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Fiscal 2014 First Quarter Financial Highlights

October 30, 2013

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First Quarter Fiscal 2014 Highlights

	Impact Included in 1Q FY14 Results	
	1Q FY14 Results	Client Funds Investment Strategy
Revenues	↑8%, ↑7% organic	↓ ~1%
Pretax Earnings Cont. Ops.	↑ 7%	↓ 5%
Pretax Margin	↓ 10 bps	↓ 110 bps
Effective Tax Rate	↓ 1.1 pts	
Net Earnings Cont. Ops.	↑ 9%	↓ 5%
Diluted EPS Cont. Ops.	↑ 10%	↓ \$0.03, or ↓ 5%

Share Repurchases

- Acquired 4.2 million shares at a cost of about \$303 million in the quarter

First Quarter Fiscal 2014 Highlights (continued)

	1Q FY14 Total Revenues	1Q FY14 Pre-Tax Margins
ADP	<ul style="list-style-type: none"> ↑ 8% to \$2.8 B ↑ 7% organic 	17.5%, ↓ 10 bps
Employer Services	<ul style="list-style-type: none"> ↑ 8%, nearly all organic 	26.6%, ↑ 150 bps
<ul style="list-style-type: none"> – Continued strong client revenue retention – U.S. pays per control ↑ 2.6% – Average client balances ↑ 8% – Margin benefit from operating efficiencies, slower growth in selling expenses 		
PEO Services	↑ 12%, all organic	10.3%, increased slightly
<ul style="list-style-type: none"> – PEO average worksite employees paid ↑ 11% 		
Dealer Services	↑ 7%, all organic	20.5%, ↑ 100 bps
<ul style="list-style-type: none"> – Margin benefit from operating efficiencies 		
Combined worldwide new business bookings – ES & PEO ↑ 1%		

Client Funds Portfolio Extended Investment Strategy – 1Q14

	<u>1Q14</u>		<u>1Q13</u>		<u>Change</u>	
	\$	Yield/ rate	\$	Yield/ rate	\$	Yield/ rate
Balances:						
Average Client Short Portfolio Balance	\$2.4 B	0.2%	\$1.9 B	0.4%	\$0.5 B	↓ 10 bp
Average Client Extended Portfolio Balance	7.5	1.8%	6.7	2.5%	0.8	↓ 70 bp
Average Client Long Portfolio Balance	<u>7.6</u>	<u>2.9%</u>	<u>7.5</u>	<u>3.4%</u>	<u>0.1</u>	↓ <u>60 bp</u>
= Average Client Funds Balance	\$17.4 B	2.0%	\$16.1 B	2.7%	\$1.3 B	↓ 60 bp
Average Corporate Extended Investment Balance	\$3.6 B	1.7%	\$3.8 B	2.2%	(\$0.2) B	↓ 50 bp
Average U.S. Commercial Paper Borrowings	\$3.1 B	0.1%	\$3.2 B	0.2%	(\$0.2) B	↓ 10 bp
Average U.S./Canadian Reverse Repurchase Borrowings	<u>0.5</u>	<u>0.5%</u>	<u>0.5</u>	<u>0.7%</u>	0.0	↓ 20 bp
= Average Short-term Borrowings	\$3.6 B	0.2%	\$3.8 B	0.3%	(\$0.2) B	↓ 10 bp
Pretax P&L Impact:						
Interest on Funds Held for Clients – Client Short	\$1 M		\$2 M		\$0 M	
Interest on Funds Held for Clients – Client Ext'd	34		41		↓ 8	
Interest on Funds Held for Clients – Client Long	<u>54</u>		<u>64</u>		↓ <u>10</u>	
= Total Interest on Funds Held for Clients	\$89 M		\$107 M		↓ \$18 M	
Corporate Extended Interest Income	16		21		↓ 5	
Corporate Interest Expense - Short-term	<u>(1)</u>		<u>(2)</u>		<u>1</u>	
	\$104 M		\$126 M		↓ \$22 M	

FY14 Guidance – Total ADP

- **Total Revenues** ↑ ~7%
- **Pretax Margin** slight expansion from adjusted 18.8% in FY13
- **Effective Tax Rate** about flat compared to adjusted 33.9% in FY13
- **Diluted EPS from Continuing Operations** ↑ 8% - 10%, compared to adjusted \$2.89 from continuing operations in FY13

Guidance notations:

- No share repurchases contemplated in guidance beyond offset to anticipated dilution related to employee benefit plans

FY14 Guidance – Reportable Segments

- **Employer Services**
 - Revenues ↑ ~7%
 - Pretax margin ↑ 50 – 100 basis points
 - U.S. pays per control ↑ 2.0% – 3.0%
- **PEO Services**
 - Revenues ↑ 10% – 12%
 - Slight pretax margin expansion
- **Annual dollar value of ES & PEO Worldwide New Business Bookings**
 - ↑ 8% – 10% compared to \$1.35 billion in FY13
- **Dealer Services**
 - Revenues ↑ ~8%
 - Pretax margin ↑ ~100 basis points

FY14 Guidance - Client Funds Portfolio Extended Investment Strategy

	<u>FY14 (F)</u>		<u>FY13</u>		<u>Change</u>	
	\$	Yield/ rate	\$	Yield/ rate	\$	Yield/ rate
Balances:						
Average Client Short Portfolio Balance	\$~3.8 B	~ 0.2%	\$3.7 B	0.2%	~\$0.1 B	~ flat
Average Client Extended Portfolio Balance	8.5 – 8.6	1.7 – 1.8%	8.0	2.1%	0.5 – 0.6	↓ 30-40 bp
Average Client Long Portfolio Balance	7.7 – 7.8	<u>2.7 – 2.8%</u>	<u>7.5</u>	<u>3.2%</u>	<u>0.2 – 0.3</u>	↓ 40- 50 bp
= Average Client Funds Balance	\$20.0 – 20.2 B	1.8 – 1.9%	\$19.2 B	2.2%	\$0.8 – 1.0 B	↓ 30-40bp
Average Corporate Extended Investment Balance	\$2.6 – 2.7 B	1.7 – 1.8%	\$2.8 B	1.9%	(\$0.1-\$0.2) B	↓ 10-20 bp
Average U.S. Commercial Paper Borrowings	\$2.3 – 2.4 B	~0.1%	\$2.4 B	0.2%	(\$0.0-\$0.1) B	~flat
Average U.S./Canadian Reverse Repurchase Borrowings	<u>~0.3</u>	<u>~0.8%</u>	<u>0.4</u>	<u>0.7%</u>	<u>~(0.2)</u>	↑ ~10 bp
- Average Short-term Borrowings	\$2.6 – 2.7 B	~ 0.2%	\$2.8 B	0.2%	(\$0.1-\$0.2) B	~flat
Pretax P&L Impact:						
Interest on Funds Held for Clients – Client Short	~\$10 M		\$8 M		~flat	
Interest on Funds Held for Clients – Client Ext'd	145 – 150		171		↓ 20 – 25 M	
Interest on Funds Held for Clients – Client Long	<u>215 – 220</u>		<u>242</u>		↓ 20 – 25	
= Total Interest on Funds Held for Clients	\$370 - 380 M		\$421 M		↓ \$40 – 50 M	
Corporate Extended Interest Income	~50		54		↓ 5 – 10	
Corporate Interest Expense - Short-term	<u>~(10)</u>		<u>(7)</u>		~flat	
	\$410 – 420 M		\$468 M		↓ \$50 – 60 M	

FY14 Guidance – Total ADP (continued)

Contribution from client funds extended investment strategy expected to be \$50 - \$60 million lower than a year ago

- **Revenues**

- ~0.5 percentage point drag in FY14

- **Pretax Margin**

- 70 to 80 basis point drag in FY14

- **Diluted EPS from Continuing Operations**

- Negative impact of \$0.07 – \$0.08, or 2% to 3%, in FY14



Thank You

