit growth of our multinational offerings. Investing in our global solutions and leveraging our global presence to service our clients wherever they do business, remains a key strategic pillar for us. And we were especially pleased this quarter to be able to complete our recent strategic acquisition of Celergo to further complement our offerings in this space.

Moving on to Employer Services margin, we saw an increase of about 260 basis points in the quarter, which included approximately 90



basis points of pressure from the impact of acquisitions. As you will recall, our voluntary early retirement program is being managed over the course of multiple phases throughout this fiscal year. As we progress against our backfill targets for the year, this quarter, we saw benefits from early exits, which we do not anticipate to carry forward into the remainder of the fiscal year as we accelerate our targeted backfill hiring plans.

PEO revenues grew 10% for the quarter with average worksite employees growing 9% to 528,000. Following a difficult fiscal year 2018 in the 50 employee and above market, we were pleased to see signs of a continued recovery in our PEO new business bookings this quarter and also some early signs of improvement in our client retention. While we are pleased with this performance, it's also important to remember that we are nearing the calendar end when clients in our industries are more likely to reevaluate their provider.

The PEO segments margins increased 110 basis points for the quarter and benefited from operating leverage and selling efficiencies, partially offset by the impact from changes in our estimated losses related to ADP Indemnity.

Now onto our fiscal year 2019 outlook. This quarter, I would like to start first by talking about the segment outlook before we move on to our consolidated outlook. As a reminder, as of last quarter, we're providing incremental guidance for our segment revenue in particular. We believe you will find this helpful, and we encourage you to leverage this and the long-term revenue model that we shared at our Investor Day. With that said, let's discuss our outlook. While our first quarter Employer Services revenue growth was ahead of our expectations, we now anticipate incremental pressure from FX as the year progresses. We also want to remind you that we are lapping our acquisition of Global Cash Card in the second quarter, and as such, we continue to expect 4% to 6% revenue growth for the ES segment. We still anticipate growth of 2.5% in our pays per control metric. There's no change in our forecasted growth of ES new business bookings of 6% to 8%, and we continue to anticipate a more difficult grow-over in the fourth quarter of fiscal year 2019. As Carlos mentioned, we also continue to anticipate an increase in ES retention of 25 to 50 basis points for fiscal year 2019.

Finally, while our ES margins were stronger than expected this quarter, we continue to anticipate a ramp up in resources as we execute in our backfill hiring plans related to our voluntary early retirement program. As such, we do not anticipate as strong a margin expansion in the latter half of the fiscal year [2019] (corrected by company after the call) as we saw in the first quarter. And therefore, we continue to anticipate full year margin expansion of about 150 to 175 basis points, inclusive of 50 basis points of acquisition drag.

With that said, let's now touch on the PEO. We now expect 8% to 9% PEO revenue growth in fiscal year 2019, driven by 8% to 9% growth in average worksite employees as compared to our prior forecast of increase of 7% to 9% for revenue and 7% to 8% for average worksite employees. As Carlos mentioned, we have seen some progress in our PEO bookings this quarter following some of our targeted adjustments that we made last year to our PEO distribution process. We now expect to see a slight improvement in our PEO performance relative to prior expectations. With this said, we had a fairly strong second quarter revenue last year driven in part by a combination of solid worksite employee growth and strong pass-throughs. With these adjustments in mind, we now anticipate 6% to 7% growth in the PEO revenues, excluding 0 margin pass-throughs as compared to our prior forecast of 5% to 7%.

As a reminder, the reason this growth is slightly below that of average worksite employees is due to the impact in fiscal year '19 from the decline in our workers' compensation and SUI rates relative to fiscal year '18. This does not affect the administrative services pricing environment, which has remained a stable contributor to our overall revenue growth.

Last quarter, we received a few questions regarding our new pass-through disclosures. With that in mind, in our effort to help you better understand the dynamics that we anticipate experience in this year, we have provided you with some additional details in the appendix of our quarterly investor presentation. We encourage you to familiarize yourself with these slides as they help to illustrate the impact from lower workers' compensation and SUI rates as well as other drivers in the business.

Moving on to PEO margins. With a better-than-expected performance in our PEO margin this quarter, we now expect 50 to 25 points margin decrease as compared to our prior forecast of a decrease of 75 to 50 basis points. For the reasons we mentioned before, we continue to anticipate our voluntary early retirement backfill hiring to accelerate over the next few months. Accordingly, we do not expect this quarter's margin overperformance to carry fully through for the remainder of the year.



Finally, I would like to remind you that the results of ADP Indemnity are now recorded within the PEO segment. This quarter, we had lower-than-anticipated grow-over pressure from adjustments to our loss revenue -- loss reserve estimates. And as a result, we now anticipate approximately 50 basis points of grow-over pressure on a full year basis as compared to our prior forecast of approximately 75 basis points.

Moving on to the consolidated outlook. We now anticipate total revenue growth of 6% to 7% for fiscal year 2019 with the upper end of our forecast range dependent on the continued steady improvement in the performance of our PEO. We are now expecting growth in client funds interest revenue to increase \$90 million to \$100 million compared to our prior forecasted increase of \$80 million to \$90 million. The total impact from the client funds extended investment strategy is now expected to be up \$70 million to \$80 million compared to the prior forecasted increase of \$60 million to \$70 million. The details of this forecast can be found in the supplemental slides in our Investor Relations website. We continue to anticipate our adjusted EBIT margin to expand 100 to 125 basis points, including approximately 30 basis points of pressure from acquisitions. With the impact of the first quarter stock compensation related tax benefit, we now expect an adjusted effective tax rate of 24.5% in fiscal year 2019 as compared to our prior adjusted effective tax rate of 25.1%.

With these various adjustments to our outlook, we now expect adjusted diluted earnings per share to grow 15% to 17%.

Overall, I think you can tell we are happy with our start into the year and with the continued momentum that we are building from our investments in the business. We're executing well in our key initiatives, and we were pleased to see a positive trend in our bookings this quarter.

So with that, I will turn it over to the operator to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We will take our first question from the line of Jason Kupferberg with Bank of America Merrill Lynch.

Jason Alan Kupferberg *BofA Merrill Lynch, Research Division - MD in US Equity Research & Senior Analyst*

I just wanted to ask a little bit more about the bookings here. So you came in at the high end of the full year range in Q1. But based on the disclosures you gave us on ES bookings for last year, obviously, the comps actually get a lot harder, especially in the back half, which you highlighted. It sounds like you've got a lot of confidence still in the 6% to 8%. Anything you'd highlight from a pipeline perspective, whether it's downmarket, mid-market, enterprise, et cetera, just that -- supporting that confidence in the full year number?

Carlos A. Rodriguez *Automatic Data Processing, Inc. - CEO, President & Director*

No, I think our confidence is really driven by, I guess, the information that we have around where we are around headcount, where we are around kind of new product rollouts and where we are around kind of productivity improvements, which are kind of the 3 ways that we kind of add up to the overall sales growth. As you know, it can vary from quarter-to-quarter. But I think we have -- we built a great plan. I think, with the right number of people, I think with the right products. And I think we've shown over the last probably 3 to 4 quarters, I think, really improvements in underlying productivity that then support kind of that third pillar of what leads to the overall growth. So I think we feel -- I think you're right that the tone is probably one of confidence. But as always, for us, the sales numbers, the one that has the most variability and the most volatility because every sale is a new sale every quarter whereas our revenue model is really a recurring revenue model. So there's always more variability in sales, but I would say nothing has changed in terms of the level of confidence that we have in our ability to reach our full year numbers. We did have very strong fourth quarter. Sometimes historically, that has led to challenges in the first quarter just because of the way our incentives work. So in some respects, I would probably say that I was pleased with the fact that we were able to, even though we had an easier comparison to the prior year, the fact that we came off of a very strong fourth quarter, I think sometimes presents some headwinds. So the ability to kind of hit the numbers that we did this quarter, which as you're seeing, obviously, Employer Services numbers, but as Jan maybe alluded to, even though we're not giving specific guidance, our PEO results were also very strong. So when you look at kind of new business bookings collectively, if you did it the way we used to do it, which we're not doing anymore, we would say that we were extremely pleased and it adds to our confidence for the full year.



Jan Siegmund Automatic Data Processing, Inc. - Corporate VP & CFO

And one comment is that the success was fairly broad based. And so when I look at the different components of our sales force, the different channels and the different market segments that we sell into, it was really a broad-based contribution of many. So it was not focused on a single segment at all, actually. Broad-based participation is always a good start to the year.

Jason Alan Kupferberg BofA Merrill Lynch, Research Division - MD in US Equity Research & Senior Analyst

For sure. Let me just ask a follow-up on PEO since you highlighted that. I know last quarter, there was a little bit of controversy or concern there. Clearly, a nice rebound. So just wanted to test the sustainability of that. Maybe you can talk about some of the strategies that you've employed to actually drive the improved performance and the outlook there, I think, last quarter you were talking about tweaking some incentive programs. But any other strategies you would highlight there?

Carlos A. Rodriguez Automatic Data Processing, Inc. - CEO, President & Director

Yes. I think that Jan probably has a couple of comments as well. But I would say that we did tweak the incentive. I would say that it's beginning to roll its way through, but I wouldn't say -- I wish I could say that it all was because of how smart we were in changing those incentives. But I think we see big improvements in pipeline in the upmarket as a result of some of those incentive changes. But not necessarily yet affecting the numbers. So ironically, this was really kind of a rebound of kind of what I'd call core PEO performance. So again, that makes me, again, very optimistic about the next couple of quarters and the full year for PEO and new business bookings because we have yet to see the benefits of some of the incentive changes we made, which, I think, makes sense. And I think, are really just adjustments back to frankly prior. We didn't do anything artificial or aggressive to try to overcome some kind of externality. We were kind of readjusting back to normal levels some of incentives that we had changed to other HR BPO products a couple of years ago. So I think that when I add all the things together, it feels like just really, as usual, it comes back to great execution. I think there's just more focus and more attention on kind of the basics and the core of generating new leads by our sales force as well as making sure that they are more effective in getting the leads from our other parts of our sales force in ADP. So I think it's just -- overall just much better execution. And then, lastly I would say that I can hear you have may be the opposite effect of what I described. But what usually happens when you have a strong finish, sometimes you get into a stronger -- sorry, weaker start, which didn't happen to us this first quarter. But in the PEO, we did have a challenging year and sometimes in some parts of our organization when you come off of a challenging year, you have a -- so the last year may have been not as weak as may be it looked. And this first quarter was, I think it's probably the strongest growth we've had, I think, ever in the PEO. Sorry, I'm being corrected here, but it's since Q2 of fiscal year '14. But the numbers are -- we're already big in '14 and they're even bigger today. So I think, they generate percentage wise and a growth rate, we generated this quarter is quite impressive, I think, and it shows that the value proposition is still intact and that the sales leadership and sales execution still has the ability to kind of take advantage, if you will, of that value proposition and get it to the market in a competitive way.

Jan Siegmund Automatic Data Processing, Inc. - Corporate VP & CFO

I just have a few data points that really support what Carlos said. We saw not only improvement in our deals over 50, which we accelerated, but we had, overall, for the PEO channel, very brisk new logo growth in high double digits, very, very impressive broad based. So it's not only a single thing, like a commission change for the mid-market or the incentive change in the mid-market that drove this as a management focus and created a broad-based acceleration of new business bookings that I think we've managed also to improve with very solid client satisfaction scores and great execution. So that created then our confidence to really up the guidance for that segment.

Operator

Our next question is from Lisa Ellis with MoffettNathanson.

Lisa Ann Dejong Ellis MoffettNathanson LLC - Partner

In fiscal '18, I believe you grew client growth down in the lower end of the market in, like, the 12% range, a really strong number. Can you give a little color as to whether that momentum and those share gains in the small and medium business market are continuing as you look into '19?



Carlos A. Rodriguez Automatic Data Processing, Inc. - CEO, President & Director

Yes, I think the first quarter was very consistent with kind of the momentum and the trend we've had for -- I don't think it was just fiscal year '18. It probably wasn't quite as strong in '17. But we've had good strong momentum, I think, in our downmarket business, and I think it continued into the first quarter.

Jan Siegmund Automatic Data Processing, Inc. - Corporate VP & CFO

First quarter is right in line with the trend that we've seen in '18, Lisa.

Lisa Ann Dejong Ellis MoffettNathanson LLC - Partner

Okay. Great. And I think the complementary question is just one around the mid-market where I know as you were going through the Workforce Now transition, you were sort of hanging on to your client counts in that market, which we know is very competitive. Now that you're through the Workforce Now migrations, are you seeing some improvement there, some growth in the client base in that market if nothing else, just driven by improvements in retention?

Jan Siegmund Automatic Data Processing, Inc. - Corporate VP & CFO

Yes, so we have seen a very consistent improvement in our retention rates out of the -- from the lows that we had about 2, 2.5 years ago. And so we're very pleased with the improvement that we have seen, a, through all the clients; b, now on a single platform, the stabilization and improvement and in the new service models that we rolled out as part of the Service Alignment Initiative and very, very steady retention has been improving. And so the new sales success, if I -- in this market, if I take just an average for the last rolling 12 months or so, we have also seen much more stronger focus on the new logo execution that we reported to you on -- focusing on new distribution channels to partners as well as leveraging sales force adjustments to focus on this. And I think we're still in the early stages of seeing a full turn around for that. But we're seeing very good signs that this new logos focus will pay off over time.

Carlos A. Rodriguez Automatic Data Processing, Inc. - CEO, President & Director

Yes. In this quarter -- I would just add that this quarter, we actually happen to have good logo growth in the upper end of the mid-market, which for us is call it 500 to 1,000 or 150 to 500 and kind of that space there. And so -- again, quarter-to-quarter numbers is tricky in terms of the sales results. But I think there's definitely renewed focus and attention, and these are incentives that we adjusted different from what we were talking about in the PEO case. More call it 18 to 24 months ago as we exited ACA, we tried to get our sales force more focused on core logo growth. And I would say that we feel like it's working and that we're making progress, and the combination of that along with improving retention, I think, is -- we still have work to do, but I think is getting our mid-market business into a stronger position, especially now that we're on one platform.

Operator

Our next question is from Jim Schneider with Goldman Sachs.

James Edward Schneider Goldman Sachs Group Inc., Research Division - VP

I was -- maybe just a follow-up to Lisa's question. I understand you're not giving explicit retention metrics on a quarter-by-quarter basis, but it sounds like on the basis of the consumer satisfaction scores, you talked about improving that -- the retention probably is just directionally up year-over-year. Can you confirm that that's the case or not? And maybe just kind of talk about whether there is any pockets of down, mid or upmarket that are kind of falling above or below your expectations?

Carlos A. Rodriguez Automatic Data Processing, Inc. - CEO, President & Director

So I think as you heard, I think, in the comments, we confirmed our forecast for increased retention of, I believe, it's 25 to 50 basis points for the year. So you could probably interpret that as directionally up for the year. But given that we're not providing retention guidance as part of the package of -- we had a lot of disclosures, and I think if you look at the amount of stuff that we just put out, I think historically and in response to some extent to some of the feedback we got after the proxy contest, we're doing what we can to add additional disclosure. And I think that's one of the items that we're not going to be getting into on a quarterly basis. But I think that you should interpret our confidence and reaffirmation of our guidance as confidence that the trend of retention is up.



James Edward Schneider *Goldman Sachs Group Inc., Research Division - VP*

That's helpful. And then maybe kind of as a follow-up. With respect to your full year guidance, I know you talked about several grow-over issues with respect to acquisitions and a couple of other things that kind of get harder in terms of comps for the year. But I think for the full year guidance, it implies that growth slows down across almost every metric relative to what you already reported in Q1. So I'm just trying to understand whether there is anything that kind of give you pause about a potential slowdown in growth? Or whether there is some wiggle room potentially baked into the guidance?

Carlos A. Rodriguez *Automatic Data Processing, Inc. - CEO, President & Director*

As you can imagine, we spent some time talking about that. Make sure you guys walked away with the right message, which is one of confidence and optimism and pride and, really, good results. But there are some mathematical issues that I think are just important noting. So I think 2 that stand out for me are Global Cash Card was not quite 1% impact, but somewhere in the neighborhood of 1% impact on revenue growth, and that we lap. I believe, it's in the middle of October. And then FX pressure, not just for us but for all companies, is picking up a little bit. It's not a huge headwind but that, obviously, can change in either direction. But based on the information that we have today and the math, we kind of laid out what we thought was reasonable changes in guidance while trying to convey really our sense of optimism and confidence and positiveness in what the results were. So it's hard to -- given that it is the first quarter, it's also frankly hard for us to just kind of come out and kind of across the board change everything given that we still have 3 quarters ahead of us. But we want to make sure you got a message of confidence and optimism and pride in the first quarter, but we want to make sure that the math rolls through in the appropriate manner.

Operator

Our next question is from David Togut with Evercore ISI.

David Mark Togut *Evercore ISI Institutional Equities, Research Division - Senior MD*

Given the strong start to FY '19, I'd like to ask about pricing trends as you head into the critical year-end selling season. What are you seeing in terms of kind of price net of discounting on a year-over-year basis?

Carlos A. Rodriguez *Automatic Data Processing, Inc. - CEO, President & Director*

No, I think we should mentioned that, because back to the previous question, in terms of one thing that we just don't to take one quarter and assume that it's going to continue on. But we have seen, I would say, a better environment in terms of overall discounting and pricing and so forth. And the issue is, there's no scientific way to know how much of that is -- I don't think the competition is getting any easier. So I think we're getting better and stronger. Our value proposition and our client satisfaction scores, there's other things that probably work into that mix. So in a very difficult environment where you have challenges like we had during ACA because of high volumes and cause some deterioration -- short-term deterioration in our service level, that probably leaves elevated concessions and pricing on pressure, et cetera. The sales force gets -- starts to lose a bit of its confidence. And so I think we've regained a lot of that momentum and it comes through, in part. It comes through in retention, it comes through in bookings and it comes through in pricing and discounting. So I guess, it's a long way of saying, I can't answer your question because we don't know how much of what appears to be a better environment for us is related to economic versus issues around our own house being in better order versus the competition. If I had to guess, I would say it has not to do with the competition, because the competition is still very fierce and there's plenty of competitors, and we are always out there sharpening our pencils, especially when we're so focused on bringing in new logos. So I think it's just -- we're just doing a better job and it's translating to overall a better level of -- and that translates into our revenue growth, it translates into retention. It just has a lot of positive impacts.

David Mark Togut *Evercore ISI Institutional Equities, Research Division - Senior MD*

Understood. And then as a follow-up. You seem very optimistic about Celergo and the potential for multicountry payroll. We haven't heard that much about international payroll processing in a while. Can you tell us how you're pulling together GlobalView, Vantage HCM and now Celergo to go to market internationally?

Jan Siegmund *Automatic Data Processing, Inc. - Corporate VP & CFO*

Yes, David. Two answers for that. Actually, this quarter, we had a particularly strong performance of our international operations, which resulted in great new business bookings in that sector, with great margin expansion. Really very, very solid -- good retentions, very solid

performance internationally. When we talk internationally, this extends in this quarter for both the best-of-breed countries where we serve local clients outside the U.S. as well as our strength in our multicountry and multinational solutions. And Celergo and our business that we call Streamline will be fully integrated and become our multicountry solution that services client needs with smaller employee populations in those countries. And GlobalView has always been targeted for our multinational clients that have large populations in each of these countries. But both product components or service components are basically sold together today as bundles in an integrated multicountry solution. So we are so excited about it because we see that ADP is truly differentiated in our ability. Basically, we would claim the only vendor who can offer multicountry solutions at this scale, at this consistency to that many clients of different needs. And we made an investment into Celergo to further expand that differentiation in this space, which has been so successful for us. So view Celergo as a technology addition that will enhance our serviceability for many of these clients, big or small, and broaden our depth, and in particular, kind of enhances our differentiation versus our competitors in that space.

Carlos A. Rodriguez Automatic Data Processing, Inc. - CEO, President & Director

And I think, only I would add to that which is -- I completely echo all those comments. I think, in the prepared comments, we made a comment that it still remains one of our biggest opportunities. So that's part of why we're excited. We're excited because of the quality of the acquisition and the team that we got and the product and the technology, but also because it's a large growth opportunity for us. So there is a large market out there even though we are, I think, a market leader, there's still a lot more opportunity there. And obviously, anytime that we have the ability to go into and accelerate into markets that have big opportunities, that's exciting to us.

Operator

Our next question is from Kevin McVeigh with Crédit Suisse.

Kevin Damien McVeigh Crédit Suisse AG, Research Division - MD

Wonder if you could just give us a little bit more color on what allowed you to increase the -- or decrease kind of the margin impact from the PEO on the ADP Indemnity side? It sounds like maybe it wasn't as bad as feared, just a little more context on that.

Jan Siegmund Automatic Data Processing, Inc. - Corporate VP & CFO

Kevin, I appreciate the question. This has largely to do with our change in financial disclosures that we instituted for this fiscal year. Last year -- and really in prior years, we undergo a process in which our workers' compensation indemnity evaluates the expected future losses that we have anticipated. If there are changes to the expected future payments, we book adjustments. We historically have booked these adjustments in other segment. And we changed now with our financial disclosures to include the results of Indemnity into the PEO, where they belong so that you have a true picture of the full performance of the PEO, including these loss reserve adjustments that we book basically on a quarterly basis when warranted. And we had last year meaningful benefit for these loss reserve adjustments that created for us to grow over pressure of 75 basis points, which we have not forecasted for the PEO when we gave guidance in August. And so the first quarter is now over. And we booked a loss reserve adjustment that was favorable and enhanced the results of the PEO. We had not put that into our guidance and now the results are better. So we let that positive expected loss reserve adjustment flow through and that basically adds to profit in the PEO sector.

Carlos A. Rodriguez Automatic Data Processing, Inc. - CEO, President & Director

Yes. So I think you made the comment that it wasn't as bad as you expected. To be clear, what Jan is saying is we had a big benefit in the first quarter last year. And we were worried about whether we would have that side -- you can't really forecast these things a year in advance, which is why with good intentions, we used to have this in other to avoid exactly these discussions and these kind of ups and downs in the PEO segment. But I think, we did come to the conclusion, and we believe that it does belong in the PEO segment. We're putting it there. So now we have to going forward make sure we give you the appropriate amount of color so you understand what's happening. So this was, in essence, a large benefiting gain that we had through an adjustment of loss reserves in the first quarter of last year compared to a smaller gain this first quarter, but that smaller gain was bigger than what we anticipated if that makes any sense.

Kevin Damien McVeigh Crédit Suisse AG, Research Division - MD

No, it does. I apologize for the verbiage. It was more just, I guess, relative to the initial expectations of 50 to 75 going to 50 to 25. Awesome.

Operator

Our next question is from Nandan Amladi with Guggenheim Partners.

Nandan Girish Amladi *Guggenheim Securities, LLC, Research Division - Senior Analyst*

So at the June Investor Day, you talked about the early retirement plan being more successful, I guess, higher uptake than you were initially expecting. You touched a little bit on the backfill plans. Can you describe a little bit more what your plans are for the remainder of the year for total headcount? And what areas of the business you're hiring in?

Carlos A. Rodriguez *Automatic Data Processing, Inc. - CEO, President & Director*

Yes. So I think, one of the keywords in some of the prepared comments we had, we used the word care in a few places. And I just want to reemphasize that that in June, if -- the implication that it was kind of more successful because it was more people that -- it was more successful from a financial standpoint. So in the spreadsheets, it looks great. But you do -- we do have to execute on all these transformation efforts with care. We have to maintain high NPS scores and good execution. And so we, I think, adjusted our backfill plans based on the volume of uptake that we got and also based on timing of the exits and which parts of the business were critical. It was critical for us to make sure that we had the right people in place to be able to handle the right volumes, especially at calendar year-end. So saying all that, I think we had a plan that as you can imagine, we would never have a voluntary retirement program and then plan to backfill every single position. That would have not been, I think, probably a good use of our capital and that was not what our intention was. So we thought that because of some of the work we'd been doing previously around transformation to take work out that we had an opportunity to over the course of, call it, 12 months, to offer this attractive package to some of our tenured associates. And it feels like it's working. And so if you think through, what we've done is we have 3 different waves of departures. And so they're scheduled to leave over different periods of time over the 12 months since the date we announced the early retirement program. And we also had planned to backfill some of those positions over the same 12-month period of time. So what you're hearing in our comments is that with that process, there was a plan around all that process, and the one that we control the most is the departures. And that's exactly on track and on schedule. But in terms of the backfills, we were a little bit "behind" on the backfills, which creates a short-term financial benefit that we saw in the first quarter. But if you roll forward and you look at our original plans, which were sticking to for the rest of the year, it creates not as big a benefit in the first quarter. Having said all that, we feel that when you look at the momentum in the PEO and Employer Services and other parts of our business, it gives us confidence in the performance of the business overall. So the first quarter financial performance was not solely and only because of this issue around the timing of backfills. It was one part, and I would say it was a relatively small part. So we don't want to give you the wrong impression about our confidence in the future going forward. But we just wanted to make sure we clarified that we do have more backfills in the next few quarters than we had in the first quarter. And we think some of that was due to timing. If we feel like we've taken out more work than we thought we were able to take out, we might not have as many of the backfills as we had in the original plan. But for now, the most important thing for us to focus on is quality and year-end and NPS scores and client retention. So we're not ready to come off of our original plans yet.

Operator

Our next question is from Bryan Keane with Deutsche Bank.

Bryan Connell Keane *Deutsche Bank AG, Research Division - Research Analyst*

Just wanted to follow up on that. On Employer Services, besides hiring, is there anything other additional reasons why the margins would drop back down to the fiscal year '19 guidance range?

Carlos A. Rodriguez *Automatic Data Processing, Inc. - CEO, President & Director*

Again, another one we spent a lot of time talking about. We -- I think that that's a -- it's a fair question. Yes, one of the items is that one. I think that we have -- the FX headwind is probably some part of it because we did have some FX benefit, just to clarify. Even though we had a FX headwind on the revenue side, we had some FX benefit in the first quarter as some of our costs that we have overseas went down faster than planned or more than what we had planned. Specifically, we have a large offshore operation in India. And I think that cost came in very favorable in the first quarter and well ahead of our plans. So I think there's just probably a number of things that when you roll them together, including the fact that it's only the first quarter and so we're just not prepared -- for example, the strength that I mentioned in terms of improvement in concessions and pricing and so forth, if you roll those things forward and you assume they're going to continue, then we would expect a better second, third and fourth quarter. We're just not prepared this early in the year. And I



think it's traditional for us, like, we -- the fact that we raised our PEO guidance is unusual for us because -- and I think it's prudent, and I'm not sure what other companies do, but until we have more visibility and until we get through calendar year-end, as a reminder, the next quarter, this quarter that we are in now today, is an important part of our new business bookings for the year and also December 31 represents an important measure of retention because clients tend to switch providers at that time of the year. So I think you should expect us coming out of the second quarter to have a stronger view and position.

Bryan Connell Keane Deutsche Bank AG, Research Division - Research Analyst

Okay. That's helpful. And -- go ahead, Jan. Yes, go ahead.

Jan Siegmund Automatic Data Processing, Inc. - Corporate VP & CFO

I'm sorry to add a few more comments or insights about the drivers of our margin expansion that may help you to do. And so part is that we hire in anticipation for our work, but we had also, I think, as it turns out, the second half is not as good as the first half. And I think there's a little bit of this left in our asymmetry of margin that compares to prior years. So the second half is a little bit more difficult grow-over, I think, for us. And some of the success that we had with some of the initiatives that we initiated in the last half of the fiscal year, we had great scale, for example, in our I&O organization or IT infrastructure is making progress and contributed. We had exceptional productivity improvements in our sales force with the start of the year that would not be reasonable to assume that that type of level of productivity improvement is continuing throughout the year as we go through. So they're like some just natural business reasons that make you think as early in the fiscal year to kind of keep the margin expectation as we have them.

Bryan Connell Keane Deutsche Bank AG, Research Division - Research Analyst

Got it. Got it. And then I wanted to ask about the U.S. outlook. ADP has a great look at the U.S. economy and currently lots of concern in the market. Are you guys seeing any cracks in the U.S. economy at this point?

Carlos A. Rodriguez Automatic Data Processing, Inc. - CEO, President & Director

Zero.

Operator

Our next question is from David Grossman with Stifel Financial.

David Michael Grossman Stifel, Nicolaus & Company, Incorporated, Research Division - MD

Carlos, maybe you could spend a little bit more time and just on the upmarket. Obviously, you've been making some product modifications, and you talked a little bit about sales strategies in the upmarket. Can you give us a little more detail in terms of where we are, not necessarily focusing on the quarter but just kind of how you feel about that business and the progress that you're making?

Carlos A. Rodriguez Automatic Data Processing, Inc. - CEO, President & Director

Feeling really good about the progress that we're making there. I think, we talked about several quarters ago the fact that we kind of more institutionalized our ability to sell Workforce Now in the lower end of the upmarket. I think 1,000 to 3,000 or 1,000 to 5,000 worksite employees, but we think that Workforce Now can really compete very strongly with certain parts of that segment whereas Vantage can compete in that segment, but competes even better in larger, more complex clients in the upmarket. So I think that adjustment and strategy has paid off. When you combine the new logo growth in the upmarket between Workforce Now and Vantage, I would say we're very pleased by the progress. And I think new logo growth, as you can hear in our comments, we're constantly talking about that because we love new -- we love additional revenue from other products. We love incremental sales to existing clients. But the heart and soul of the strength of the business is market share and new logo growth. And I think on that metric, we're feeling good about the progress that we're making in the upmarket. It's still early days for some of the next-gen solutions that we're selling. But we're making some headway there. Also, where we have a handful of clients. So clearly, at our size and our scale, a handful of clients isn't making a difference on the numbers, but it's building confidence in both our sales force and in the marketplace. And so -- by the way, we're also seeing really good progress in client satisfaction scores in the upmarket, which I think are usually leading indicators of retention and also of new business bookings. And even if I look at the underlying revenue growth of that business, it's better than it was last year. We still have work to do, but we're feeling good about the progress.

David Michael Grossman *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

And are there any milestone dates we should think about in terms of product enhancements or anything like that coming out?

Carlos A. Rodriguez *Automatic Data Processing, Inc. - CEO, President & Director*

Well, nothing we can share with you, because we've had some challenges with the competitors, saying things that are not accurate in the marketplace around our products and our strategy, which is a shame because we usually try to take the high road. I won't mention who those competitors are, but I think it's not hopeful for us to talk about specific dates and -- because we try to provide investors with transparency and clarity and so forth. But unfortunately, some people take advantage of that situation. But I think at Investor Day, we gave you a decent amount of information around what we were doing around Vantage and then also what our plans were in terms of our next-gen products. And I think I would probably refer back to that.

Jan Siegmund *Automatic Data Processing, Inc. - Corporate VP & CFO*

And we're on plan and feeling good about those plans.

David Michael Grossman *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

Okay. Got it. And just one last one. And just in terms of you mentioned these changing employment models, and I know you've made some acquisitions there. But can you give us any sense of just how impactful -- or just the timing of when that really becomes an important competitive dynamic in the marketplace to have those capabilities or maybe it's happening right now, I don't know.

Carlos A. Rodriguez *Automatic Data Processing, Inc. - CEO, President & Director*

I think, the -- it's an important competitive dynamic right now. I think it helps our value proposition and our story, which is part of the -- what's important is the value proposition and the outcomes you deliver. I think on that front, given our scale and the size of these acquisitions, we haven't rolled these products out to 100% of our client base or even to probably even 1% of our client base. But it does add to the strength of our sales force in terms of what they have as a value proposition in the marketplace. And medium to long term, I think, we believe it's going to be a very significant enhancement. So I'd say in the short term, the biggest short-term benefit has been and probably continues -- continue to be Global Cash Card, because it's such an in-demand product and it's such a strong and good value proposition. And they're executing so well that -- and they were already somewhat large in comparison to some of the other acquisitions that we made that I would say that's the one that has the most immediate short-term impact. But I think, Celergo, WorkMarket, and I'll even go back to TMBC, The Marcus Buckingham Company, all these acquisitions are big strengtheners to our value proposition and our ability to win share in the marketplace.

Operator

Our next question is from Tien-tsin Huang from JPMorgan.

Tien-tsin Huang *JP Morgan Chase & Co, Research Division - Senior Analyst*

On the PEO, that 8% to 9% worksite employee growth. I'm curious, how would you benchmark that against industry growth for PEO because we've had mixed reviews or mixed numbers, figures from the peer groups? So I thought I'd ask you.

Carlos A. Rodriguez *Automatic Data Processing, Inc. - CEO, President & Director*

I would say that if you take the 2 numbers that you have, that you're referring to, and you average them, ours is higher.

Tien-tsin Huang *JP Morgan Chase & Co, Research Division - Senior Analyst*

Yes, simple math...

Jan Siegmund *Automatic Data Processing, Inc. - Corporate VP & CFO*

Feeling, it's -- the PEO industry has long-term growth that we shared with you in the Investor Day. And we are, obviously, aiming to be in -- getting back to our double digits, which has been a big discussion for us, in particular, since the last quarter. And we're well on our way and that would help us to drive market -- continue our long story of market share gains. It's impressive. Like, this is a big PEO now with a lot of worksite employees and the number of new worksite employees that we have to sell each month and each quarter to generate the kind of growth rate that we just generated this quarter is impressive.



Tien-tsin Huang JP Morgan Chase & Co, Research Division - Senior Analyst

Yes. Now you're the biggest player, just not lost on us. Thanks for that. On the bookings, just to clarify. I know you noted the tougher second half comps. Just curious, can you replenish the backlog and produce enough new sales and still land in that 6% to 8% zone in the second half of the year? I suppose, mathematically, you can go to 5%, 6% and still be at the low end, but I'm curious because it's such a big comp as the year progresses.

Jan Siegmund Automatic Data Processing, Inc. - Corporate VP & CFO

Yes. Look, there's different selling seasons in our business and different markets have different things. When you compare the first half of growth to our second half of growth, it looks pretty good. Not quite as good, but clearly recognizing the fourth quarter is difficult. So we have different thing. But the confidence in the sales force to achieve their overall plan, which has, obviously, helped us to establish our guidance, is high, so.

Carlos A. Rodriguez Automatic Data Processing, Inc. - CEO, President & Director

We're definitely not trying to manage to the full year number.

Jan Siegmund Automatic Data Processing, Inc. - Corporate VP & CFO

No. We want to...

Carlos A. Rodriguez Automatic Data Processing, Inc. - CEO, President & Director

We would love to...

Jan Siegmund Automatic Data Processing, Inc. - Corporate VP & CFO

Go as much as we can.

Carlos A. Rodriguez Automatic Data Processing, Inc. - CEO, President & Director

We can now -- I mean, our goal would be to do what you just described, which is we want to outperform and not just get what we need in order to meet the forecast.

Operator

Our last question is from James Berkley with Wolfe Research.

James Robert Berkley Wolfe Research, LLC - Research Analyst

Just a quick follow-up on an earlier PEO question. Do you see any risk to your 11% to 14% medium-term guidance? I assume, there is no reason to back off of that, given the strength you're seeing now. And could you quantify maybe in growth or basis point terms, what the headwind is that you saw or seeing still from some extent from the incentive changes and then the ACA-related downgrades and other factors you mentioned on last quarter's call so we can get a feel?

Jan Siegmund Automatic Data Processing, Inc. - Corporate VP & CFO

Yes. Let me tie this back to the long-term outlook that we gave in our Investor Day. And there are 2 main factors that I would think about this as related to achieving our revenue targets for the PEO in the longer term. One is a thing that we don't control, which is the growth of our O margin pass-through revenue growth, which is actually the biggest factor. And so we have changes in health care inflation, changes in participation rates in the health insurance way that are driven by industry dynamics that we don't control. And so that trend had shown some pressure in the last year of our fiscal year. And is ongoing, really, if we think so. So that will put pressure on that long-term goal. It will have 0 economic benefit to -- 0 economic impact to ADP. But -- so from that, I think that's a pressure that we would have acknowledged and that is there for the revenue number, but for the bottom line number, it would have no impact. And then the second component is clearly what we've been focusing on in this call, which is the drive of our worksite employee growth, which is, of course, a factor of our sales execution as well as our retention. And we feel optimistic that our sales force has enough potential to sell these new clients even though the scale is kind of -- is big and it's hard work. But the increased momentum in the last 2 quarters of our sales give us optimism that the model reacts to it. And you saw that we're upticking our worksite employee in revenue growth already after a couple of quarters of good sales success. So that works for us and it has been aided also by very good retention, particularly this

quarter in the PEO. So those factors drive the revenue growth more than anything that we control, and we have another focus in the management team on it. So I think we -- aside from that pass-through pressure that I really don't work to offset here in order to make the revenue number, we feel good about the strategic outlook of the PEO.

James Robert Berkley Wolfe Research, LLC - Research Analyst

Good. And then just lastly on the multinational side, I think you said it grew low double digits in the quarter. I don't know if you possibly could just kind of size that and where you think -- what do you think maybe the TAM is for that? And talk about your recent acquisitions and the potential for that to may be accelerate. Just kind of your plans in the international market or multinational space in general.

Jan Siegmund Automatic Data Processing, Inc. - Corporate VP & CFO

For a very long time, our multinational solutions have really grown in the mid-teens very consistently and that we see that's -- those are our plans. We execute and there's really, really no change in our outlook. I think the Celergo thing is just another component if you think in the longer term that drives our differentiation, well a handful of opportunities for an ambitious growth rate.

Carlos A. Rodriguez Automatic Data Processing, Inc. - CEO, President & Director

And I think the TAM is large. I mean, it's -- we have it somewhere in the data that I get, but I honestly can't remember off hand, but it's our -- when you look at our market share and you look at the size of the market, I think we actually may have even had it in our Investor Day materials, if you want to go back and refer to it. But the -- one of the things that Jan mentioned in his comments, he used the term multicountry payroll. So we have these multinational solutions which are, in some cases, we're referring to very large companies that are in 15, 20 countries. But there are also a lot of companies that are operating in 2 or 3 countries, maybe in France, but you have 2 other countries in Europe or a couple of countries in Asia and they maybe midsize companies. So the TAM is also something that probably is growing over time as people realize that the market is actually bigger than what we thought. So I think if you talk to our international leaders, they would say that this was very, very crucial because of the size of that multicountry payroll market that was kind of underserved. So we're hoping that that kind of opens up new opportunities as well.

Jan Siegmund Automatic Data Processing, Inc. - Corporate VP & CFO

And just to state the obvious in this market, our clients are not only HCM clients of ourselves, but we partner a lot with ERP systems and large ERP vendors or clients who choose to partner with us on their multicountry payroll solutions. So the market size that we address really stands a variety of client types, which allows us really a long and sustained revenue growth.

Operator

And this does conclude our Q&A portion for today. I am pleased to hand the program over to Carlos Rodriguez for closing remarks.

Carlos A. Rodriguez Automatic Data Processing, Inc. - CEO, President & Director

So thank you very much for your questions today. As you probably could tell, we're off to a really good start. Even though we have a lot to accomplish still, we're very pleased with the progress that we've made. I also want to thank our associates because besides having our investors embrace change in our transformation, I think it can't happen without the support of our associates and our leaders. So I really appreciate the support we're getting internally as we drive our transformation so that we create, as Jan just referred to, a long and sustainable revenue growth for another 70 years. So next -- I believe, it's next June, we actually reach our 70th birthday, and we didn't get here by not making it through multiple changes in technology and economic cycles, and this transformation effort is intended to position us to be successful for another 70 years. So I think we're well on our way to doing that, at least positioning ourselves for the 70 years not the actual 70 years. But we appreciate the support of all of our stakeholders, including all of you but also our associates in what has, obviously, been a very fast-changing environment for us.

So with that, I will thank you once again and appreciate your continued interest in ADP.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program, and you may all disconnect. Everyone, have a great day.



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