



1Q Fiscal 2018 ADP Earnings Call & Webcast

November 2, 2017



Forward Looking Statements

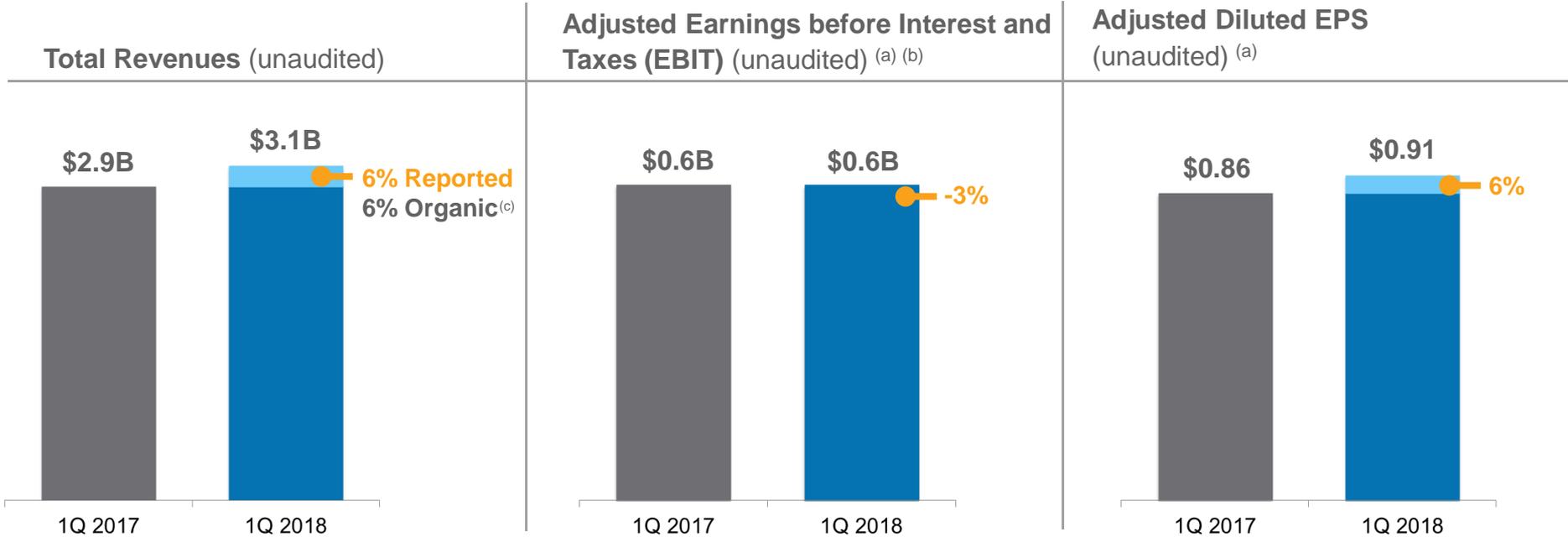
This presentation and other written or oral statements made from time to time by ADP may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical in nature and which may be identified by the use of words like “expects,” “assumes,” “projects,” “anticipates,” “estimates,” “we believe,” “could” “is designed to” and other words of similar meaning, are forward-looking statements. These statements are based on management’s expectations and assumptions and depend upon or refer to future events or conditions and are subject to risks and uncertainties that may cause actual results to differ materially from those expressed. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements or that could contribute to such difference include: ADP’s success in obtaining and retaining clients, and selling additional services to clients; the pricing of products and services; compliance with existing or new legislation or regulations; changes in, or interpretations of, existing legislation or regulations; overall market, political and economic conditions, including interest rate and foreign currency trends; competitive conditions; our ability to maintain our current credit ratings and the impact on our funding costs and profitability; security or privacy breaches, fraudulent acts, and system interruptions and failures; employment and wage levels; changes in technology; availability of skilled technical associates; and the impact of new acquisitions and divestitures. ADP disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. These risks and uncertainties, along with the risk factors discussed under “Item 1A. - Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2017 should be considered in evaluating any forward-looking statements contained herein.

CEO's Perspective

- Solid first quarter revenue growth of 6% with adjusted diluted EPS growth of 6% in the quarter
- Quarterly retention improvement of 160 basis points
- Robust PEO performance with 14% revenue growth and 10% growth in average Worksite Employees
- Continued investments in innovation, service, and distribution
- Subsequent to quarter-end, announced acquisition of Global Cash Card



1Q Fiscal 2018 Financial Highlights



(a) "Adjusted" results exclude charges/reversals related to Service Alignment Initiative during both fiscal 2017 and fiscal 2018, and charges associated with proxy contest matters during fiscal 2018 and certain other items described on slide 9. See appendix for reconciliation of non-GAAP financial measures to their comparable GAAP measures.

(b) Adjusted EBIT performance measures include interest income earned on investments associated with our client funds extended investment strategy and interest expense on borrowings related to our client funds extended investment strategy. We believe these amounts to be fundamental to the underlying operations of our business model. Our calculation of adjusted EBIT may differ from similarly titled measures used by other companies.

(c) "Organic" growth rates exclude foreign currency translation, the results of our fiscal 2017 acquisitions until their one year anniversary and the results of the CHSA and COBRA businesses which were disposed of in fiscal 2017. See supplemental schedule to the earnings release for the reconciliation of organic growth rates to reported growth rates.



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1Q Fiscal 2018 New Business Bookings and Segment Results

 Worldwide New Business Bookings	 Employer Services	 PEO Services
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- ↓ 3% compared with Q1 FY17 representing annualized recurring revenues anticipated from new orders

- Revenues ↑ 2% Reported
↑ 3% Organic ^(a)
- Client revenue retention
↑ 160 basis points
- U.S. pays per control ↑ 2.4%
- Average client funds balances ↑ 6%
- Margin ↓ 110 basis points

- Revenues ↑ 14%
- Average worksite employees paid
↑ 10% to 484,000
- Margin ↓ 60 basis points

(a) "Organic" growth rates exclude the results of our fiscal 2017 acquisitions until their one year anniversary and the fiscal 2017 results of the CHSA and COBRA businesses which were disposed of in fiscal 2017. See supplemental schedule to the earnings release for the reconciliation of organic growth rates to their comparable reported growth rates.

Fiscal 2018 Outlook



Revenues

↑ **6% - 8% Reported** ^(a)

- ES Revenue ↑ 4% - 5% ^(a)
- PEO Revenue ↑ 11% - 13%



Margin Expansion

Adjusted EBIT Margin ^(b)

↓ **50 - 25 basis points**

- Expected to be below forecasted range in 1H and above range in 2H
- ES Margin ↓ 75 - 50 basis points
- PEO Margin ↑ 25 - 50 basis points



Adjusted Diluted EPS ^(b)

↑ **5% - 7%**

- Expected to be below forecasted range in 1H and above range in 2H



Worldwide New Business Bookings

↑ 5% - 7% compared to \$1.65 billion sold in fiscal 2017



U.S. Pays per Control

↑ ~2.5% compared to 2.4% increase in fiscal 2017



Adjusted Effective Tax Rate ^(b)

↑ 31.7% from 30.9% in fiscal 2017

(a) Revenue growth includes about a one percentage point impact from the Global Cash Card acquisition

(b) "Adjusted" results exclude the gain on the sale of CHSA and COBRA businesses in fiscal 2017, charges/reversals related to the Service Alignment Initiative during fiscal 2017 and fiscal 2018, reversals related to the Workforce Optimization Effort in fiscal 2017, and charges related to proxy contest matters in fiscal 2018. See appendix for reconciliation of non-GAAP financial measures to their comparable GAAP measures.



Appendix



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Client Funds Portfolio Extended Investment Strategy

- Average Client Funds Balances ↑ ~3% from \$23.0 billion in FY17 compared to the prior forecast of ↑ 2% to 3%
- Yield on the Client Funds Portfolio ↑ ~20bps compared to 1.7% in FY17
- Client Funds Interest Revenue ↑ \$45 to \$55 million from \$397 million in FY17 compared to the prior forecast of ↑ \$40 to \$50 million
- Impact from Extended Investment Strategy ↑ \$35 to \$45 million from \$431 million in FY17 compared to the prior forecast of ↑ \$30 to \$40 million

	FY18 Forecast		
	Average Balance	Average Yield	Client Funds Interest
Client Short	\$4.5 – 4.6B	~1.2%	~\$50M
Client Extended	~10.1B	~1.8%	185 – 190M
Client Long	9.0 – 9.1B	2.3% – 2.4%	210 – 215M
Total Client Funds	\$23.6 - \$23.8B	~1.9%	\$445 - 455M (a)
Corporate Extended Interest Income	3.2 – 3.3B	~1.8%	~60M (b)
Borrowing Days Interest Expense	3.2 – 3.3B	~1.3%	~(40)M
FY18 Net Impact From Client Funds Extended Investment Strategy			\$465 - 475M

Interest on the Extended Portfolio flows into two separate sections of the Statements of Consolidated Earnings.

(a) Reported as Interest on Funds Held for Clients in the revenue section of the Statements of Consolidated Earnings.

(b) A component of Interest Income on Corporate Funds, reported within Other Income, net, on the Statements of Consolidated Earnings.

GAAP Reconciliations

In addition to our GAAP results, we use the adjusted results and other non-GAAP metrics set forth in the table below to evaluate our operating performance in the absence of certain items and for planning and forecasting of future periods:

Adjusted Financial Measure	U.S. GAAP Measures	Adjustments/Explanation
Adjusted EBIT	Net earnings	<ul style="list-style-type: none"> - Provision for income taxes - All other interest expense and income - Gains/losses on non-operational transactions such as sales of businesses and assets - Certain restructuring charges - Non-operational costs related to proxy contest matters
Adjusted diluted earnings per share	Diluted earnings per share	See footnotes (a),(b) and (c) on page 10 EPS impacts of: <ul style="list-style-type: none"> - Gains/losses on non-operational transactions such as sales of businesses and assets - Certain restructuring charges - Non-operational costs related to proxy contest matters
Adjusted effective tax rate	Effective tax rate	See footnote (b) and (c) on page 10 Tax impacts of: <ul style="list-style-type: none"> - Gains/losses on non-operational transactions such as sales of businesses and assets - Certain restructuring charges - Non-operational costs related to proxy contest matters
Constant dollar basis	U.S. GAAP P&L line items	Determined by calculating the current year result using foreign exchange rates consistent with the prior year
Organic revenue growth	Revenues	<ul style="list-style-type: none"> -Impact of acquisitions -Impact of dispositions -Impact of foreign currency translation
Corporate extended interest income	Interest income	-All other interest income
Corporate interest expense-short-term financing	Interest expense	-All other interest expense

We believe that the exclusion of the identified items helps us reflect the fundamentals of our underlying business model and analyze results against our expectations, against prior period, and to plan for future periods by focusing on our underlying operations. We believe 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 management and improves their ability to understand and assess our operating performance. The nature of these exclusions are for specific items that are not fundamental to our underlying business operations. Since these adjusted financial measures and other non-GAAP metrics are not measures of performance calculated in accordance with U.S. GAAP, they should not be considered in isolation from, as a substitute for, or superior to their U.S. GAAP measures, and they may not be comparable to similarly titled measures at other companies.

GAAP Reconciliations

(Continuing Operations, \$ in millions, except per share data)

	1Q FY18	1Q FY17	% Change	
			As Reported	Constant Dollar
Net earnings	\$401.5	\$368.7	9%	8%
Provision for income taxes	146.7	160.0		
All other interest expense ^(a)	15.0	15.0		
All other interest income ^(a)	(6.3)	(4.8)		
Service Alignment Initiative ^(b)	(3.3)	39.9		
Proxy contest matters ^(c)	10.5	-		
Adjusted EBIT	\$564.1	\$578.8	(3%)	(3%)
Adjusted EBIT Margin	18.3%	19.8%		
Diluted EPS	\$0.90	\$0.81	11%	11%
Service Alignment Initiative ^(b)	-	0.05		
Proxy contest matters ^(c)	0.01	-		
Adjusted diluted EPS	\$0.91	\$0.86	6%	6%

(a) We include the interest income earned on investments associated with our client funds extended investment strategy and interest expense on borrowings related to our client funds extended investment strategy as we believe these amounts to be fundamental to the underlying operations of our business model. These adjustments in the table above represent the interest income and interest expense that is not related to our client funds extended investment strategy and are labeled as "All other interest expense" and "All other interest income".

(b) The majority of charges relating to our Service Alignment Initiative represent severance charges. Severance charges/(reversals) have been taken in the past and not included as an adjustment to get to adjusted results. Unlike severance charges in prior periods, these specific charges relate to our broad-based, company-wide Service Alignment Initiative.

(c) Represents non-operational costs related to proxy contest matters.

Fiscal 2018 Outlook - GAAP Reconciliations

(Continuing Operations, \$ in millions)

	Twelve Months Ended June 30, 2017		Fiscal 2018 Forecast
Earnings before income taxes / margin (GAAP)	\$2,531.1	20.4%	~(190) – (165)bps
All other interest expense ^(a)	59.3	+50bps	-
All other interest income ^(b)	(22.4)	(20)bps	-
Gain on sale of businesses – 2Q F17 ^(c)	(205.4)	(170)bps	+170bps
Workforce Optimization Effort – 4Q F17 ^(d)	(5.0)	(5)bps	+5bps
Service Alignment Initiative – F17 ^(e)	90.0	75bps	(75)bps
Service Alignment Initiative – F18 ^(f)	-	-	+20bps
Proxy contest matters – F18 ^(g)	-	-	+20bps
Adjusted EBIT margin (Non-GAAP)	\$2,447.6	19.8%	~(50) – (25)bps
Effective tax rate (GAAP)		31.5%	31.5%
Gain on sale of businesses – 2Q F17 ^(c)		(0.9%)	-
Workforce Optimization Effort – 4Q F17 ^(d)		(0.0%)	-
Service Alignment Initiative – F17 ^(e)		+0.4%	-
Service Alignment Initiative – F18 ^(f)		-	+0.1%
Proxy contest matters – F18 ^(g)		-	+0.1%
Adjusted effective tax rate (Non-GAAP)		30.9%	31.7%

(a) No material impact is expected from change in all other interest expense in fiscal 2018.

(b) No material impact is expected from change in all other interest income in fiscal 2018.

(c) Second quarter fiscal 2017 impact from gain on the sale of CHSA and COBRA businesses.

(d) Fourth quarter fiscal 2017 impact of Workforce Optimization Effort adjustment is a reversal of the fiscal 2016 estimate and is not expected to recur in fiscal 2018. The majority of charges relating to Workforce Optimization Effort represent severance charges. Severance charges have been taken in the past and not included as an adjustment to get to adjusted results. Unlike severance charges in prior periods, these specific charges relate to our broad-based, company-wide Workforce Optimization Effort.

(e) Fiscal 2017 charges in connection with the Service Alignment Initiative.

(f) Expected impact of Fiscal 2018 charges in connection with Service Alignment Initiative.

(g) Expected impact of Fiscal 2018 charges in connection with proxy contest matters.



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Fiscal 2018 Outlook - GAAP Reconciliations

(Continuing Operations)

	Twelve Months Ended June 30, 2017		Fiscal 2018 Forecast
Diluted EPS (GAAP)	\$3.85	18%	(1)% - 1%
Gain on sale of businesses – 2Q F17 ^(a)	(0.27)	(7%)	+7%
Workforce Optimization Effort – 4Q F17 ^(b)	(0.01)	(0%)	+0%
Service Alignment Initiative – F17 ^(c)	0.12	+3%	(3%)
Service Alignment Initiative – F18 ^(d)	-	-	+1%
Proxy contest matters – F18 ^(e)	-	-	+1%
Adjusted diluted EPS (Non-GAAP)	\$3.70	13%	5% - 7%

(a) Second quarter fiscal 2017 impact from gain on the sale of CHSA and COBRA businesses.

(b) Fourth quarter fiscal 2017 impact of Workforce Optimization Effort adjustment is a reversal of the fiscal 2016 estimate and is not expected to recur in fiscal 2018. The majority of charges relating to our Workforce Optimization Effort represent severance charges. Severance charges have been taken in the past and not included as an adjustment to get to adjusted results. Unlike severance charges in prior periods, these specific charges relate to our broad-based, company-wide Workforce Optimization Effort.

(c) Fiscal 2017 charges in connection with the Service Alignment Initiative.

(d) Expected impact of Fiscal 2018 charges in connection with Service Alignment Initiative.

(e) Expected impact of Fiscal 2018 charges in connection with proxy contest matters.

ADP Fiscal 2018 Guidance History

	11/2/17 Forecast ^(a)	7/27/17 Forecast ^(b)
Total ADP		
Revenues	↑ 6% - 8% Reported	↑ 5% - 6% Reported
Adj. EBIT Margin ^(c)	↓ 50 - 25 bps	↓ 50 - 25 bps
Adj. Effective Tax Rate ^(c)	↑ Increase to 31.7%	↑ Increase to 33.0%
Adj. Diluted EPS ^(c)	↑ 5% - 7%	↑ 2% - 4%
Employer Services (ES)		
Revenues	↑ 4% - 5%	↑ 2% - 3%
Margin	↓ 75 - 50 bps	↓ 75 - 50 bps
Pays per Control	↑ ~2.5%	↑ ~2.5%
PEO Services		
Revenues	↑ 11% - 13%	↑ 11% - 13%
Margin	↑ 25 - 50 bps	↑ 25 - 50 bps
Worldwide New Business Bookings		
	↑ 5% - 7%	↑ 5% - 7%

(a) Forecast contemplates the anticipated impacts of the disposition of COBRA and CHSA businesses and Global Cash Card acquisition in revenue and operating results.

(b) Forecast contemplates the anticipated impacts of the disposition of COBRA and CHSA businesses.

(c) "Adjusted" results exclude the gain on the sale of CHSA and COBRA businesses in fiscal 2017, charges related to Service Alignment Initiative during fiscal 2017 and fiscal 2018, reversals related to the Workforce Optimization Effort in fiscal 2017 and charges related to proxy contest matters in fiscal 2018. See appendix for reconciliation of non-GAAP financial measures to their comparable GAAP measures.



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