



October 30, 2013

ADP Reports First Quarter Fiscal 2014 Results

Revenues Rise 8%, 7% Organically, to \$2.8 Billion for the Quarter; EPS Rises 10%

ROSELAND, N.J., Oct. 30, 2013 -- ADP® (Nasdaq:[ADP](#)) today announced its first quarter fiscal 2014 financial results, highlights are below.

- ADP reported revenue growth of 8%, 7% organic, to \$2.8 billion for the first fiscal quarter ended September 30, 2013.
- Pretax and net earnings from continuing operations increased 7% and 9%, respectively.
- Diluted earnings per share from continuing operations of \$0.68 increased 10% from \$0.62 a year ago.
- ADP acquired 4.2 million shares of its stock for treasury at a cost of \$303 million in the quarter.
- ADP hosted its first ever "Innovation Day" showcasing the company's latest Human Capital Management (HCM) enhancements and announced plans to expand its Innovation Lab to New York's "Silicon Alley."
- ADP was named to Forbes' list of World's Most Innovative Companies for the third consecutive year and also was named a Leader in Multi-Process Human Resources Outsourcing by Everest Group.

"ADP's business model is strong, and as a leading global Human Capital Management solutions provider, we are focused on driving product innovation and enhancing our distribution and service capabilities," said Carlos Rodriguez, president and chief executive officer, ADP. "Our focus on innovation is apparent as we continue to bring to market exciting new enhancements to our portfolio of integrated Human Capital Management solutions for both mid-sized and large employers. Most recently we introduced data-driven analytics and document management in the cloud, and enhanced ADP's Mobile Solutions App. Additionally, we launched ADP Recruiting Management, a unified next-generation platform that addresses the talent management needs of our clients by engaging social and mobile users, an important part of the recruitment landscape."

"ADP's first quarter results were solid," said Jan Siegmund, chief financial officer, ADP. "I am particularly pleased with our revenue growth of 8%. Each of our business segments performed well, driving solid revenue growth and pretax margin expansion. We reaffirm our full year fiscal 2014 financial guidance."

As anticipated, high-margin client interest revenues declined from a year ago and negatively impacted first quarter revenue growth nearly 1% due to a lower yield on the client funds portfolio, partially offset by growth in average client funds balances. This decline was the primary driver of the lower contribution from the client funds extended investment strategy, which negatively impacted growth in pretax earnings from continuing operations 5% and pretax margin 110 basis points, offsetting the strong pretax margin expansion in the business segments. Additionally, the lower contribution from the client funds extended investment strategy reduced diluted earnings per share from continuing operations \$0.03, or 5% for the quarter.

Employer Services

Employer Services' revenues grew 8% for the first quarter, nearly all organic, compared to last year's first quarter. The number of employees on our clients' payrolls in the United States increased 2.6% for the quarter as measured on a same-store-sales basis for a subset of our clients' payrolls ranging from small to large businesses. Worldwide client retention remained strong and was consistent with last year's first quarter. Employer Services' pretax margin increased 150 basis points for the quarter benefiting from increased operating efficiencies and slower growth in selling expenses as compared to revenue growth.

Combined worldwide new business bookings for Employer Services and PEO Services grew 1% year-over-year following a very strong finish in last year's fourth quarter. New business bookings represent annualized recurring revenues anticipated from new orders.

PEO Services

PEO Services' revenues increased 12% for the first quarter, all organic, compared to last year's first quarter. PEO Services' pretax margin increased slightly for the quarter. Average worksite employees paid by PEO Services increased 11% for the quarter to approximately 300,000.

Dealer Services

Dealer Services' revenues grew 7% for the first quarter, all organic, compared to last year's first quarter. Dealer Services' pretax margin improved 100 basis points for the quarter benefiting from increased operating efficiencies.

Interest on Funds Held for Clients

The safety, liquidity, and diversification of our clients' funds are the foremost objectives of our investment strategy. Client funds are invested in accordance with ADP's prudent and conservative investment guidelines and the credit quality of the investment portfolio is predominantly AAA/AA.

For the first quarter, interest on funds held for clients declined \$17.6 million, or 16%, from \$106.8 million a year ago to \$89.2 million, due to a decline of about 60 basis points in the average interest yield to 2.0%, partially offset by an increase of 8% in average client funds balances from \$16.1 billion to \$17.4 billion.

Fiscal 2014 Forecast

There are no changes to our prior forecasts as detailed below.

Reportable Segments Fiscal 2014 Forecast

- Employer Services – revenue growth of about 7%; pretax margin expansion of 50 to 100 basis points
 - Pays per control – up 2.0% to 3.0%
- PEO Services – 10% to 12% revenue growth; slight pretax margin expansion
- Combined Employer Services and PEO Services new business bookings – 8% to 10% growth
- Dealer Services – revenue growth of about 8%; pretax margin expansion of about 100 basis points

Interest on Funds Held for Clients, Interest Income on Corporate Funds Fiscal 2014 Forecast

The interest assumptions in our forecasts are based on Fed Funds futures contracts and forward yield curves as of October 28, 2013. The Fed Funds futures contracts used in the client short and corporate cash interest income forecasts do not anticipate any changes during fiscal 2014 in the Fed Funds target rate. The three-and-a-half and five-year U.S. government agency rates based on the forward yield curves as of October 28, 2013 were used to forecast new purchase rates for the client and corporate extended, and client long portfolios, respectively.

- Interest on funds held for clients is expected to decline \$40 to \$50 million, or 10% to 12%, based on a decline of about 30 to 40 basis points in the expected average interest yield to 1.8% to 1.9%, partially offset by approximately 5% anticipated growth in average client funds balances.
- Interest income on corporate funds is expected to decline approximately \$10 million primarily due to a decline in interest income related to the extended investment strategy, which is included in interest income on corporate funds.
- In combination, the total contribution from the client funds extended investment strategy is expected to be \$50 to \$60 million lower than a year ago.

Total ADP Fiscal 2014 Forecast

Revenues – approximately 7% growth

- Includes approximately 0.5 percentage point of anticipated drag for the year related to the decline in interest on client funds from a continued low interest rate environment, partially offset by the forecasted growth in average client funds balances as discussed above.

Pretax Margins – slight improvement in pretax margin from the adjusted 18.8% in fiscal 2013

- Includes an anticipated drag of 70 to 80 basis points for the year from the lower contribution from the client funds extended investment strategy as discussed above.

Effective Tax Rate – about flat with the adjusted 33.9% in fiscal 2013

Diluted Earnings Per Share from Continuing Operations – 8% to 10% growth compared to the adjusted \$2.89 in fiscal 2013

- The lower contribution from the client funds extended investment strategy is expected to reduce earnings per share growth \$0.07 to \$0.08, or 2% to 3%.

Web Site Schedules

The schedules of quarterly and full year revenue and pretax earnings by reportable segment for fiscal years 2012 and 2013, and the first quarter of fiscal 2014 are posted to the Investor Relations home page (<http://www.investquest.com/iq/a/adp/index.htm>) of our Web site www.ADP.com under Reportable Segments Financial Data. To align financial reporting with the manner in which the company's chief operating decision maker assesses performance and makes decisions about resources to be allocated to the reportable segments, effective July 1, 2013, the company no longer allocates a cost of capital charge to its reportable segments and no longer adjusts the operating results of its reportable segments to a constant exchange rate basis. As a result of these changes, all prior-period amounts have been reclassified to conform to the current-period presentation.

An analyst conference call will be held today, Wednesday, October 30, 2013 at 8:30 a.m. EDT. A live webcast of the call will be available to the public on a listen-only basis. To listen to the webcast go to ADP's home page, www.ADP.com, or ADP's Investor Relations home page, <http://www.investquest.com/iq/a/adp/index.htm>, and click on the webcast icon. Please note, this webcast will be broadcast in two streams: Windows Media and Flash. You may switch streams by selecting "Windows Media" or "Flash" from the gear-setup symbol located to the right-hand side of the volume control on the webcast player. Please check your system 10 minutes prior to the webcast. A presentation will be available to download and print about 60 minutes before the webcast at the ADP Investor Relations home page at <http://www.investquest.com/iq/a/adp/index.htm>. ADP's news releases, current financial information, SEC filings and Investor Relations presentations are accessible at the same Web site.

About ADP

With more than \$11 billion in revenues and more than 60 years of experience, [ADP](http://www.ADP.com)[®] (Nasdaq:[ADP](http://www.ADP.com)) serves approximately 620,000 clients in more than 125 countries. As one of the world's largest providers of business outsourcing and Human Capital Management solutions, ADP offers a wide range of human resource, payroll, talent management, tax and benefits administration solutions from a single source, and helps clients comply with regulatory and legislative changes, such as the Affordable Care Act (ACA). ADP's easy-to-use solutions for employers provide superior value to companies of all types and sizes. ADP is also a leading provider of integrated computing solutions to auto, truck, motorcycle, marine, recreational vehicle, and heavy equipment dealers throughout the world. For more information about ADP or to contact a local ADP sales office, reach us at 1.800.225.5237 or visit the company's Web site at www.adp.com.

Automatic Data Processing, Inc. and Subsidiaries

Statements of Consolidated Earnings

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended September 30,	
	2013	2012
Revenues:		
Revenues, other than interest on funds held for clients and PEO revenues	\$ 2,248.5	\$ 2,081.8
Interest on funds held for clients	89.2	106.8
PEO revenues (A)	501.9	448.9
Total revenues	2,839.6	2,637.5
Expenses:		
Costs of revenues:		
Operating expenses	1,491.6	1,367.5
Systems development & programming costs	171.8	156.3
Depreciation & amortization	61.0	62.7
Total costs of revenues	1,724.4	1,586.5
Selling, general & administrative expenses	638.6	611.4
Interest expense	1.9	3.1
Total expenses	2,364.9	2,201.0

Other income, net	(22.6)	(29.1)
Earnings from continuing operations before income taxes	497.3	465.6
Provision for income taxes	168.7	163.1
Net earnings from continuing operations	\$ 328.6	\$ 302.5
Earnings from discontinued operations before income taxes	--	4.5
Provision for income taxes	--	1.7
Net earnings from discontinued operations	\$ --	\$ 2.8
Net earnings	\$ 328.6	\$ 305.3
Basic Earnings Per Share from Continuing Operations	\$ 0.68	\$ 0.63
Basic Earnings Per Share from Discontinued Operations	--	0.01
Basic Earnings Per Share	\$ 0.68	\$ 0.63
Diluted Earnings Per Share from Continuing Operations	\$ 0.68	\$ 0.62
Diluted Earnings Per Share from Discontinued Operations	--	0.01
Diluted Earnings Per Share	\$ 0.68	\$ 0.63
Dividends declared per common share	\$ 0.4350	\$ 0.3950

(A) Professional Employer Organization ("PEO") revenues are net of direct pass-through costs, primarily consisting of payroll wages and payroll taxes, of \$4,947.2 and \$4,525.8 for the three months ended September 30, 2013 and 2012, respectively.

Automatic Data Processing, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(In millions)

(Unaudited)

	September 30, 2013	June 30, 2013
<u>Assets</u>		
Cash and cash equivalents/Short-term marketable securities (B) [Ⓞ]	\$ 1,690.9	\$ 1,727.1
Other current assets	2,409.0	2,245.1
Total current assets before funds held for clients	4,099.9	3,972.2
Funds held for clients	16,935.9	22,228.8
Total current assets	21,035.8	26,201.0
Long-term marketable securities (B) [Ⓞ]	2,549.0	314.0
Property, plant and equipment, net	735.2	728.7
Other non-current assets	5,161.3	5,024.4

Total assets	\$ 29,481.3	\$ 32,268.1
<u>Liabilities and Stockholders' Equity</u>		
Obligation under commercial paper borrowing (B)	\$ 2,477.0	\$ --
Other current liabilities	2,363.5	2,530.6
Obligations under reverse repurchase agreements [©]	340.9	245.9
Client funds obligations	16,718.0	21,956.3
Total current liabilities	21,899.4	24,732.8
Long-term debt	14.2	14.7
Other non-current liabilities	1,374.9	1,330.7
Total liabilities	23,288.5	26,078.2
Total stockholders' equity	6,192.8	6,189.9
Total liabilities and stockholders' equity	\$ 29,481.3	\$ 32,268.1

(B) As of September 30, 2013, \$2,132.4 million of long-term marketable securities and \$407.6 million of short-term marketable securities are related to the Company's outstanding commercial paper borrowing.

[©] As of September 30, 2013, \$234.0 million of long-term marketable securities, \$103.6 million of short-term marketable securities, and \$3.3 million of cash and cash equivalents have been pledged as collateral under the Company's reverse repurchase agreements. As of June 30, 2013, \$245.2 million of long-term marketable securities and \$0.7 million of cash and cash equivalents have been pledged as collateral under the Company's reverse repurchase agreements.

Automatic Data Processing, Inc. and Subsidiaries

Other Selected Financial Data

(Dollars in millions, except per share amounts)

(Unaudited)

	Three Months Ended			
	September 30,		Change	% Change
	2013	2012		
<u>Revenues from continuing operations (D)</u>				
Employer Services	\$ 1,968.0	\$ 1,818.9	\$ 149.1	8%
PEO Services	505.1	451.9	53.2	12%
Dealer Services	472.8	440.1	32.7	7%
Other	(106.3)	(73.4)	(32.9)	n/m
Total revenues from continuing operations	\$ 2,839.6	\$ 2,637.5	\$ 202.1	8%
<u>Pre-tax earnings from continuing operations (D)</u>				
Employer Services	\$ 522.6	\$ 455.1	\$ 67.5	15%
PEO Services	51.9	46.3	5.6	12%
Dealer Services	96.8	85.8	11.0	13%
Other	(174.0)	(121.6)	(52.4)	n/m
Total pre-tax earnings from continuing operations	\$ 497.3	\$ 465.6	\$ 31.7	7%
<u>Pre-tax margin (D)</u>				
Employer Services	26.6%	25.0%	1.5%	

PEO Services	10.3%	10.2%	0.0%
Dealer Services	20.5%	19.5%	1.0%
Other	n/m	n/m	n/m
Total pre-tax margin	17.5%	17.7%	(0.1)%

(D) Effective July 1, 2013, the Company no longer allocates a cost of capital charge to its reportable segments and no longer adjusts the operating results of its reportable segments to a constant exchange rate basis. As a result of these changes, all prior period amounts have been reclassified to conform to the current period presentation.

n/m - not meaningful

	Three Months Ended		Change in other income, net
	September 30, 2013	2012	
<u>Components of other income, net:</u>			
Interest income on corporate funds	\$ (19.0)	\$ (23.8)	\$ (4.8)
Realized gains on available-for-sale securities	(4.3)	(4.9)	(0.6)
Realized losses on available-for-sale securities	0.8	0.4	(0.4)
Other, net	(0.1)	(0.8)	(0.7)
Total other income, net	\$ (22.6)	\$ (29.1)	\$ (6.5)

	Three Months Ended		Change	% Change
	September 30, 2013	2012		
<u>Earnings per share information:</u>				
Net earnings from continuing operations	\$ 328.6	\$ 302.5	\$ 26.1	9%
Net earnings	\$ 328.6	\$ 305.3	\$ 23.3	8%
Basic weighted average shares outstanding	480.1	483.5	(3.4)	(1)%
Basic earnings per share from continuing operations	\$ 0.68	\$ 0.63	\$ 0.05	8%
Basic earnings per share	\$ 0.68	\$ 0.63	\$ 0.05	8%
Diluted weighted average shares outstanding	484.3	488.4	(4.1)	(1)%
Diluted earnings per share from continuing operations	\$ 0.68	\$ 0.62	\$ 0.06	10%
Diluted earnings per share	\$ 0.68	\$ 0.63	\$ 0.05	8%

<u>Key Statistics:</u>	Three Months Ended	
	September 30, 2013	2012
Internal revenue growth:		
Employer Services (E)	8%	2%
PEO Services	12%	13%
Dealer Services (E)	7%	5%
Employer Services:		
Change in pays per control - AutoPay product	2.6%	3.3%

Change in client revenue retention percentage - worldwide	0.0 pts	(0.4) pts
Employer Services/PEO new business sales growth - worldwide	1%	15%

PEO Services:

Paid PEO worksite employees at end of period	304,000	272,000
Average paid PEO worksite employees during the period	300,000	269,000

(E) Current year segment results reflect actual foreign exchange rates. Prior year segment results were adjusted to reflect actual foreign exchange rates.

Automatic Data Processing, Inc. and Subsidiaries

Other Selected Financial Data, Continued

(Dollars in millions, except per share amounts or where otherwise stated)

(Unaudited)

	Three Months Ended		Change	% Change
	2013	2012		
Average investment balances at cost (in billions):				
Corporate, other than corporate extended	\$ 1.4	\$ 1.2	\$ 0.2	15%
Corporate extended	3.6	3.8	(0.2)	(4)%
Total corporate	5.0	5.0	0.0	1%
Funds held for clients	17.4	16.1	1.3	8%
Total	\$ 22.4	\$ 21.1	\$ 1.4	7%
Average interest rates earned exclusive of realized losses (gains) on:				
Corporate, other than corporate extended	1.0%	0.9%		
Corporate extended	1.7%	2.2%		
Total corporate	1.5%	1.9%		
Funds held for clients	2.0%	2.7%		
Total	1.9%	2.5%		
Net unrealized gain position at end of period	\$ 298.7	\$ 806.0		
Average short-term financing (in billions):				
U.S. commercial paper borrowings	\$ 3.1	\$ 3.2		
U.S. & Canadian reverse repurchase agreement borrowings	0.5	0.5		
	\$ 3.6	\$ 3.8		
Average interest rates paid on:				
U.S. commercial paper borrowings	0.1%	0.2%		
U.S. & Canadian reverse repurchase agreement borrowings	0.5%	0.7%		
Interest on funds held for clients	\$ 89.2	\$ 106.8	\$ (17.6)	(16)%

Corporate extended interest income (F)	16.0	21.2	(5.2)	(24)%
Corporate interest expense-short-term financing (F)	(1.5)	(2.5)	1.0	42%
	\$ 103.7	\$ 125.5	\$ (21.7)	(17)%

(F) While "Corporate extended interest income" and "Corporate interest expense-short-term financing" are non-GAAP disclosures, management believes this information is beneficial to reviewing the financial statements of ADP. Management believes this information is beneficial as it allows the reader to understand the extended investment strategy for ADP's client funds assets, corporate investments and short-term borrowings. A reconciliation of the non-GAAP measures to GAAP measures is as follows:

	Three Months Ended	
	September 30,	
	2013	2012
Corporate extended interest income	\$ 16.0	\$ 21.2
All other interest income	3.0	2.6
Total interest income on corporate funds	\$ 19.0	\$ 23.8
Corporate interest expense - short-term financing	\$ 1.5	\$ 2.5
All other interest expense	0.4	0.6
Total interest expense	\$ 1.9	\$ 3.1

Automatic Data Processing, Inc. and Subsidiaries

Consolidated Statement of Adjusted / Non-GAAP Financial Information

(In millions, except per share amounts)

(Unaudited)

The following table reconciles the Company's results for the twelve months ended June 30, 2013 to adjusted results that exclude a non tax-deductible goodwill impairment. The Company uses certain adjusted results, among other measures, to evaluate the Company's operating performance in the absence of certain items and for planning and forecasting of future periods. The Company believes 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 the Company's management and improves their ability to understand the Company's operating performance. Since adjusted earnings, adjusted provision for income taxes, adjusted EPS, and adjusted pre-tax margin are not measures of performance calculated in accordance with U.S. GAAP, they should not be considered in isolation from, or as a substitute for, earnings, provision for income taxes, EPS, and pre-tax margin, and they may not be comparable to similarly titled measures employed by other companies.

	Twelve months ended June 30, 2013					
	Earnings from continuing operations before income taxes	Provision for income taxes	Effective Tax Rate	Net earnings from continuing operations	Basic EPS from continuing operations	Diluted EPS from continuing operations
As Reported	\$ 2,084.3	\$ 720.2	34.6%	\$ 1,364.1	2.83	\$ 2.80
Add Adjustment:						
Goodwill impairment	42.7	--		42.7	0.09	0.09
As Adjusted	\$ 2,127.0	(G) \$ 720.2	33.9%	\$ 1,406.8	\$ 2.91	\$ 2.89

(G) For the twelve months ended June 30, 2013 the As Reported pre-tax margin was 18.4% and the As Adjusted pre-tax margin was 18.8%.